





— TS Philosophy —

## Beliefs

“Due regard for human resources”    A “company welcomed with joy”

## Company Principle

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

## Management Policies

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

Conceptual Overview of TS TECH's CSR



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### Editorial Policy: Publication of TS TECH Report

The TS TECH Group has issued this new *TS TECH Report* by integrating the annual reports and environmental reports that it previously published, reorganizing them from the perspective of corporate social responsibility (CSR).

The Group is carrying out a variety of activities and initiatives in terms of the economy, the environment, and society in order to be a “Company Welcomed with Joy.” This report is issued with the purpose of fulfilling the Group’s accountability in these regards. It is also a part of a commitment to “Build a corporate structure with advanced CSR characteristics,” which is one of the measures in the 11th Medium-Term Management Plan (April 2011 to March 2014).

In editing this report, reference was made to ISO 26000, the international standard for social responsibility, which was published in November 2010.

#### Scope of the report

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

#### Period covered by TS TECH Report

In principle, this report covers the period from April 1, 2011, to March 31, 2012, but it may include coverage of activities before or after that period.

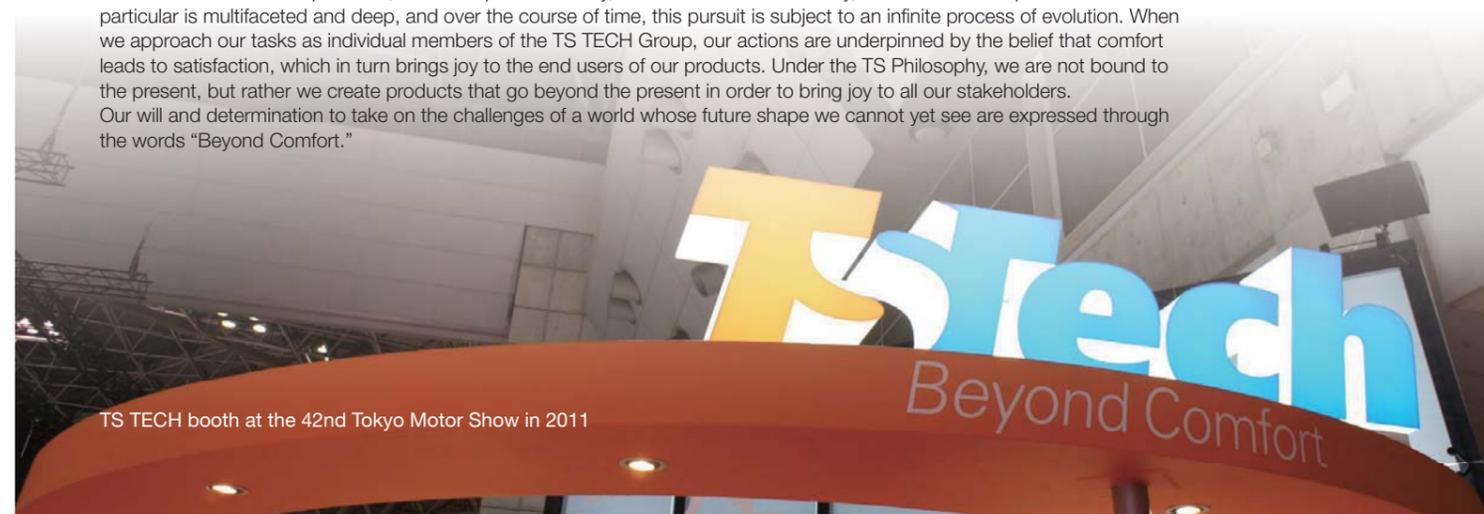
#### Disclaimer

This report contains forward-looking statements of TS TECH Co., Ltd., pertaining to plans, forecasts, strategies, and results. These forward-looking statements are based on currently available information, and actual results may vary significantly from the forward-looking statements contained in this report due to a range of variable factors.

### Corporate Message

# Beyond Comfort

In the manufacture of its products, TS TECH pursues safety, environmental sustainability, and comfort. The pursuit of comfort in particular is multifaceted and deep, and over the course of time, this pursuit is subject to an infinite process of evolution. When we approach our tasks as individual members of the TS TECH Group, our actions are underpinned by the belief that comfort leads to satisfaction, which in turn brings joy to the end users of our products. Under the TS Philosophy, we are not bound to the present, but rather we create products that go beyond the present in order to bring joy to all our stakeholders. Our will and determination to take on the challenges of a world whose future shape we cannot yet see are expressed through the words “Beyond Comfort.”



TS TECH booth at the 42nd Tokyo Motor Show in 2011

## Introduction

# Aspiring to Excellence in CSR

TS TECH has established the “TS Philosophy,” which comprises the Company’s beliefs, principles, and management policies. As we strive for continued future growth and development, it is as an important shared philosophy through which we aim to make a social contribution and realize the happiness of the Group’s employees.

The Group’s CSR involves continuously supplying safe and comfortable products, expanding our earnings and contribution to society while conducting business operations that maintain a balance between economic, social, and environmental considerations, and working to realize the TS Philosophy.

We are grateful for this opportunity to present information to readers around the world, encompassing not only the TS Philosophy but also such key issues as corporate governance and compliance and many of the programs and measures we undertake through our own initiative. How will readers appraise our structures and efforts? At the same time, how will employees of the Group—in Japan and globally—assess the content of this report? By receiving accurate feedback from within and outside the Group, we believe that a dialogue with many different stakeholders is possible. Hence, we very much look forward to hearing your opinions and requests in relation to this report.

While engaging in this dialogue, we will continue to aspire to excellence in CSR.



President

## A Message from the President

# Interview



### Overcoming Natural Disasters and Making Progress in Strengthening Our Platform for Global Competitiveness

After overcoming such large-scale natural disasters as the Great East Japan Earthquake and flooding in Thailand, we are making steady progress on our journey to realize our goal of “Best component competitiveness in the world” under the Group’s 2020 Vision, “Innovative Quality Company.”

**Q Please provide an overview of conditions in the global automobile market and explain your approach to future growth.**

Although developed countries are exhibiting market maturity, we believe that the global automobile market still has ample growth potential, particularly driven by such emerging markets as China and India, where we see rising demand for entry-level models. There are market forecasts that predict annual production volume to top 100 million units within a few years, hence the potential for automotive component manufacturers is also great.

However, competition in the automotive components market is becoming ever more fierce, and it will be impossible to win against harsh competition unless we make the shift from a globally optimized structure toward a regionally optimized one, including through the development and production of products with different specifications to meet local needs in each market.

Meanwhile, automobile manufacturers are aggressively pursuing research and development (R&D) programs for next-generation vehicles, particularly in such areas as hybrid vehicles and electric vehicles. For example, trends may emerge in which automobile manufacturers move away from engine, transmission, and exhaust system components toward electrical components, such as batteries and motors. Hence, for component manufacturers, it may be seen as a tumultuous period. Although we do not foresee a shift away from seats in the automobile market, to secure further growth it

will be necessary to focus on the development of interior products that respond to the needs of next-generation vehicles, including through safety technologies, weight reduction, and low cost.

**Q Please summarize the Company’s operating performance in the fiscal year ended March 31, 2012.**

The fiscal year ended March 31, 2012, saw our operations buffeted by adverse conditions on an unprecedented scale, including a series of natural disasters and extremely high appreciation of the yen. Our consolidated operating results were affected by a reduction in the unit volume of orders from our main customers owing to the aforementioned natural disasters as well as the impact of exchange rates. As a result, on a consolidated basis, net sales amounted to 305,483 million yen, a decrease of 14.5% compared with the previous fiscal year, and operating income declined 53.4%, to 9,401 million yen. Ordinary income totaled 10,928 million yen, a decrease of 49.2% compared with the previous fiscal year. Net income amounted to 4,713 million yen, a decrease of 59.9% compared with the previous fiscal year.

Although the Great East Japan Earthquake and flooding in Thailand had a serious impact on manufacturing activities worldwide, even in a situation of irregular production, the fact that no quality problems occurred may be attributed to the smooth functioning of our global management structure.



**Q What progress have you made in the 11th Medium-Term Management Plan?**

The fiscal year ended March 31, 2012, was the initial year of our 11th Medium-Term Management Plan, under which we are pursuing three key policies: (1) Strengthen QCDDM\* competitiveness; (2) Build a corporate structure with advanced CSR characteristics; and (3) Build an infrastructure of "people" who can compete globally. In the fiscal year under review, we implemented the following specific measures in accordance with the plan.

\*QCDDM: Refers to quality, cost, development, delivery, and management

**•Strengthening Our Foundations to Better Compete in the Global Arena**

To reinforce our regional management control structure and ensure that it is fully attuned to a multipolar world, we expanded sales, development, and purchasing functions in North America, South America, China, Asia, and Europe. We increased the number of staff sent from Japan to work in these regions and focused on the following specific measures:

- Sales: Strengthening local sales capabilities
- Development: Strengthening local development capabilities to meet local and customer needs
- Purchasing: Building a globally optimized value chain

**•Strengthening Our Organizational Structure to Acquire New Customers**

With the aim of further strengthening sales activities for acquiring new customers, we upgraded the Business Development Office, which was newly established in April 2011, to become the Business Development Department from April 2012.

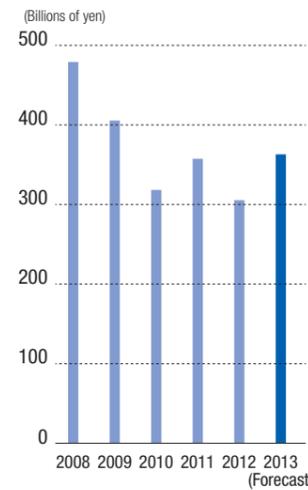
**•Developing New Technology (New Types of Frames for Automobile Seats) to Enhance Component Competitiveness**

To enhance component competitiveness, we commercialized new types of frames for automobile seats that achieve lower cost while providing better safety and lightweight characteristics. We plan to progressively switch to these frames, beginning with the Honda CIVIC and CR-V.

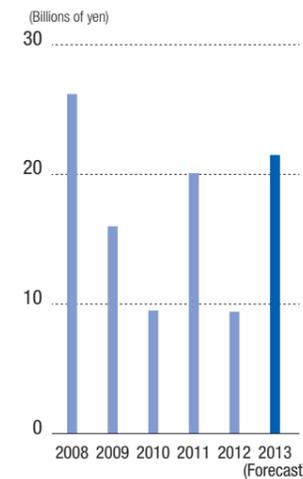
**Q Please outline your dividend policy and your forecasts for the fiscal year ending March 31, 2013.**

The TS TECH Group recognizes shareholder return as an important management issue. For the fiscal year ended March 31, 2012, in consideration of earnings trends and the need to retain internal reserves sufficient to strengthen the Group's foundations, we implemented a year-end cash

**Net Sales**



**Operating Income**



dividend of 12.00 yen per share. Combined with the interim cash dividend of 12.00 yen per share, this resulted in total cash dividends of 24.00 yen per share applicable to the fiscal year under review.

For the fiscal year ending March 31, 2013, we anticipate a resumption of production following recovery from the flooding in Thailand and an increase in the unit volume of orders from main customers. Consequently, on a consolidated basis, we forecast net sales of 363,000 million yen (up 18.8%), operating income of 21,500 million yen (up 128.7%), ordinary income of 23,000 million yen (up 110.5%), and net income of 12,500 million yen (up 165.2%).

The cash dividend forecast for the fiscal year ending March 31, 2013, is 28.00 yen per share, comprising interim and year-end cash dividends of 14.00 yen per share each.

**Q Please explain the ideas underpinning "Beyond Comfort"—the corporate message you launched in 2011.**

The word "Beyond" incorporates the idea of "going beyond the present." Although the Group has to date pursued automobile seat development and manufacturing while focusing on safety, environment-friendliness, and comfort, our desire to "take on challenges that are not simply an extension of what we have always done but rather seek to go one step ahead without being bound to the present" is included in the phrase "Beyond Comfort." It also conveys our commitment to transform the previous "one-global-specification" method of operations into a system that produces products suited to the particular needs of each operating location worldwide, while not being restricted by conventional ideas. In the decade from 2001–2010,

we pursued our vision of a "Good Quality Company." While principally remaining focused on further enhancing product quality, I believe that we made substantial progress over this 10-year period. For the decade from 2011–2020, we are striving toward our 2020 Vision, "Innovative Quality Company," and I want us to generate value that goes beyond comfort.

We are already communicating these ideas within and outside the Group. In September 2011, we organized a forum on the theme of "sitting," which included a panel discussion by experts from various fields along with engineers from the TS TECH Group. At the 42nd Tokyo Motor Show held in December 2011, we presented the Group's insights on the future of "sitting," based on the concept of "Touch "Za (sitting)" Dream." We plan to continue regularly holding these types of programs, and hope that as many stakeholders as possible will gain a better understanding of the Group's ideas.

**Q The publishing of this report is likely to bring an expansion in readership. What is your message for those who are reading a TS TECH report for the first time?**

As a global company, we face the world while striving for further growth, and are gaining a robust understanding of a diverse range of issues. At the same time, we are constantly making progress toward our goal of becoming a "Company Welcomed with Joy." I look forward to your appraisal of TS TECH based on an understanding of the Group's business activities and programs, including CSR.



At the 42nd Tokyo Motor Show in 2011, TS TECH exhibited its concept of the future of sitting, titled "Touch Za (sitting) Dream."



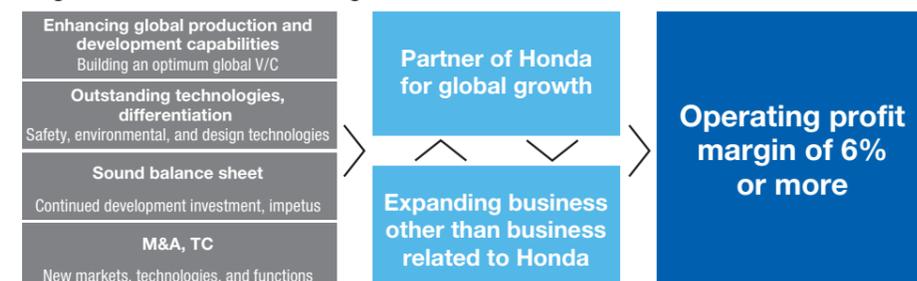
TS TECH organized a forum to discuss the future of "sitting" in which experts from various fields participated in a panel discussion.

**11th Medium-Term Management Plan (April 2011 to March 2014)**

**Evolution as a Global Company**



**Targets in 11th Medium-Term Management Plan**



# Chapter 1 Striving to be a “Company Welcomed with Joy”



**TS TECH’s CSR involves striving to become a “Company Welcomed with Joy” and encompasses a wide variety of policies and programs that aim to realize this goal.**



Relax Seat



Intelligence Seat



First-Class Seat for Motorcycles

## Attractive Products

### Creating “attractive products” through continuous innovation in technology development

**Masanari Yasuda**, Director, Executive General Manager of the Development and Engineering Division

In the global automobile market characterized by diverse needs, TS TECH aims to create “attractive products.” In this chapter, in addition to featuring an interview with the Executive General Manager of the Development and Engineering Division, who deals with leading-edge R&D, we talk to a large-project leader (LPL) and other key members involved in the successful development of new-model seats for Honda Motor Co., Ltd.’s new CR-V. We also introduce some of the technology used in TS TECH’s motorcycle seats.

## Interview



### Creating Attractive Products that Will Delight End Users is an Essential Part of CSR

By generating further original technologies focusing on the three domains of safety, environment-friendliness, and product attractiveness, we aim for product development that will put us at the forefront of global competition.

#### Q Please provide an overview of the structure of the Development and Engineering Division.

The Development and Engineering Division comprises eight departments. The responsibilities of each department are clearly defined, with functions divided into “R-Development” (elemental technology development) and “D-Development” (new model development).

Within R-Development, centered on the New Product Development Department, we conduct research under some 30 themes, including safety, comfort, and attractiveness. Under D-Development, led by the Model LPL Department, enhanced verification by each department has enabled us to substantially reduce the number of design-change cycles for each model, which had previously run to several hundred cycles. Hence, we have realized a high level of efficiency in the new model development process.

At present, to reduce the number of prototype samples, we are pursuing “non-physical development” driven by computer-aided engineering (CAE)-based analysis.

By adopting such systems, all parts of our operations are able to progress according to plan, and it is now possible to conduct R&D based on a long-term roadmap.

#### Q Please explain about the technical domains on which you focus to create attractive products.

Our R&D activities are focused on the three domains of safety, environment-friendliness, and product attractiveness.

With regard to safety, we have developed such technologies as head-on collision safety seats and an active headrest system, which absorbs the shock from collisions. We also meet the regulatory and assessment trends in countries worldwide at a high level.

In the area of environment-friendliness, as a means of contributing to the enhancement of automobile fuel efficiency, we are working to make our products lighter. For example, we are changing over to plastic seat frames and reducing the number

of components we use.

From the point of view of product attractiveness, we are engaged in various research that seeks to realize such concepts as “stress-free seats” in keeping with the Group’s corporate message of “Beyond Comfort.” Projects include research into a system that will support a user’s body during cornering by making the seat swell out, and collaborative research with academic institutions on systems to prevent drivers from falling asleep.

#### Q What is your view of CSR from the perspective of the Development and Engineering Division?

For our division, I believe that CSR means applying strenuous efforts to creating attractive products, which will bring enjoyment to as many end users as possible.

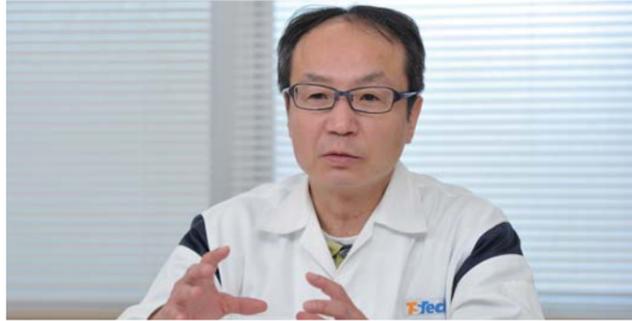
To achieve this goal, we must respond to the needs of end users around the world. Hence, our overseas subsidiaries conduct surveys to identify the needs of end users in each region.

Based on these efforts, we are building product and component strategies to ensure that TS TECH is globally competitive in 10 years time. In this way, creating attractive products with features required by end users is closely related to CSR.

#### Q How are you responding to intensified global competition?

We are carefully looking at how we can optimize our systems in each region. We are also implementing a range of measures to ensure that we survive and prosper in a very competitive environment. This includes using common frames and complementary components across several models, as well as optimizing logistics between our production facilities and those of our customers. In the future too, we will continue striving to generate innovative, original technologies, as we aim to create attractive products that go beyond the expectations of our customers and end users worldwide.

## Large-Project Leader (LPL) Discusses the CR-V Project



**Masaharu Machii**, Model LPL, Model LPL Department Development and Engineering Division

**New CR-V**  
Equipped with seats developed by TS TECH

### Development of the New CR-V Seat, which Exceeded the Expectations of End Users

Development of the new CR-V seat was managed by a large-project leader (LPL), who coordinates and oversees project members in the various departments involved in product development and manufacturing. This interview explains the development process, which aims to realize TS TECH's corporate principle of becoming a "Company Welcomed with Joy."

#### Q What were the goals of the new CR-V seat development?

We aimed to create a seat that would meet the request from Honda Motor Co., Ltd. (hereafter "Honda") for a "very easy-to-use seat," which provides even greater comfort and convenience and safety than the second and third generation CR-V seat arrangement. To realize this goal, we adopted a project leader system that encompasses all departments and functions involved in a project—including sales, purchasing, development, quality, production, and Group facilities worldwide—and established a structure that aimed for product development exceeding Honda's expectations on all fronts.

As a result, the project successfully delivered two new technologies—the new one-motion double fold-down rear seat (hereafter "new rear seat") and active headrest mechanism-less seat (hereafter "new seat frame").

#### Q Please explain the special characteristics of the new rear seat.

Previously, stowing the seats required several operations. However, this new system provides a very easy-to-use arrangement that only requires a single maneuver.

For this new model, even greater user convenience was added through such features as the ability to operate the system from the rear seat door, including remote operation from the trunk.

To make the seat arrangement operation lighter, the system uses a damper. While the previous system required two dampers, for the new system, by modifying the adjustment range it became possible to operate the seat arrangement with ease using only one damper. The new mechanism's space-saving features provide an even larger luggage space.

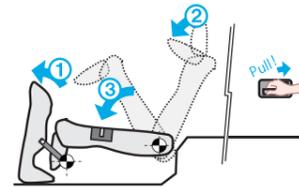
#### Q Please explain about the new seat frame.

Previously, the front seat headrest pushed out forward during a rear-end collision to support the user's neck. The new system is designed so that rather than making the headrest move, the collision sinks the seated person's body into the back of the seat, and their neck area is supported by being pushed into the headrest. Thanks to this design, there was no longer a need for the mechanism to move the headrest, enabling us to achieve a weight reduction of approximately 12% compared with the previous model. I believe that we were successful in enhancing the product's environmental performance through a weight reduction while maintaining neck-shock mitigation performance during rear-end collisions.

#### Q Which aspects of the development did you particularly struggle with?

The new rear seat uses a system whereby the headrest is folded down by using the force generated by flipping up the seat base

#### New One-Motion Double Fold-Down Rear Seat



By rotating the trunk lever (or pulling a strap beside the seat base) once, the entire seat arrangement movement is completed.



Members of the new CR-V seat development project team



The new CR-V seats

The seats provide comfort and convenience while also including a range of safety features.

to pull a cable, and the seat back is folded forward by also utilizing this force. This creates a flat space in the rear part of the vehicle interior. Although each part of the sequential mechanism is an evolution of the previously existing technology, since a malfunction in even one place will prevent the entire system from working, it was essential to employ a trial-and-error approach involving many design and testing cycles.

While it is a seat with a high degree of manufacturing difficulty, as a global model we undertook rigorous theoretical verification in the development area and then sent design drawings of the completed system to our facilities worldwide. This means the same quality and performance can be produced at any of our manufacturing facilities. By carrying out thorough verification to achieve uniform global quality, we directly paved the way for stable production.

#### Q In January 2012, you received Honda's "Award for Appreciation of Excellence" in the Development Category.

"The achievement of both weight reduction and safety technologies as well as low cost" in the new seat frame, along with the new rear seat "arrangement technology that realizes one-motion double fold-down with remote lever operation from the luggage compartment" were highly appraised. This was recognized by our first award in two years in the Development Category at Honda's 2012 New Year award ceremony for suppliers. From design through to production, all related departments in the Group worked

together closely to create the product, which meant we had a particularly high level of confidence in it. We have heard that it is winning significant praise in the market too. However, having received recognition through such a prestigious award from Honda, all of us involved in the project feel a renewed sense of purpose and are ready to once again take on the challenge of new model development.

#### Q By achieving uniform global quality, your level of contribution to Honda and end users has also increased.

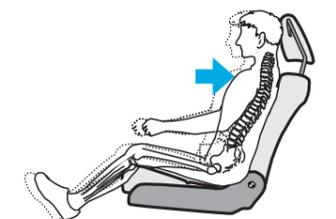
The project leaders and I have brought together various functions, and I think that the collaborative development structure we forged was a breakthrough. Amid the unique pressure of a global model, it was surely thanks to this structure that we were able to achieve successful development in just two years.

The seat we developed is currently being produced at four TS TECH manufacturing facilities (as of June 2012), and a formal decision has been made whereby the seat will eventually be manufactured at seven locations. There have been no reports from end users of any malfunctions, and I believe that we have achieved uniform global quality. In addition to the award received from Honda, we are extremely pleased that sales in the market are progressing so well that production is having difficulty in keeping up with demand. We plan to continue leveraging the project leader-based development structure, and will strive to create many more new products.

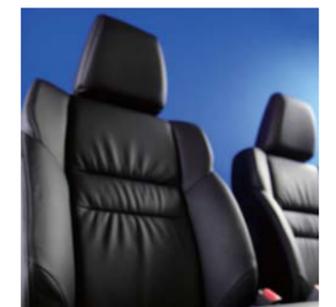
#### Active Headrest Mechanism-less Seat



Comparison with previous model  
Weight Approx. 12% decrease  
Cost Approx. 10% decrease



By making it easy for the user to sink into the seat back, posture changes are minimized.



The TS TECH Group is currently manufacturing seats for the new CR-V at its plants around the world.

## Representatives from Six Departments Discuss Being at the Frontline of the New CR-V Seat Development Project

For the new CR-V seat development project, representatives from six departments participated under LPL Masaharu Machii. The six members each recall the particular struggles their respective departments faced and the sequence of events leading to the project's ultimate goal.



**Toshio Sato,**  
Cost Planning Section,  
Cost Planning Department,  
Sales Division

### Achieved an Improved Local Procurement Ratio

For this project, we aimed to increase the local procurement ratio for raw materials. Ultimately, for a model that includes many new technologies, we were able to achieve robust results, including an improved local procurement ratio (including global procurement) even in the region that has the Group's lowest ratio. I think it is likely to become a benchmark development case as we strive to secure a stable supply of competitive components at each manufacturing location around the world—a critical factor for global models.

### Mass Production Using Innovative Technology

I think the greatest achievement of this development project is in the realization of mass production of a model that includes innovative technology. For the new rear seat, when the lever is operated once, the seat folds down frontward in three stages. The key issue was how smooth we could make the movement in the time-staggered sequential operation. We achieved a high level of success in addressing this issue, hence we were able to provide customers with comfortable, stress-free operation. I hope that we can utilize technologies we created during this project in future development, and I want to constantly aim to make seats that will bring joy to customers.



**Kazuya Aoki,**  
Experiment and Research  
Section, Development and Testing  
Department, Development and  
Engineering Division



**Takuro Yamada,**  
Design Section,  
Design Department,  
Development and  
Engineering Division

### Design of Advanced Mechanism through Trial and Error Bore Fruit

We struggled with the final seat packaging to go along with the design of the one-motion double fold-down system. We altered the frame design and repositioned many of the mechanisms as we aimed for the greatest possible level of seating comfort by searching for the best position. Since the front seat equipment specifications vary depending on the different needs of countries and regions, we exerted substantial efforts to meet global model requirements, and this was reflected in such tasks as the production of design drawings with more than 100 specifications.

### Development Under a Compressed Time Frame through Close Liaison Between Project Leaders

I played a coordination role in the development project, including coordinating the opinions of those involved in development among the project leaders. Despite the seat containing several new technologies, the product boasts a very high-quality finish. In particular, while operation of the rear seat arrangement is very easy and involves simple movements, the resulting product is packed with advanced, innovative technologies. I believe that the results generated in terms of many aspects—including comfort, convenience, and safety—underpin the high appraisal received from Honda and in the global marketplace.



**Yoshiyuki Shoji,**  
Materials Development Section,  
Development and Testing  
Department, Development and  
Engineering Division



**Takashi Ishizuka,**  
Collision Safety Section,  
Development and Testing  
Department,  
Development and  
Engineering Division

### Secured Safety through Numerous Testings

In the new seat frame, the most crucial aspect is ensuring adequate mitigation of shock even in the unexpected event of a rear-end collision. Within this, to achieve the optimal headrest frame shape for reducing neck shock we used a large amount of trial and error. Although it took many iterations of this process to reach the optimum design, I believe that in the end we were able to produce a seat structure that provides ample effectiveness.

### Realized Uniform Global Quality Based on Early Maturation of QCD\*1 at the Mother Plant

For this project, with the aim of achieving early QCD maturation—originating from the Saitama Plant for deployment at five manufacturing locations around the world—we gathered managers from each overseas plant in Japan simultaneously for the first time. We used this opportunity to provide explanations of the equipment and jig needed to ensure the level of quality demanded by the customer as well as guidance on ASSY\*2 procedures and key points in managing the equipment. We also conducted peer group sessions on improved tools for difficult processes. Furthermore, we were also able to share up-to-the-minute information, including responses to defects encountered in Japan at initial setup confirmation events. I believe that these preparations paid off by contributing to the smooth start-up of production lines at each overseas plant. I think that the joint verification meeting held on this occasion involving plants worldwide will become a valuable success template for achieving uniform global quality in global models.



**Kenji Tanaka,**  
Production Engineering Section,  
Production Department, Saitama  
Plant, Manufacturing Division

\*1: QCD refers to "quality, cost, and delivery."  
\*2: ASSY is an abbreviation of Assembly, and it refers to component units.

## As a Top Manufacturer of Motorcycle Seats

TS TECH is also the largest manufacturer of motorcycle seats in Japan, supplying seats to all Japanese motorcycle manufacturers. At present the TS TECH Group is continuing to approach R&D for motorcycle seats from various angles, in order to support a comfortable driving experience. Below is an overview of some of the technologies the Company makes use of.

### Heat-Resistant Motorcycle Seats

#### Making touring more comfortable

All motorcycle riders have had the experience of returning to a parked bike and being unable to sit on the seat because it had been under the sun for too long and got too hot. The TS TECH Group has solved this problem by developing heat-resistant motorcycle seats as part of its efforts to realize more comfortable and fun motorcycle touring.

The surface temperature of a conventional seat rises because the seat cannot completely reflect infrared light, which causes accumulation of heat in the cover material. The seats TS TECH has developed, on the other hand, allow infrared light to pass through the cover material and diffuse within the urethane interior, thereby keeping the surface temperature down.

TS TECH exhibited these heat-resistant seats at the 42nd Tokyo Motor Show in 2011 and is now expanding efforts to introduce them to motorcycle manufacturers with the aim of going into mass production.

### Real Stitching

#### Creating the appearance of real stitching

Visual beauty is an important element in ensuring that the TS TECH Group can offer an appealing product to users. The Group conducts research into materials and processing technologies so that it can continue to improve the "finish quality," which requires a variety of different technologies. "Finish quality," which entails a thorough understanding of the characteristics of materials, such as cloth and leather, and the combination of expert processing technologies are used for wrinkle-processing technologies and "real stitching." Wrinkle-processing technology results in a beautiful gather in automobile seat leathers and the "real stitching" that is utilized for motorcycle seats. By transferring and reproducing the appearance of stitching and patterns in the surface of a single seat cover, TS TECH is able to create realistic "stitching" that looks just like the real thing. This improves the "finish quality" of motorcycle seats, by allowing a greater amount of design freedom, and also helps to make the seat more durable, by preventing water from penetrating into the seat interior.



First-Class Seat for Motorcycles

## Due Regard for Human Resources

### A Management Philosophy that Prioritizes “Due Regard for Human Resources”

**Yoshitaka Nakajima**, Director, Executive General Manager of the Corporate Administration Division

One of the core principles of TS TECH’s management philosophy is “due regard for human resources.” We believe that people are the decisive factor driving a company’s success, and our focus on people reflects our desire to be a long-lasting company. Amid the automobile industry’s shift away from operating structures that are optimized on a global basis toward those optimized on a regional basis, we hear from the Executive General Manager of the Corporate Administration Division, who is also a director of the Company, the General Manager of the Human Resources and Administration Department, and young TS TECH employees regarding the Group’s efforts in building an infrastructure for turning out human resources capable of competing from a “Glocal” (a fusion of “global” and “local”) perspective.

## Interview

### “Due Regard for Human Resources” is Essential to Sustainable Development

In striving for sustainable development, the TS TECH Group respects the roles and responsibilities of each of its business units and employees while fusing global and local elements to nurture human resources capable of competing in any country.

#### Q What does “due regard for human resources” mean to you?

A company that does not value people will not survive for long. In 2010, TS TECH celebrated its 50th anniversary, but to ensure that we reach our 80th and 100th anniversaries, we are pursuing management while focusing closely on “due regard for human resources” as a core principle shared across the Group.

Of course, to generate profits, we need to ensure that fixed costs are maintained at an appropriate level, but I think it is important first to recognize the importance of employment security. Each employee has his or her own role to play, and collectively it is the employees that are the source of the Group’s strength. Our corporate culture is based on giving mutual recognition and respect and passionately fulfilling our roles while pursuing our dreams. We must value that culture. To do so, I want all of our staff—not just Japanese but local staff overseas too—to each maintain a strong sense of individual purpose.

For this reason, I believe that it is important to manage the organization so that employees can keep a high level of motivation and work as a united team to build a bright and enjoyable future.

#### Q Please explain what you mean by “due regard for human resources” that strives for globally sustainable development.

TS TECH commenced its overseas operations in 1977, and we have built a structure that currently spans 12 countries and 35 subsidiaries. Up to now, Japan has had the role of the “mother ship,” transferring technology and human resources to each operating location. However, amid the automobile industry’s shift away from operating structures that are optimized on a global basis toward those optimized on a regional basis, it is becoming even more crucial than ever to have a sound grasp of local needs. In other words, within the process of shifting from a structure based around a single global product specification to one based on vehicle models optimized for each region, one of the most important keys to success is how a

company invests its management resources.

At present, although we are increasing the number of staff sent from Japan to work at overseas operations, in addition to training and supplying globally capable staff from Japan we are also simultaneously promoting local human resources development overseas. We believe that it is necessary to achieve a good balance between these two approaches. We are starting off by first of all developing employees with a strong sense of individual purpose who are capable of competing in any country. In human resources in Japan, we often talk of people with “T-shaped” skill sets—the vertical part of the “T” representing specialist skills and the horizontal part representing generalist skills. I believe that we can raise the Group’s competitiveness and develop global human resources capable of competing anywhere in the world by nurturing a diverse array of “T-shaped” skill combinations.

#### Q How are you responding to the need for greater diversity and internationalization?

In responding to increasing diversity, while being inclusive of many factors—nationality, gender, and disability, for example—I think the way we express “TS TECH within society” is also very important. As a specific example, in 2012 we launched in Japan the TS Women’s Committee, which has begun working on measures to improve the working environment for women and make it easier for women to excel. We are prepared to modify, as need be, our personnel system and establish new structures. Overseas, I think it will be imperative to develop working environments that are adapted to the work values and cultures of each particular country. Under the 11th Medium-Term Management Plan, these activities aim to address such issues on a medium- to long-term basis.

To promote internationalization as part of further global expansion, we must cultivate people so that everyone who works in the Group can share the TS philosophy and is able to understand it as well as put it into practice. The most important thing is for all employees at various TS TECH workplaces around the world to share the same expectations.

## General Manager of the Human Resources and Administration Department Discusses What is Needed to Nurture People Who Will Thrive in the Global Arena



**Tetsuya Harada**, General Manager of the Human Resources and Administration Department

### Nurturing Global Human Resources Able to Compete on the World Stage

One of the three key corporate policies being implemented under the 11th Medium-Term Management Plan is “Build an infrastructure of “people” who can compete globally.” Hence, as a truly global company we are focused on nurturing global human resources able to compete on the world stage. Here, I would like to explain some of our specific measures.

**Q** What do you mean by “global human resources?”

In a nutshell, this means people who can thrive anywhere in the world. “Global” is about going to places where the environment is different. While we should of course apply the TS Philosophy, this also means that we need to have a sense of balance that respects other countries’ cultures and customs, and have the flexibility to adapt to local lifestyles. However, as an important prerequisite we must first be able to precisely manage our jobs in Japan. The Group’s overseas subsidiaries are centered on manufacturing, and *monodzukuri* (the art and science of manufacturing) shares common characteristics the world over. For employees who can capably handle *monodzukuri*-related jobs—in other words, they have mastered the foundations of the Group’s business—opportunities beckon for a successful career all over the world.

**Q** Please explain what you mean by “mastering the foundations of the business.”

The Group encompasses a wide range of functions, and each function requires a high degree of specialization. Acquiring such specialization requires the mastery of the business’ foundations. For each individual employee to efficiently gain these specialist skills, it is necessary to standardize jobs across the organization so that the work is not jeopardized by the transfer of people between positions.

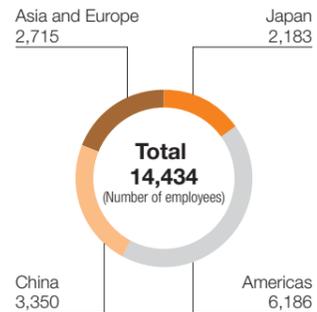
Furthermore, in the Group’s global business development, experience on the “*monodzukuri* front lines” has particular significance. Rather than through verbal communications, showing technical skills that are learned on site is more easily understood by local staff and enables the building of trust. For employees, rather than memorizing technical skills as knowledge we emphasize the importance of direct skill acquisition.

**Q** Please tell us about your main approach to nurturing global human resources.

Companies require both specialists and generalists. If a person only has experience in one particular function, that person would be unsuitable to manage an overseas subsidiary or lead a department. In addition to specialized knowledge and experience, to nurture people with general and specialist (“T-shaped”) skill sets, including a broad outlook and flexible thinking, it is necessary to utilize job rotation as part of the human resources development approach. For this reason, we have established subcommittees for each specialist domain, including manufacturing, product development, and management. At present, in each sphere we are discussing such questions as, “What target characteristics should the employee have?” and “How do we establish the process that will enable employees to reach this goal?” Based on this approach, we aim to revitalize our job rotation system.

To steadily advance the Group’s global development, we believe that a common language and awareness are also essential elements. In our training programs for each employee level, we include elements covering the Group’s thinking, from the TS Philosophy to the TS Guidelines for Conduct, as part of our “off-the-job training.” In the program, we would like to offer attendees an opportunity to think together about how they should understand and respond at each seniority level to wishes expressed in the TS Philosophy and the TS Guidelines for Conduct. It should not be a place for merely verbal and written explanations. I want to make this commonplace across the entire Group, including at our overseas operations.

Breakdown of Employees by Region (As of March 31, 2012)



Kosuke Monna      Michiko Takagi      Takashi Kojima      Takuya Fujikura      Yuki Okada      Yuya Masuda

### “We are Creating Tomorrow’s TS TECH”

One of the TS TECH Group’s avowed goals involves the nurturing of “Global Human Resources” capable of succeeding globally, which is stated in its 11th Medium-Term Management Plan as “Build an infrastructure of “people” who can compete globally.” Young employees responsible for the *monodzukuri* of tomorrow and the Group’s growth talk about their experiences, challenges, and personal goals at TS TECH.

**Joined Nine Years Ago**  
**Kosuke Monna**  
Manufacturing Section 2, Administration Department, Hamamatsu Plant, Manufacturing Division

My job involves planning and implementing measures to improve efficiency from analyses of production status in the door trim production process. In *monodzukuri*, you cannot find defects if you are only dealing with the task at hand. It is important to think how the work I am doing now affects the Company as a whole. If none of the workers at a site possess this kind of awareness, high-level targets cannot be achieved. As a group leader, I pay particular attention to communication, so that young employees maintain a high level of awareness.

**Joined Six Years Ago**  
**Michiko Takagi**  
Career Development Section, Human Resources and Administration Department, Corporate Administration Division

Since entering the Company, I have experienced every aspect of personnel work one after the other, including hiring and salaries. I was put in charge of training last year, and in this my second year I am planning new training courses and making proposals to improve the existing training sessions. I think that the difficult thing about training work is assessing people’s individual needs, as these differ from employee to employee, and differences arise between the management side and the side of those receiving the training. Without sticking to ready-made ideas, I want to give some thought to what kind of training and what type of education system are needed.

**Joined Eight Years Ago**  
**Takashi Kojima**  
Engineering Section, Motorcycle Engineering Department, Development and Engineering Division

I have been able to acquire the knowledge required to use software for analysis and technical drawing when carrying out design work, testing, and analysis work, for the drawings used in motorcycle seat development. Thus, little by little, I have learned about the motorcycle seat manufacturing process. From now on I need to absorb knowledge and technique in a wide range of fields, not just motorcycles. As I have many things to learn from other departments, I am planning to regularly visit the automobile engineering department myself and to try and listen to their opinions.

**Joined Eight Years Ago**  
**Takuya Fujikura**  
Production Engineering Section, Production Department, Saitama Plant, Manufacturing Division

While in the Production Section I was doing my best to focus on *monodzukuri*, but since being assigned to the Production Engineering Section my view has broadened to such an extent that I now take into account efficiency and profit. Previously, there was a strong awareness that we had to create products by making them ourselves, otherwise we would not get anywhere. As such, I would push other departments. But things have changed since my operation began to coordinate with other departments on the launch of new models. With a view to possibly heading overseas some day, I make the most of listening to what people say in various other departments of the plant.

**Joined Six Years Ago**  
**Yuki Okada**  
Sales Planning Section, Business Development Department, Sales Division

Commencing with the planning of orders in the Sales Planning Section, I have performed tasks in a wide range of fields, such as budget planning, financial analysis, and marketing. In addition to administration involving numbers, I have experience in environmental analysis work and have gained a comprehensive insight into companies and industry. Talks from managers at twice-monthly training sessions have helped considerably, but as I do a lot of desk work I would like to have the opportunity to see something of the TS TECH frontline. I am thinking that I would like to become a specialist whose knowledge is extensive and deep, not extensive and shallow.

**Joined Nine Years Ago**  
**Yuya Masuda**  
Manufacturing Section 1, Production Department, Suzuka Plant, Manufacturing Division

In my first six years since joining the Company I have carefully studied the production processes on the factory floor. Putting this experience to good use, for the past three years I have been supporting frontline operations by providing feedback on the results of discussions with other departments concerning such matters as the production methods of new models. My work in support of overseas plants has provided me with experience I cannot gain in Japan, such as communication with the local people there. It is also important to keep broad lines of communication with each base, and so I fully intend to stay in active touch with those in charge at the frontline and to broaden my network.

## Social Responsibility and Trust

### 35 Companies in 12 Countries Worldwide



## Aiming to be a “Company Welcomed with Joy,” All Employees Fulfilling Their Roles

Hisashi Tochihara, General Manager of the Corporate Social Responsibility Department

TS TECH’s CSR comprises the pursuit of the Company’s stated principle of being a “Company Welcomed with Joy,” and measures aimed at realizing this goal. In addition to an interview with the General Manager of the Corporate Social Responsibility Department, in which he discusses the importance of an approach that includes all of the Group’s employees, this chapter also features explanations of the role of the CSR checklist currently being implemented at each business site, and an original wheelchair development project based on a request from the Honda Motor Workers’ Union.



## General Manager of CSR Department Discusses Striving to be a “Company Welcomed with Joy”

### Interview



Hisashi Tochihara, General Manager of the Corporate Social Responsibility Department

### We Will Enhance the Group’s Social Trust by Fulfilling Our Social Responsibilities through the Efforts of All Employees

The key to consistently fulfilling our social responsibilities through the provision of safe and comfortable products at each of the Group’s facilities around the world is the establishment of trust based on the efforts of all employees.

#### Q What matters are most important in the practice of CSR at the TS TECH Group?

I think CSR at the TS TECH Group is founded on consistently providing end users with a safe and comfortable automobile interior environment. However, during that process, if we were to neglect our compliance responsibilities and this led to employee or corporate misconduct, we could lose that trust in one stroke. For this reason, I believe that it is extremely important for each individual employee to understand the seven attitudes set forth in the TS Guidelines for Conduct, which forms the foundation of the TS Philosophy, and put these into practice from their own standpoint.

#### Q Please explain the TS TECH Group’s approach to the three aspects of the “triple bottom line” (economic, social, and environmental performance).

While economic performance is indicated by the results of our main business activities, rather than maximizing profit only for the Group, we aim to achieve a good balance in what we return to many different stakeholders—society as a whole, end users, corporate customers, shareholders, suppliers, and local communities. In addition to donations and volunteer activities, as an automotive parts manufacturer we endeavor to engage in *monodzukuri* in a way that has a low impact on the environment, and make a contribution to society by applying our significant know-how related to sitting, which we have accumulated over the past 50 years.

#### Q How are the activities of the CSR Department structured?

The CSR Department comprises three sections—the Environment Section, the Legal Section, and the Public Relations Section. The Environment Section manages environmental protection activities and promotes the social

responsibility guideline program in line with ISO 26000 (Guidance on social responsibility). The Legal Section promotes the TS TECH Corporate Governance System (TSCG), including compliance. The Public Relations Section is responsible for investor relations (IR) and providing timely information disclosure within and outside the Group.

In particular, since one of the key policies adopted under the 11th Medium-Term Management Plan is “Build a corporate structure with advanced CSR characteristics,” it is essential for the TS TECH Group to advance such programs as ISO 26000 and strengthen its environmental protection measures during the period of the current plan.

#### Q Are you focusing on any particular keywords in your promotion of CSR?

CSR is not something that is practiced only by certain departments or staff, such as the CSR Department, but rather it is something all employees practice within their own roles. For example, people in development functions seek to make lightweight, safe, and comfortable seats; people in sales functions work to sell a large number of units at a competitive price; people in quality functions maintain advanced quality management; people in accounting functions work to produce accurate financial statements speedily; and people in corporate management functions establish and manage structures to ensure that no impropriety occurs. Such examples illustrate how CSR is about each employee properly fulfilling his or her own role, and this contributes to the realization of being a “Company Welcomed with Joy.”

The “R” in CSR stands for “responsibility,” but “R” can also stand for “reliability.” I think these are two of the most important keywords. Not only must we fulfill our responsibilities, I think in the current era it is vital to enhance social trust, thereby contributing to a higher appraisal of the Group.

## Using a Checksheet to Discover CSR Issues

The TS TECH Group's CSR Checksheet is used to identify issues in reference to the seven core subjects of social responsibility in ISO 26000: organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development. Overseas subsidiaries perform self-checks using a checksheet with questions relating to especially basic issues within the core subjects. Issues are identified for each region based on the analytical results obtained and activities connected to CSR measures rolled out.

We also operate the TS TECH Corporate Governance (TSCG) Self-Verification System for the early discovery and handling of issues related to matters such as legal compliance and risk management.

### CSR Checksheet (extract)

#### Organizational Governance

##### •Organizational governance to promote social responsibility

We establish and operate in a suitable and appropriate manner policies and a system for expanding CSR and mechanisms such as action guidelines and training programs.

Action theme	Question	Choices	Answer
Organizational governance (including general CSR promotion)	1 Have you decided on a CSR structure (dedicated department or a responsible person/person in charge)?	(1) Yes. (2) We have not specifically stated the rules, but they have been tacitly agreed upon. (3) We make decisions each time, as needed.	
	2 Do you have a written policy and philosophy regarding CSR?	(1) Yes. (2) We have not specifically stated the rules, but they have been tacitly agreed upon. (3) We make decisions each time, as needed.	
	3 Have you specified items relating to CSR in a code of conduct (action guidelines)?	(1) Yes. (2) We have not specifically stated the rules, but they have been tacitly agreed upon. (3) We make decisions each time, as needed.	
	4 Do you conduct awareness-building activities aimed to spread understanding of CSR among employees?	(1) Yes, routinely. (2) Yes, at odd intervals or for some employees. (3) Only when needed.	
	5 Do you ascertain the status of CSR initiatives through internal investigations?	(1) Yes, routinely. (2) Yes, at odd intervals. (3) Not particularly.	
	6 Example of specific initiatives		

#### Human Rights

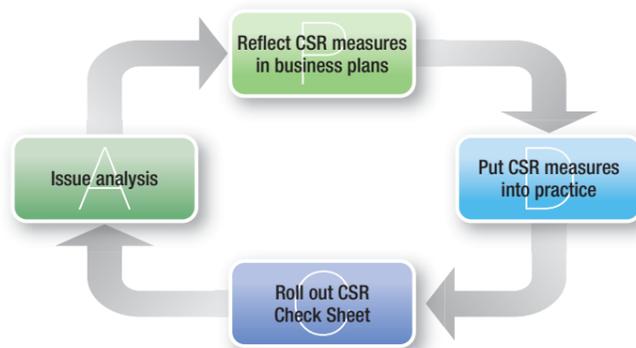
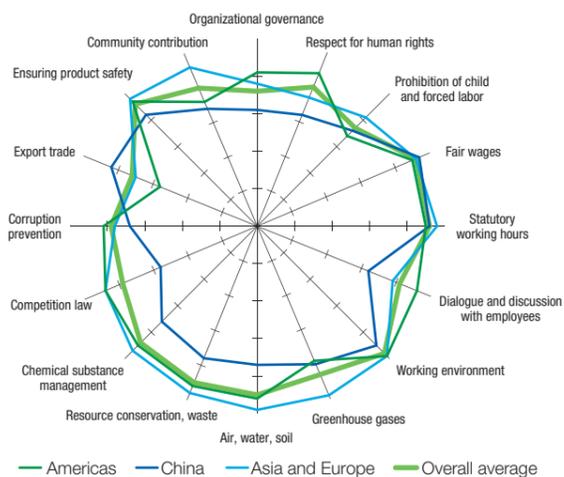
##### •Elimination of discrimination / prevention of harassment

We do not allow harassment on the grounds of race, ethnicity, country of origin, religion, gender, or any other discriminative feature.

We do not discriminate in hiring on the grounds of race, ethnicity, country of origin, religion, gender, or any other discriminative feature.

Action theme	Question	Choices	Answer
Respect for human rights (including the elimination of discrimination and the prevention of harassment)	1 Have you figured out the legislation pertaining to respect for human rights (including the elimination of discrimination and the prevention of harassment)?	(1) By and large we have figured out the important legislation pertaining to human rights. (2) We have figured out some of the legislation. (3) We figure it out each time, when necessary.	
	2 Have you specified a dedicated department or a person responsible for matters pertaining to respect for human rights?	(1) We have specified a dedicated department and a person responsible. (2) We have specified a dedicated department or a person responsible. (3) We handle such matters each time, when necessary.	
	3 Have you specified a specific policy or rules aimed at respect for human rights?	(1) We have stipulated them in company rules or a code of conduct or a human rights policy, etc. (2) We have not specifically stated the rules, but they have been tacitly agreed upon. (3) We do not necessarily have a clear policy or rules.	
	4 Do you conduct awareness-building activities relating to respect for human rights?	(1) Yes, routinely and for nearly all employees. (2) Yes, at odd intervals or for some employees. (3) Only when needed.	
	5 Do you ascertain through internal investigations that no infringement of human rights has occurred in business operations?	(1) We routinely conduct an investigation to ascertain the situation. (2) At odd intervals, we conducted investigations to ascertain the situation. (3) Not particularly.	
	6 Example of specific initiatives		

### CSR Checksheet Analytical Results (example)



## Stakeholder Dialogue: Honda Motor Workers' Union



Isao Moriguchi, Director of Welfare and Social Contribution Department, Honda Motor Workers' Union

### Cooperating with the Repeat Hotline of the Honda Motor Workers' Union and Making Wheelchairs More User-Friendly

The Honda Motor Workers' Union has developed a volunteer-run Honda Repeat Hotline in which members refit wheelchairs at nursing homes and assisted-living facilities, making them more user-friendly. Since setting up this hotline, the group has already refitted about 2,500 wheelchairs. Techniques cultivated by TS TECH in the manufacture of automobile seats are utilized in this initiative.



Wheelchair refitted with a seat made by TS TECH

#### Cooperating in the Voluntary Refitting of Wheelchairs

The Honda Repeat Hotline began in 1993 and TS TECH provides assistance in changing the models of seats and peripheral equipment. The Company listens to the requests of the wheelchair users and the union members who actually perform the refitting and ensures the wheelchairs are refitted so that they are easier to use and more comfortable.

At present, it is involved in the refitting of 120 wheelchairs per year through the supply of seats and peripheral equipment, whose designs are based on minicars. During this time, the Company has provided people with wheelchairs that have more comfortable seats and are easier to use, by making the seats easy to remove and install and by improving the reclining back angle. The technology that has been researched and developed over a long period by TS TECH in order to provide automobile users with a safe and comfortable driving experience is now being put to use in a new way, to the delight of many people.

#### Using Technology Cultivated in Seat Manufacturing

The TS TECH Group has been cooperating with the Honda Repeat Hotline since

### Message from Mr. Moriguchi



Members of the Honda Motor Workers' Union refitting a wheelchair

The Honda Motor Workers' Union conducts a variety of social contribution activities in order to fulfill its social responsibility and with the aim of expanding the spirit of volunteerism among our members. One of those important initiatives is the Honda Repeat Hotline. It has already been nearly 20 years since the hotline began and it is thanks to the cooperation of TS TECH that we have been able to contribute to society this long. We always receive positive feedback, since the wheelchairs we have delivered to facilities are so comfortable.

At present we are asking TS TECH to develop new specifications for aluminum wheelchairs and we hope that they will continue to contribute to society together with the Honda Motor Workers' Union by cooperating with the hotline for many years to come.

## Chapter 2 Sharing Pleasure with Stakeholders

# Practicing the Seven Attitudes of TS TECH

The TS TECH Group carries out principles-based business operations in order to maintain good relationships and grow together with all its stakeholders. Below is an explanation of the association between the core subjects of social responsibility defined by ISO 26000 and the Seven Attitudes of TS TECH in the TS Guidelines for Conduct, as well as an overview of specific initiatives the Group is taking in relation to the core subjects.



The ISO 26000 seven core subjects	Summary	Main stakeholders	Association with Seven Attitudes in the TS Guidelines for Conduct	Page
<b>Organizational Governance</b>	In order for organizations to fulfill their social responsibility, it is important that they have a mechanism for effective decision-making to achieve their objectives and roles. Organizational governance is the foundation for an organization to fulfill its social responsibility. Organizational governance requires communication with outside stakeholders as well as internal employees, to reliably implement accountability and transparent decision-making, and to demonstrate leadership through action.	Shareholders, employees, administration	<ul style="list-style-type: none"> <li>Attitude toward shareholders</li> <li>Our attitude while working for the Company</li> <li>Attitude toward administration</li> </ul>	P.24
<b>Human Rights</b>	In order to create a society in which all people are free from discrimination based on gender, age, ethnicity, and so forth, it is important that individuals be aware of human rights, respect the human rights of people inside and outside the organization, and take care not to infringe upon human rights either directly or indirectly. The organization must check to make sure its activities do not infringe upon human rights and that it has not created an environment that might prove to invite human-rights infringement. It is also important to have a mechanism for making improvements in the event that acts have been committed or an environment created that infringes upon human rights.	Employees	<ul style="list-style-type: none"> <li>Our attitude while working for the Company</li> </ul>	P.26
<b>Labour Practices</b>	Labour practices have a big impact on society and the economy in the sense that an organization creates jobs and maintains and improves the living standard of workers by paying wages. Based on the fundamental principle that "labour is not a commodity" (International Labour Organization [ILO]), organizations are asked to ensure equal employment opportunities to all workers, provide working conditions and an environment that are fair and safe for workers and their health, and engage in public dialogues such as negotiations, discussions, and exchanges of information with representatives of government, employees, and workers.	Employees	<ul style="list-style-type: none"> <li>Our attitude while working for the Company</li> </ul>	P.27
<b>The Environment</b>	Modern society is faced with a number of environmental problems and all organizations can be said to have some impact on the environment. In addition to complying with laws and regulations, organizations must take responsibility for the environmental impact caused by their actions. When the environmental impact exceeds an acceptable level, the organization is asked to bear the costs. It is also important for organizations to take preventive measures to minimize impact on the environment as much as possible, even if that impact is uncertain.	General public	<ul style="list-style-type: none"> <li>Attitude toward the general public</li> </ul>	P.28
<b>Fair Operating Practices</b>	Issues in the subject of fair operating practices for an organization to fulfill its social responsibility include the prevention of corruption, responsible political involvement, fair competition, and respect for property rights. The foundation of fair operating practices is an organization carrying out operations based on an ethical code of conduct. For this reason, organizations also ask their suppliers and other related organizations to practice ethical operations. It is important in this way for organizations to strive to promote ethical behavior by society as a whole.	Suppliers	<ul style="list-style-type: none"> <li>Attitude toward suppliers</li> </ul>	P.32
<b>Consumer Issues</b>	It is important for organizations to take responsibility for the products and services they provide, to avoid putting consumers in danger through the provision of products that have a safety defect. It is also important that when consumers use those products and services they do not have an adverse effect on society, such as by causing environmental damage. It is important to practice consumption in such a way that neither the organization nor consumers have an adverse effect on society.	Customers and end users	<ul style="list-style-type: none"> <li>Attitude toward customers and end users</li> </ul>	P.33
<b>Community Involvement and Community Development</b>	It is important for organizations to communicate with the communities that they belong to, to be actively involved in community growth and revitalization, and to grow together with their communities. Organizations are required to participate and contribute in diverse ways, including the enhancement of dialogues with community residents and education and culture in the community through their involvement in the community.	Local community	<ul style="list-style-type: none"> <li>Attitude toward the local community</li> </ul>	P.34

## Organizational Governance



### To Be a “Company Welcomed with Joy”

The TS TECH Group is striving to establish sound and highly transparent management that abides by the law and observes rules and regulations.

<b>Main stakeholders:</b>	Shareholders, employees, administration
<b>The ISO 26000 core subject:</b>	Organizational governance
<b>Association with Seven Attitudes in TS Guidelines for Conduct:</b>	Attitude toward shareholders; Our attitude while working for the Company; Attitude toward administration

### TS Guidelines for Conduct

#### Attitude toward shareholders

In order for the Company to maintain a high degree of transparency, I make a positive disclosure of information with a view to ensuring a high degree of transparency in corporate management.

#### Our attitude while working for the Company

In order for the Company to be an entity of high ethical standards, I observe the Company rules and regulations faithfully.

#### Attitude toward administration

In order for the Company to be strictly law-abiding, I abide by the law faithfully as a member of society.

### Basic Policy on Corporate Governance

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

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

### Operation of TSCG Self-Verification System

In order to identify any potential problem regarding compliance and risk management as early as possible and to address the envisaged issues, TS TECH has established the TSCG Self-Verification System to check the Company's status in terms of legal compliance, risk management, and corporate ethics.

### Status of Risk Management System

A risk management officer is appointed from among the representative directors as the person responsible for overseeing risk management. The risk management officer is charged with carrying out regular verification of risks in every operating division and verifying safety systems at all manufacturing facilities, in an effort to prevent risks in business operations. If problems occur or there is some defect that could cause a problem, improvements and corrections are made.

On the off chance that a crisis involving loss occurs, the TS TECH Group is prepared to take emergency measures based on crisis management rules and manuals for specific risks.

### Status of the Internal Control System

Based on the provision of the Companies Act, the General Meeting of Shareholders held on May 11, 2006, passed a resolution on Basic Guidelines for the Formation of an Internal Control System. Since then, the Board of Directors has checked the status of operation of the system every year at its end-of-fiscal-year meeting. Whenever there are changes, they are voted on at Board meetings held as needed.

Furthermore, the TS TECH Group has established an effective and appropriate internal control system to ensure the reliability of financial reports based on the Financial Instruments and Exchange Act. The Group continually evaluates the status of development and operation of that system and takes the necessary corrective measures to maintain an efficient system.

### Disclosure Policy

The Group discloses accurate corporate information in a prompt and fair manner to stakeholders, including shareholders and other investors. For that reason, it has established the Disclosure Policy, which is observed by officers and employees.

Disclosures are mainly made through the Timely Disclosure Network (TDnet), provided by the Tokyo Stock Exchange, and TS TECH's press releases. The information

made public in those ways is also posted to the TS TECH website when appropriate.

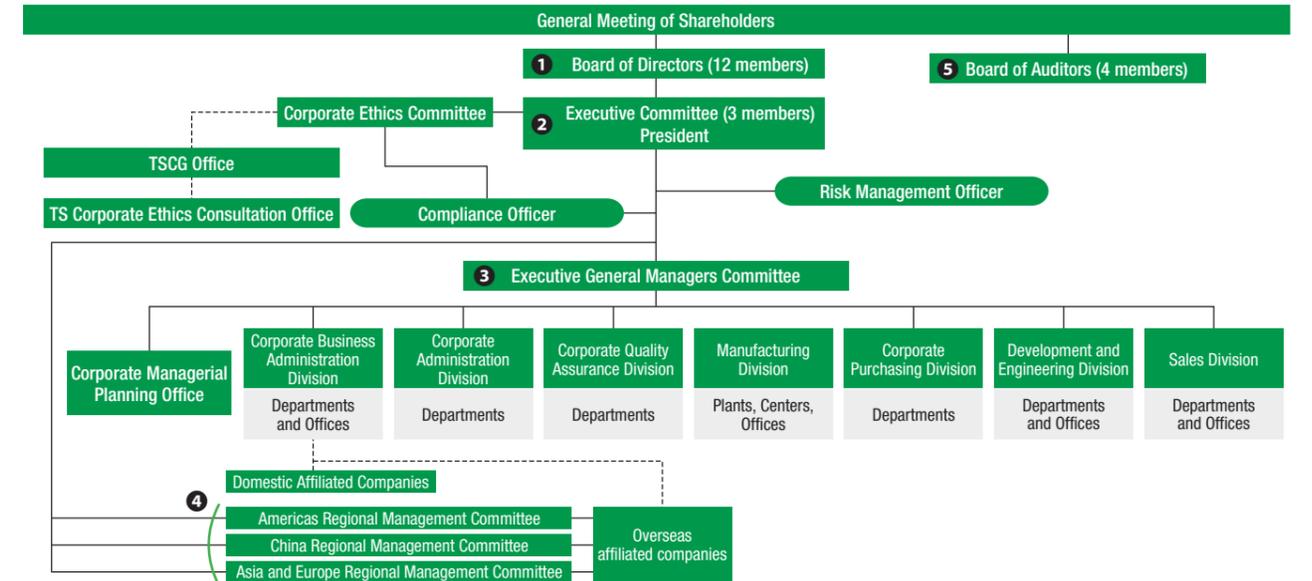
The Group discloses information in accordance with the Financial Instruments and Exchange Act, other laws and ordinances, and the rules of the financial instruments exchanges where its marketable securities are listed. Even when not subject to those provisions, the Group judges whether information is useful and appropriate for stakeholders and discloses it proactively.

### IR by the Management Team

The Group holds results briefings mainly for institutional investors twice a year, at year-end and at the end of the second quarter. Additionally, top management attends direct interviews with investors and explains management policy and performance trends. In these and other ways, the Group works enthusiastically at IR.

### TSCG System

TS TECH has adopted an operating officer system, to improve the mobility of the Board of Directors and enhance its oversight and to strengthen its regional and on-site management systems.



#### 1 Board of Directors

It comprises 12 members and convenes once a month in principle. It makes decisions regarding management policies, important management issues, and matters mandated by laws and regulations, as well as supervises the execution of the Company's operations.

#### 2 Executive Committee

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

#### 3 Executive General Managers Committee

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

#### 4 Regional Management Committees

They comprise directors and other managers in the Americas, China, and Asia and Europe, and deliberate on important matters affecting management in their respective areas.

#### 5 Board of Auditors

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

## Human Rights



### To Be a Non-discriminatory and Fair Company

**The TS TECH Group is determined to remain a company that acts under the notion that people are equal and positively promotes mutual acceptance of individual personalities and differences amongst the people of the world.**

**Main stakeholders:** Employees  
**The ISO 26000 core subject:** Human rights  
**Association with Seven Attitudes in TS Guidelines for Conduct:** Our attitude while working for the Company

### TS Guidelines for Conduct

#### Our attitude while working for the Company

In order for the Company to be non-discriminatory and fair to everybody, I act under the notion that all people are equal, while positively promoting mutual acceptance of individual personalities and differences amongst the people of the world.

- Prohibition of discrimination  
I do not discriminate on account of birth, nationality, creed, religion, sex, race, ethnicity age, intellectual/physical handicap, clinical history, hobby, academic career, or social standing.
- Prohibition of use of discriminatory expressions and terms  
I do not use words that are considered to be discriminatory terms or expressions and terms that may produce misunderstanding.

### Basic Policy on Human Rights

As it says in the TS Guidelines for Conduct, TS TECH does not discriminate on account of birth, nationality, creed, religion, sex, race, ethnicity, age, intellectual/physical handicap, clinical history, hobby, academic career, or social standing.

Moreover, TS TECH does not use words that are considered to be discriminatory terms or expressions. It also does not use terms that may produce misunderstanding.

### CSR Checksheet on Human Rights Used Outside Japan

TS TECH has developed a CSR checksheet (see p.20) for local subsidiaries outside Japan on basic points relating to human rights, to help them recognize the kind of company TS TECH wants to be and to identify current challenges.

### Awareness Building about Human Rights

TS TECH strives to raise awareness of human rights in each region. For example, in North America, the Company puts up anti-discrimination posters and distributed handbooks. In China, it holds education sessions.

### Corporate Ethics Consultation Office

TS TECH has established a Corporate Ethics Consultation Office, for the early detection of legal violations and violations of the TS Guidelines for Conduct concealed in the Company, and makes corrections to prevent recurrences.



Posters calling for an end to sexual harassment and power harassment (Japan)



Anti-discrimination posters (North America)

## Labour Practices



### To Create New Value and a Safe and Comfortable Workplace

**TS TECH does all it can to create a safe and healthy environment for its employees, where they can take pride in their company and work and maintain a positive attitude.**

**Main stakeholders:** Employees  
**The ISO 26000 core subject:** Labor practices  
**Association with Seven Attitudes in TS Guidelines for Conduct:** Our attitude while working for the Company

### TS Guidelines for Conduct

#### Our attitude while working for the Company

In order for the Company to respond to the challenge of searching for new values, I take pride in my company and work, and keep an open mind to everything.

- Communication  
I try to create a bright working atmosphere, respecting harmony and communication among people.
- Efficient work  
I work in a balanced manner, giving consideration to time and priority.
- Self-fulfillment  
I strive persistently for the fulfillment of my own vision.

**In order for all people to be safe and comfortable at all times, I try to create a safe and healthy environment for working.**

### People—The Decisive Factor in a Company

TS TECH believes that people are the decisive factor in a company. It is part of the Company's management policy to "try to create a bright working atmosphere, respecting harmony and communication among people." TS TECH is, thus, striving to create safe and comfortable workplaces.

### Human Resources Development

A key policy in TS TECH's 11th Medium-Term Management Plan is to "Build an infrastructure of "people" who can strive globally." As a truly global company, TS TECH is developing more global human resources. It provides "on-the-job training" (OJT), outside training sessions, and correspondence education (Off-JT) and has put in place a job rotation (JR) system in an effort to develop employees who can play an active role in a diverse world.

### Diversity

TS TECH actively seeks out diverse human resources, through the employment of Japanese who have lived overseas, persons with foreign citizenship, and persons with disabilities, as well as older persons through a reemployment system. Additionally, we are working at developing a human resources system that eliminates gender distinctions, in order to enable more women to be appointed to managerial posts, and reconsidering the workplace environment in roundtable discussions attended only by female employees, so that female employees will feel motivated and have a sense that their work is worthwhile.

### Relationship with the Labor Union

TS TECH holds regular discussions with the TS TECH Labor Union to improve working conditions and the working environment, so that its workplaces are pleasant, and actively promotes work-life balance. For 15 years straight, all its employees have taken their full annual paid leaves.

### Employment of Persons with Disabilities (Japan)

	2010	2011
Employment rate of persons with disabilities	1.93%	1.80%

### Occupational Accident Occurrence (Japan)

	2010	2011
Total frequency rate	4.02%	3.13%
Rate of lost work time due to occupational injuries	1.51%	0.00%

# The Environment



## To Be Proactive in Environmental Preservation

**The TS TECH Group is making Group-wide efforts to protect the Earth, working to eliminate and reduce environmental impact generated through business operations.**

**Main stakeholders:** General public  
**The ISO 26000 core subject:** The environment  
**Association with Seven Attitudes in TS Guidelines for Conduct:** Attitude toward the general public

## Basic Environmental Policy

**With respect for the global environment and a sustainable recycle-oriented society, we will endeavor to make unlimited progress and continuous improvement so as to protect all life from pollution as a manufacturer according to laws and regulations; and become an environmentally friendly “Company Welcomed with Joy.”**

### Action Plan

1. Strive to minimize and properly treat waste materials and contaminants with respect to life cycle assessment (LCA) at each stage of a product's development, manufacturing, sale, and disposal.
2. Make efforts to use materials effectively in product development, manufacturing, and all other business activities, and work on material recycling and efficient use of resources and energy.
3. Be actively involved as a member of society in maintaining personal health, preserving the global environment, and living in harmony with the local community.
4. Positively promote environmental protection activities with the whole related companies as the TS TECH Group.
5. Comply with local environmental standards in overseas business activities and transfer environmental protection technologies overseas.

## TS Guidelines for Conduct

### Attitude toward the general public

In order for the Company to be an entity promoting positive attitude toward environmental preservation, I take positive actions for environmental protection.

- Proper disposal of wastes and pollutants  
I dedicate my best efforts to the cause of minimization and proper disposal of wastes and pollutants.
- Efficient use and recycling of resources  
I dedicate my best efforts to the cause of efficient use and recycling of resources.
- Measurement, recording, and reporting pursuant to the relevant ordinances  
I carry out environmental measurement, recording and reporting concerning soil, underground water, the atmosphere, noise, and smell pursuant to the relevant environmental ordinances and internal rules.

## Environmental Impact of Business Activities and Environmental Initiatives

The TS TECH Group is moving ahead with its 11th Medium-Term Management Plan toward the realization of its vision for 2020: to be an “Innovative Quality Company.”

The Group is working at environmental preservation activities to cut and reduce the environmental impact generated as it carries out its business operations.

Environmental Impact	Domain	Environmental Protection Efforts
Global warming Resource depletion Ozone depletion Air pollution Water pollution Soil pollution Waste materials	Reduce global environmental impact associated with business operations	<b>Product Development Technology</b> <ul style="list-style-type: none"> <li>• Design products for improved recyclability</li> <li>• Do not use materials containing regulated chemicals</li> <li>• Employ energy-saving and resource-saving facilities and process design</li> </ul>
		<b>Manufacturing Management</b> <ul style="list-style-type: none"> <li>• Employ energy-saving and resource-saving manufacturing</li> <li>• Control and reduce volatile organic compound (VOC) emissions into the atmosphere</li> <li>• Continue to maintain zero emissions</li> <li>• Promote proper disposal and recycling of industrial waste</li> <li>• Reduce parts made using regulated chemicals</li> </ul>
		<b>Purchasing Distribution</b> <ul style="list-style-type: none"> <li>• Improve distribution efficiency</li> <li>• Promote green purchasing</li> </ul>

## Status of ISO 14001 Certification In and Outside Japan

The TS TECH Group has acquired ISO 14001 certification at seven sites in Japan and 20 sites outside Japan (nine in the Americas, six in China, four in other parts of Asia, and one in Europe). The Group encourages its main suppliers to also make efforts to acquire ISO 14001 certification.

## Main Environmental Targets and Results in 2011 and Targets for 2012 (non-consolidated)

The TS TECH has established the reduction of CO<sub>2</sub> emissions as a priority environmental target in its 11th Medium-Term Management Plan. In line with that plan, the Company is aiming for an annual 1% reduction in CO<sub>2</sub> emissions per unit of production\*1 compared to 2010.

Environmental Targets and Results (TS TECH CO., LTD.)

Item	2011			2012	
	Targets	Measures	Results	Targets	Measures
CO <sub>2</sub>	CO <sub>2</sub> emissions per unit of production Down 1% from 2010 (2010 results: 0.093 t-CO <sub>2</sub> /million yen*2)	<ul style="list-style-type: none"> <li>•Took measures to save electricity in summer</li> <li>•Used energy-efficient manufacturing equipment; conducted energy-efficient operations of manufacturing equipment</li> <li>•Used energy-efficient lighting and air conditioners; conducted energy-efficient operations of lighting and air conditioners</li> </ul>	CO <sub>2</sub> emissions per unit of production Up 3% from 2010 (2011 results: 0.096 t-CO <sub>2</sub> /million yen*3)	CO <sub>2</sub> emissions per unit of production Down 1% from 2011	<ul style="list-style-type: none"> <li>•Reduce standby mode electricity consumption when not in operation</li> <li>•Reduce losses by improving processes; conduct energy-efficient manufacturing operations</li> </ul>
Waste	Waste output per unit of production Down 1% from 2010 (2010 results: 0.0120 t/million yen)	<ul style="list-style-type: none"> <li>•Promoted recycling</li> <li>•Reduced product defect rate</li> </ul>	Waste output per unit of production Up 9% from 2010*3 (2011 results: 0.0131 t/million yen)	Waste output per unit of production Down 1% from 2011	<ul style="list-style-type: none"> <li>•Promote recycling</li> <li>•Reduce product defect rate</li> </ul>
Water	Water usage per unit of production Down 1% from 2010 (2010 results: 1.729 m <sup>3</sup> /million yen)	<ul style="list-style-type: none"> <li>•Saved water usage in all business sites</li> <li>•Inspected leakage at water supply facilities</li> </ul>	Water usage per unit of production Down 14% from 2010 (2011 results: 1.481 m <sup>3</sup> /million yen)	Water usage per unit of production Below 1.729 m <sup>3</sup> /million yen	<ul style="list-style-type: none"> <li>•Save water usage in all business sites</li> <li>•Inspect leakage at water supply facilities</li> </ul>

\*1 “Per unit of production” refers to the amount of CO<sub>2</sub> and other waste emitted or the amount of water used, as calculated based on TS TECH's standards, in proportion to production (sales amount) from business operations.

\*2 Figures reported last year have been revised to reflect revised scope of focus on CO<sub>2</sub> emissions.

\*3 The target for CO<sub>2</sub> and waste emissions was not achieved in 2011 as a result of a drop in productivity and the generation of non-operational waste, both due to the effects of a natural disaster.

## Fiscal 2011 Environmental Accounting

### Environmental Conservation Cost

(unit: millions of yen)

Category	Main Efforts	2010		2011	
		Investment	Cost	Investment	Cost
Business area cost	Pollution prevention cost	35	21	2	8
	Global environmental conservation cost	86	48	55	30
	Resource circulation cost	—	48	3	46
Upstream/downstream cost	Purchase of environmentally friendly products and raw materials Purchase of products for energy savings	—	1	—	1
Administration cost	Environmental management system (EMS) development and operation, environmental monitoring and measuring, and environmental education activities for employees	15	78	14	72
R&D cost	Research and development of new technology with a high positive environmental impact, such as reducing VOCs (not using paints), reducing the weight of products, and developing recyclable materials	—	86	54	132
Social activity cost	Environmental measures such as nature protection, greening, and scenery preservation	—	2	—	6
Environmental remediation cost	Remediation of soil pollution, etc.	—	—	—	—
Total		136	284	128	295

1 The scope is as follows:

- Companies included: TS TECH and five sites in Japan
- Period covered: April 1, 2011, to March 31, 2012

2 The above figures include portions ascertained by estimation, such as apportionment.

3 Materials relating to environmental accounting, such as guidelines and guidebooks published by the Ministry of the Environment of Japan, were referenced when preparing the spreadsheet.

4 Costs do not include depreciation costs.

5 See the environmental data (pp.75–77) published in this report regarding results.

## Examples of Environmental Preservation Initiatives

### 1. Reuse of Rainwater—Thailand



Tanks set up to collect rainwater (TS TECH (THAILAND) CO., LTD.)

Plant No. 1 set up tanks to collect and reuse rainwater. In 2011, it reduced its water supply water usage by 1,470 m<sup>3</sup>.

### 2. Environmental Education Contest—Mexico



Environmental Education Contest for Children held at a plant (INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.)

The Nuevo Laredo Plant in Tamaulipas, Mexico, sponsored an Environmental Education Contest for Children. Plant employees and their families participated in the event, which included an environmental picture drawing contest with the purpose of raising awareness of global environmental problems and the acquisition of knowledge.

### 3. Tree Planting and Other Volunteer Activities—Brazil



Planting flowers in a rotary on the road leading to the plant (TS TECH DO BRASIL LTDA.)

The VIDA (Portuguese for “life”) Project, formed by an employee volunteer group, has been carrying out environmental activities.

### 4. Environmental Education at Training Sessions for New Hires—Japan



Conducting environmental education during a training session for new hires (TS TECH CO., LTD.)

In April 2012, in Tokyo, new hires received environmental education on three topics: (1) global environmental problems, (2) TS TECH’s environmental activities, and (3) green ecosystem conservation activities. In addition to the above, the TS TECH Group makes efforts to reduce environmental impact, such as by improving the efficiency of lighting and conserving resources in production activities.

## Manufacturing Plants that Are Kind to People and the Environment: An Interview with the Executive General Manager of the Manufacturing Division

### Interview



Tatsuo Wada, Managing Director, Executive General Manager of the Manufacturing Division

### Latest report from the production floor:

#### Examples of environmental measures at the site of product manufacturing

**With a new plant that will be the hub in a global production network, the TS TECH Group is aiming to create new value by building plants that are kind to people and the environment.**

#### Q How does the Manufacturing Division regard the environment?

Under our policy of “creating plants that are welcomed with joy by the community,” the environment is a very important topic for the manufacturing departments that operate the plants. In light of this, the Manufacturing Division is pushing ahead with efforts to make plants that are kind to people and the environment, with a view toward creating a recycling-oriented society. Specifically, young workers in the plants are playing a central role in efforts to improve the working environment by such means as using Japan’s traditional non-electrical mechanisms. For example, we make it easy to lift heavy parts by attaching springs to work benches and parts tables. We actively incorporate into production lines such contrivances that reduce the work burden without relying on electricity or other forms of energy and without costing much money.

I think that the environment is a big key, both in terms of our harmonious existence in the local communities where employees and their families live and in creating pleasant workplaces. Of course we green site grounds and take other measures with the aim of making plants that community residents feel that they would like to see.

#### Q Please tell us about the new seat manufacturing plant.

A state-of-the-art seat manufacturing plant is currently being constructed on the site of the Saitama Plant and is scheduled to start operations in January 2013. We will halve electricity usage through centralization of air

conditioning and temperature control. We will also attempt to improve productivity by shortening the flow of materials, which will reduce occupational accidents and help ensure worker safety. Of course, we will push eco-lines even more than before, such as those using the mechanical contrivances I mentioned earlier, and will endeavor to make the plant more efficient by soliciting ideas from employees.

The new plant will bring together the Group’s most advanced manufacturing technology and we aim to achieve world-class productivity and to further enhance the quality control system. We hope that the plant will become the hub in the TS TECH Group’s global production network, a base for the deployment throughout the world of the know-how learned here.

#### Q What would you like to accomplish by making plants that are kind to people and the environment?

I think that the creation of new value is important in efforts to build plants that are kind to people and the environment. In conventional manufacturing, a plant’s added value was thought of only in terms of revenue. With the new plant, we have lifted up the concept of a plant that cares about people, a plant that is environmentally friendly, and this is a new value that differs from revenue. If productivity increases due to attempts to help people and the environment, revenue will expand as a result, and this will bring benefits to stakeholders without burdening people and the environment. I think that efforts toward the creation of that kind of new value will begin from the new plant.



The Saitama Plant uses electricity generated by solar panels for some of its power needs.

## Fair Operating Practices

### Interview



**Yoshiaki Yui**, Managing Director, Executive General Manager of the Corporate Purchasing Division



#### To Grow Together with Our Suppliers

**We practice procurement based on fair transactions in order to develop good products and grow together with our suppliers.**

<b>Main stakeholders:</b>	Suppliers
<b>The ISO 26000 core subject:</b>	Fair operating practices
<b>Association with Seven Attitudes in TS Guidelines for Conduct:</b>	Attitude toward suppliers

#### Q What does the Corporate Purchasing Division focus on in procurement?

The Corporate Purchasing Division procures diverse materials and parts, ranging from hard steel to soft sewn products. However, we hardly ever buy standard items in the market. The TS TECH Group has established Four Principles for TS Procurement to thoroughly ensure fair transactions and environmental compliance. In our procurement work we always collaborate with the development department and make decisions based on consideration of all criteria, including safety and quality. In Japan there are laws to protect small enterprises, such as the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors (Subcontracting Act). Naturally we comply with this act, since 70% of the Group's suppliers in Japan are covered by it.

Today, there is a tendency toward global procurement in the automotive industry. The TS TECH Group, on the other hand, has a long record of development and growth together with suppliers here in Japan. How do we balance these two? That is a big challenge in procurement.

For example, when we expand outside Japan, if a supplier is a major manufacturer we have them make the move overseas together with us. If a supplier is not so big but has technical advantages, we pay compensation for technical support. In such ways we pursue methods to secure cheap and good materials while obtaining the satisfaction of Japanese suppliers.

#### Q Is there some difference between green procurement and usual procurement?

As with usual procurement, the basic procedure for green procurement, which is aimed at environmental

preservation, is to continually buy reliable materials from reliable sources while working together with the development department. However, green procurement is not a topic limited to the procurement department; I think that there are areas in which each employee can contribute—for example, when a manufacturing site makes an effort to achieve the maximum yield and reduce scrap. I think that awareness-building and education for employees is one issue that we should pursue in cooperation with other departments.

#### Q What initiatives are you taking to make procurement more competitive?

The Corporate Purchasing Division's goal is to deliver the world's cheapest and best products in a timely manner to our customers. In the future, I think a greater sense of speed will be needed to achieve timely delivery worldwide. That is why we are developing a groundbreaking system that can simultaneously manage procurement costs, including currency fluctuations and distribution, at each base worldwide. However, even if the system is completed, it is people who will use it, and it will be pointless unless the employees who operate it understand the system's purpose. The people involved need to clearly understand what kind of benefit this system will bring for the Corporate Purchasing Division and for the Group and they need to spread that message from Japan to sites around the world. From this point of view, there is significant meaning in one of the Group's beliefs: "Due regard for human resources." I think that in order for us and our suppliers to continue growing together, due regard must also be given to the human resources of our suppliers—that is, due regard for suppliers.

#### TS Guidelines for Conduct

##### Attitude toward suppliers

In order for the Company to maintain a fair and sound relationship with its suppliers, I deal with suppliers in a fair and sound manner

- Selection of a supplier**  
When a product or service is procured, I select the optimum supplier from among several suppliers by comparing and evaluating their terms and conditions with an unbiased eye.

- Prohibition of unreasonable gifts or business entertainment**  
I do not offer suppliers nor receive from suppliers any gift or business entertainment that is beyond what is generally acceptable.

- Prohibition of unreasonable use of organizational position or authority**  
I do not make unreasonable use of my organizational position or authority to afford convenience to the interested party or make the interested party afford convenience to me.

## Consumer Issues



**Minoru Maeda**, Director, Executive General Manager of the Corporate Quality Assurance Division

### Interview



#### Winning Trust as a Company that Makes High-quality Products

**We are further strengthening our quality management system as we strive to realize quality that meets global market needs.**

<b>Main stakeholders:</b>	Customers, end users
<b>The ISO 26000 core subject:</b>	Consumer issues
<b>Association with Seven Attitudes in TS Guidelines for Conduct:</b>	Attitude toward customers (customer companies and end users)

#### Q Please explain the role and functions of the Corporate Quality Assurance Division.

To provide our customers and end users with high-quality products, the TS Tech Group positions its Quality Manual as the overriding concept on which its quality management is based. Detailed rules are set out in the Quality Management Rules, each operational site's Procedural Manual, and the Standard Job Sheet that staff must follow. Hence, our manufacturing operations are conducted under this established system. The functions of the Corporate Quality Assurance Division are to be involved in the development of this quality management system, ensure that staff are following the stipulated procedures, and continuously verify whether the procedures are being followed.

The Corporate Quality Assurance Division oversees the Corporate Quality Control Department, which comprises three sections. The roles of these sections are to incorporate the quality objectives into the development of new models, undertake analysis and feedback regarding defects identified by end users, and develop systems covering all processes. By fulfilling these roles, we strive to enhance customer satisfaction.

#### Q Do you implement your quality management system on a global level?

Under the Company's 11th Medium-Term Management Plan, the Corporate Quality Assurance Division is building a quality management system based on international quality standards ISO 9001 and ISO/TS 16949. Furthermore, we are undertaking improvement measures as a joint effort between development and production functions with the

objective of having zero cases of defective products shipped to customers. In addition, by transferring the results of these programs to our overseas facilities, we are striving to establish a global quality management system.

To ensure that end user needs are reflected in our product quality, we regularly analyze survey data from reliable sources, including the Initial Quality Study (IQS) produced by customer satisfaction research firm J.D. Power and Associates of the United States, and incorporate research findings into the new model development process.

#### Q How does the Corporate Quality Assurance Division interact with other divisions?

A convenient way to conceptualize our system is to use the analogy of "separation of powers"—the Corporate Quality Assurance Division corresponds to the Group's "judiciary" in relation to quality, the Development and Engineering Division corresponds to the "legislature," and the Manufacturing Division corresponds to the "executive." We are always acutely aware of the heavy responsibility associated with decisions affecting the quality of products delivered to customers and end users and responses when quality-related issues arise.

Quality is the result of linkages between all business operations, including development, design, procurement, and manufacturing. We liaise closely with all divisions to ensure that the TS TECH Group maintains the trust of its customers and end users worldwide as "a company that provides products of the highest quality." In doing so, we aim to constantly deliver quality that exceeds the expectations of these stakeholders.

#### TS Guidelines for Conduct

##### Attitude toward customers

In order for TS TECH to provide customers and end users with a high degree of satisfaction, I always set myself a creative task from the customer's viewpoint and then proceed with my task while imagining myself in the customer's position.

- Offer of Quality Products**  
I offer quality products, always placing myself in the customer's position.

# Community Involvement and Community Development



## To Be a Company Firmly Rooted in the Local Community

The TS TECH Group actively engages in social contribution through community exchange, social welfare promotion, and disaster support as a member of the community.

<b>Main stakeholders:</b>	Local community
<b>The ISO 26000 core subject:</b>	Community involvement and development
<b>Association with Seven Attitudes in TS Guidelines for Conduct:</b>	Attitude toward the local community

### • Examples of community involvement by overseas subsidiaries

#### Raising Money to Support Cancer Patients—United States

Relay For Life is a volunteer activity to raise money for the purpose of investigating and researching various cancer treatments.

TS TECH Alabama participated in this fundraiser. Team members held a bake sale and bazaar, sold doughnuts, and held other events to raise money. The climax of Relay For Life is a walk relay from evening until the next morning. In the morning, TS TECH Alabama had the most members still on the track and won a Golden Pillow Award.



Relay For Life team (TS TECH Alabama)

#### Helping Improve the Environment of Nursing Homes—Philippines

Representatives of TS TECH Trim Philippines visit nursing homes and donate furniture with the aim of creating an environment where elderly people can live comfortably. The company donates chairs and desks handmade in the company and a CSR team of about 30 employees leads this and other activities.

Last year, volunteers helped create an environment where nursing home residents could live with peace of mind by building and donating a block wall to protect the nursing home from flood damage caused by a nearby waterway during the rainy season and when typhoons strike.



Constructing a protective block wall for a nursing home (TS TECH Trim Philippines)

#### TS Guidelines for Conduct

##### Attitude toward the local community

In order for the Company to take root in the local community, I make a positive contribution to the local community as a member of the community.

- Cultural exchange with the community  
I try to promote cultural exchange with the community through positive participation in local events.
- Social welfare  
I extend help positively to mentally or physically handicapped persons.
- Disaster relief  
I will give positive aid to the victims when and if a disaster occurs.
- Volunteer  
I join or support volunteer activity in a positive manner.

#### Helping Improve the Educational Environment in Elementary Schools—China

Guangzhou TSK Auto Parts Co., Ltd., donated a total of 90,000 yuan for repairs to elementary schools and for the construction of an agricultural reservoir to help support impoverished areas in the city of Meizhou, Guangdong Province. The company also donates writing supplies to children from impoverished areas and contributes to the improvement of the educational environment of local schools and the agricultural production environment.



Supporting schools (Guangzhou TSK Auto Parts)

#### Donating Writing and Office Supplies—Indonesia

TS TECH Indonesia, together with 11 other Japanese companies in the local industrial complex, has been donating writing supplies and whiteboards to elementary schools since 2004.

In May 2011, company representatives visited schools near the plant and donated desks and chairs to be used at the schools.



Employees presenting writing supplies (TS TECH Indonesia)

### • Examples of community involvement in Japan

#### Reusing Waste Food Oil and Food Scraps—Tochigi

Waste food oil from facilities in the Tochigi area are turned into biodiesel fuel (BDF) in the town of Takanezawa in Shioya-gun and used as fuel by the town's school lunch delivery trucks.

Also, food scraps from the cafeteria are composted at the Takanezawa Soil Production Center and used by local farmers.

#### Creating BDF from Waste Food Oil





**Donation of Wheelchairs and Welfare Vehicles to Local Cities—Head Office, all Business Sites**

Every year since 2006, the TS TECH head office has donated wheelchairs to the city of Asaka. The donated wheelchairs contribute to the local community, such as by their use in the city's free wheelchair rental service for the elderly and persons with physical disabilities.

In July 2011, TS TECH marked its 50th anniversary. In expression of its gratitude, the Company donated one welfare vehicle each to the six cities and towns where its business sites are located. The vehicles donated feature either passenger seat lifts to help people get in and out of the vehicle or wheelchair-loading ramps. Presentation ceremonies were held in each municipality and letters of appreciation received.

From here on, the Group will continue to contribute to the local community from various angles in addition to the donation of wheelchairs.

**Plant Tour for Elementary School Students—Hamamatsu Plant**

In November 2011, the Hamamatsu Plant held a plant tour at the request of the local Hamamatsu Elementary School. On that day, 63 third graders visited the plant, eagerly watched the manufacture of seats for the first time, and listened carefully to explanations by plant staff. The children asked many questions during the Q&A time, indicating great interest in manufacturing. The TS TECH Group will continue to engage in such activities enthusiastically from here on, in order to contribute to the education of local children.

**Let's give green back to the Earth! Green Ecosystem Preservation Campaign—Head Office, Saitama Plant, Hamamatsu Plant**

TS TECH is working at green ecosystem preservation under the concept that the TS TECH Group gives back to the Earth through the creation of new green spaces and nature protection efforts at business sites around the world. The policy for this initiative is that the TS TECH Group and its employees contribute to the creation of a sustainable society by working to protect the environment and restore biodiversity and natural habitats.

TS TECH's business sites in Saitama Prefecture cooperated with the town of Yorii, in Osato county and thinned some Japanese cedar and cypress forests in April 2012. In cooperation with the town of Minano, the Company planted saw-tooth oak and *konara* oak trees, which are thought to have inhabited the area in the past. The Company also planted big mountain cherry and painted maple trees to meet the needs of the town. TS TECH hopes to create a forest that can be inhabited 50 and 100 years from now by the flying squirrel *Petaurista leucogenys nikkonis* and the giant purple butterfly, which are indicator species of Saitama Prefecture.

In March 2012, the Hamamatsu Plant signed a "Shizuoka Future Forest Supporter Agreement" with Shizuoka Prefecture. In the future the plant plans to continuously raise forest trees and plants in a prefectural forest park so that it becomes a "forest of healing" for prefectural residents, paying due consideration to biodiversity in the target area.



Welfare vehicle donated on TS TECH's 50th anniversary



Elementary school students on a plant tour



Commemorative photo after planting trees



Signing ceremony for "Shizuoka Future Forest Supporter Agreement"

**Chapter 3 System and Performance**

The TS TECH Group's competitive environment is no longer limited to the old framework; it is now the arena of fierce global competition. In this situation, the Group believes it cannot respond only to the needs of its existing main clients. In order to expand the size of the Company and improve its corporate value, it must also acquire new commercial rights, by aggressively developing new customers.

In the fiscal year ended March 2012, the business climate the Group faced brought tougher circumstances than it had ever experienced, with one natural disaster after another and an excessively strong yen. Nevertheless, based on its 11th Medium-Term Management Plan, TS TECH built a foundation for survival in a fiercely competitive environment by rolling out measures to (1) strengthen the foundations to compete in the global arena, (2) strengthen the organizational structure to acquire new customers, and (3) develop new technology (new frames to improve parts-competitiveness).

The TS TECH Group is determined to pursue steady growth toward the achievement of its vision for 2020.



**Progress in Initiatives (2011)**

1. Strengthening the foundations to compete in the global arena
2. Strengthening the organizational structure to acquire new customers
3. Developing new technology (new frames to improve parts-competitiveness)

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## Sales Expansion Structure—the Driving Force to Fight in the Global Arena: An Interview with the Sales Division Executive General Manager



**Toyohide Ishii**, Senior Managing Director (Representative Director), Executive General Manager of the Sales Division

### Human resources are the driving force for promoting sales expansion strategies globally

TS TECH is winning orders from European manufacturers through advanced technical development capability and quality human resources. The TS TECH Group is focusing on theoretical and practical human resources development, with the aim of developing new customers.

#### Q What is TS TECH's strategy to succeed in the current intense global competition?

Until now the TS TECH Group achieved growth through a one-global-specification formula. However, as the axis of growth shifts to emerging markets, there is more demand for diverse products that meet the needs of local users. We have to alter our strategy to stay in step with these changes.

We have already strengthened our sales, development, and purchasing functions in each location by increasing the number of resident officers. From here on we will succeed in intense global competition by rolling out products that precisely meet local needs.

#### Q What was the purpose of establishing a business development department in April 2012?

In April 2011, the TS TECH Group received seat frame orders from Germany's Volkswagen (VW) for the next year's sport utility vehicle (SUV) models, thanks to the high assessment of our "one-motion double fold-down" feature and lightweight technology. Winning new customers like this has become essential to achieve further growth, and we need to put our experience and performance on the front lines of sales, to work as an organization on a global scale in order to develop customers. That is why we established a new business development department and developed a system to expand sales abilities—which tended to be reliant on individual skills—throughout the organization and to push new customer developments forward by integrating external

sales units with a business development office that is in charge of new business.

#### Q What are your thoughts on "due regard for human resources" from the perspective of future business development?

The TS TECH Group's sales staff habitually strive for sales that present solutions by getting a feel for customers' mindsets and the background to their requests.

The two Swedish staff members who made overtures to European manufacturers together with Japanese staff members when we ventured into Europe in 2005 now have a fully sufficient understanding of the TS philosophy. I think that the reason we received high praise from VW was in large part due to this kind of quality human resources in addition to our advanced technical and development capabilities.

In Japan as well, we are working out a consensus with each division and the labor union and putting effort into the development of global human resources. We not only provide language education and overseas experience, we also conduct theoretical and practical human resources development, such as by providing ample opportunity for LPL in front of top executives (see pp.10-12) and for report and assessment meetings in which administrator-class employees explain new projects and new products. The development of global human resources will likely become increasingly important as we head toward achieving the goal of bolstering the competitiveness of our products to a level that matches the world's major automobile seat and interior trim manufacturers by 2030.



#### Base in Germany

TS TECH has strengthened its base in Germany, including establishing a new company there in June 2012.

#### Rate of increasing resident officers at each base

(April 2012, compared to the number of staff on March 31, 2012, in each area)

North America	Up 29%
South America	Up 33%
China	Up 33%
Asia	Up 24%
Europe	Up 57%

In April 2012, 121 resident staff were dispatched outside Japan.

## Performance, Proof of Top-tier Company Status: An Interview with the Corporate Business Administration Division Executive General Manager



**Kazuhiko Hikida**, Managing Director, Executive General Manager of the Corporate Business Administration Division

### Aspiring to Be a Top-tier Company by Continually Improving Profitability

We will continue to push forward with our business efforts so that all end users and clients associate seats with the TS TECH name.

#### Q Please tell us about the Corporate Business Administration Division's structure.

The Corporate Business Administration Division is made up of four departments and offices: the Corporate Accounting Department, the Affiliates Administration Department, the Foreign Trade Management Office, and the Business Audit Office. The areas they deal with are different, but the desire to make the Company better is the same in each. The Corporate Accounting Department strives to achieve optimal management in terms of money. The Affiliates Administration Department tries to enhance Group governance. The Foreign Trade Management Office works at optimizing logistics worldwide. And the Business Audit Office aims to make the Company even sounder.

The Corporate Business Administration Division's medium- to long-term challenge is to create a solid corporate structure that will enable the Company to continue growing perpetually.

#### Q What is your assessment of the consolidated results for the fiscal year ended March 2012?

The business climate the Group faced in the fiscal year ended March 2012 brought tougher circumstances than we had ever experienced, with an excessively strong yen on top of a decline in the number of orders, due to natural disasters such as the Great East Japan Earthquake and flooding in Thailand. Although the Group made a concerted effort to recover quickly from the earthquake and flood damage and we worked at reducing costs and increasing savings on expenses, we were forced to record a drop in revenue and profits compared to the previous consolidated fiscal year. Even though the climate was so harsh, we did see some hopeful signs: In the second half of the year, the measures

to improve profitability that we had been working on in the Americas produced results and we recorded an increase in revenue and profits compared to the second half of the previous consolidated fiscal year. From here on we will continue carrying out various measures in an effort to improve profitability.

#### Q As a member of the Corporate Business Administration Division, how do you see CSR?

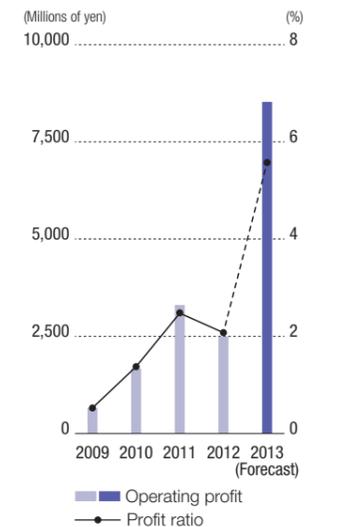
The TS TECH Group carries out a range of activities and initiatives in order to be a "Company Welcomed with Joy." To achieve our goal, we recognize that we have to become a top-tier company. A top-tier company, for example, when considered from the point of view of shareholders, is judged based on financial indicators such as operating margins, return on equity (ROE), dividends payout ratio, and total return ratio. The TS TECH Group is aiming to achieve at least a 6% operating margin on a consolidated basis as a management goal of our 11th Medium-Term Management Plan. We are also developing our business in other ways to meet the expectations of shareholders.

On the other hand, in order for the TS TECH Group to be a "Company Welcomed with Joy," we cannot focus solely on securing revenue; we must also be accepted by the world. Companies that ignore the concept "for the world, for the people," cannot stay in business for long. During the flooding in Thailand we continued to pay a salary to employees even when operations were suspended. I think it is because we have this kind of attitude that values people—"due regard for human resources"—that the Group was able to smoothly restart production and keep the business going. When end users and clients associate seats with the TS TECH name, that will be proof that we are a top-tier company, thereby fulfilling a wish shared by all our employees. I believe that this recognition will spread as we continue to push forward with our business efforts.



Flooded building belonging to TS TECH Thailand

#### Operating Profit (Profit Ratio) of the Americas Segment



## Financial Section

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## Management's Discussion and Analysis

### 1. Analysis of Financial Condition

Total assets as of March 31, 2012, the end of FY2012, were 189,343 million yen on a consolidated basis, up 8,503 million yen (4.7%) from the prior year. Current assets totaled 126,602 million yen, a year-on-year increase of 10,991 million yen (9.5%). The rise primarily reflects an increase of 7,183 million yen in cash and deposits and an increase of 3,128 million yen in notes and accounts receivable-trade, as a result of higher sales in North America and Japan for the fourth quarter of the FY2012. Noncurrent assets amounted to 62,741 million yen, a decline of 2,488 million yen (3.8%) from the end of the previous fiscal year. This decline was primarily attributable to a drop of 2,747 million yen in property, plant, and equipment, mainly due to the effect of exchange rates and depreciation, offsetting an increase of 421 million yen in investments and other assets, mainly reflecting greater capital investments in subsidiaries and affiliates, as a result of establishing a subsidiary in Germany.

Total liabilities at the end of FY2012 came to 77,096 million yen on a consolidated basis, an increase of 8,151 million yen (11.8%) year on year. This is primarily due to an increase of 5,260 million yen in notes and accounts payable-trade, reflecting a higher number of purchases during the fourth quarter of the FY2012, and an increase of 2,424 million yen in short-term loans payable.

Net assets at the end of FY2012 totaled 112,248 million yen, rising 353 million yen (0.3%) from the end of the previous fiscal year, chiefly attributable to an increase of 2,998 million yen in retained earnings, which offset an increase of 2,272 million yen in the negative balance for foreign currency translation adjustments.

### 2. Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of the FY2012 was 43,394 million yen, up 10,107 million yen (30.4%) from the end of the previous fiscal year.

*(Net cash provided by (used in) operating activities)*

Net cash provided by operating activities amounted to 18,599 million yen, a drop of 15,077 million yen (44.8%) year over year. This result reflects, among other factors, a year-on-year decrease in income before income taxes of 10,708 million yen, to 10,563 million yen, and a shift to decrease of 3,307 million yen in notes and accounts receivable-trade from a 5,722 million yen increase in notes and accounts receivable-trade in the previous fiscal year, which offset a change to a 5,259 million yen increase in notes and accounts payable-trade from a 580

million yen increase in notes and accounts payable-trade in the previous fiscal year.

*(Net cash provided by (used in) from investing activities)*

Net cash used in investing activities came to 5,410 million yen, a decrease of 4,919 million yen (47.6%) from the previous fiscal year, primarily reflecting the fact that a net change in time deposits deriving from payments into time deposits and proceeds from the withdrawal of time deposits came to a net increase of 2,667 million yen compared with a net outlay of 2,135 million yen in the previous fiscal year.

*(Net cash provided by (used in) financial activities)*

Net cash used in financing activities was 1,930 million yen, a decline of 2,852 million yen (59.6%) year over year. This reflects, among other things, a net increase in short-term loans payable of 2,596 million yen compared with a net outlay of 346 million yen in the previous fiscal year.

### 3. Analysis of Operating Performance

Net sales for the FY2012 amounted to 305,483 million yen on a consolidated basis, a decrease of 52,006 million yen (14.5%) from the previous fiscal year, primarily because of a decrease in orders from the main customers caused by the effects of the Great East Japan Earthquake and the flooding in Thailand, as well as the negative impact of exchange rates. Looking at profits, operating income stood at 9,401 million yen, a decrease of 10,763 million yen (53.4%) year on year, due mainly to a decrease in net sales, despite savings on expenses and cost reduction effects. Ordinary income was 10,928 million yen, a decrease of 10,581 million yen (49.2%) from the previous fiscal year. Net income stood at 4,713 million yen, a decrease of 7,042 million yen (59.9%) year on year.

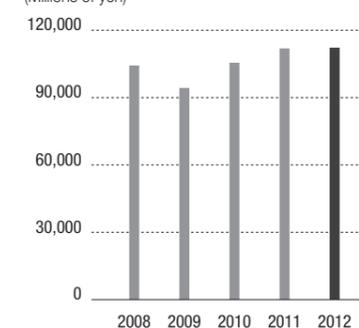
#### Operating performance by geographic segment is as follows:

##### (Japan)

The management environment became extremely severe, mainly reflecting the appreciation of the super-strong yen, in addition to the effects of the Great East Japan Earthquake and the flooding in Thailand. In these conditions, the Group began producing seats for Honda's new Fit Shuttle and for the new CR-V. In addition, it decided to construct a new seat production plant (on the site of the Saitama plant) to further strengthen the competitiveness of its automobile seat business. Through these initiatives, the Group sought to steadily develop robust operations.

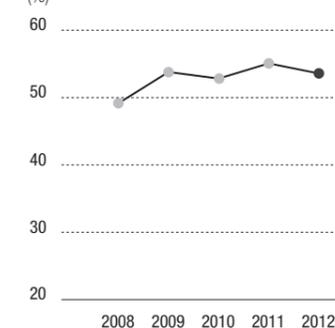
#### Total Equity

(Millions of yen)



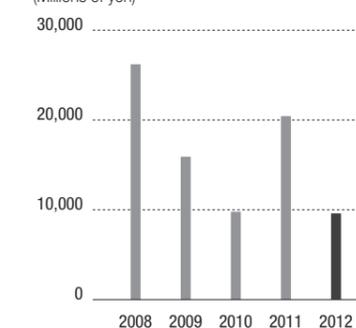
#### Equity Ratio

(%)



#### Operating Income

(Millions of yen)



(Unit: Million yen)

	FY2011	FY2012	Year-on-year	Changes
Net sales	119,624	107,572	(12,053)	(10.1)%
Operating income	4,115	2,971	(1,144)	(27.8)%

## Main factors for year-on-year changes

**Net sales** A decline in sales mainly reflected a fall in the number of parts supplied overseas, in addition to a decrease in orders from main customers caused by the effects of the flooding in Thailand and the Great East Japan Earthquake.

**Operating income** Operating income declined, mainly reflecting the effects of lower sales, despite cost-cutting and other positive effects.

**(Americas)**

The Group began manufacturing seats and interior products for Honda's new CIVIC in April 2011 in North America. However, primarily reflecting the impact of the Great East Japan Earthquake on production, the management environment in the first half of the FY2012 became very difficult. Nonetheless, despite a further disruption in production due to flooding in Thailand, during the second half of the year, post-disaster orders, mainly for the new CIVIC, recovered, and orders for seats and interior products for Honda's new CR-V, which the Group started to produce in North America in December 2011, remained strong. Given a recovery in production in the second half of the FY2012, as well as the effects of earnings improving measures that the Group took under the 9th Medium-Term Management Plan (from April 1, 2005 to March 31, 2008), the Group recorded higher sales and income year on year.

The operating performance of the Americas segment is as follows:

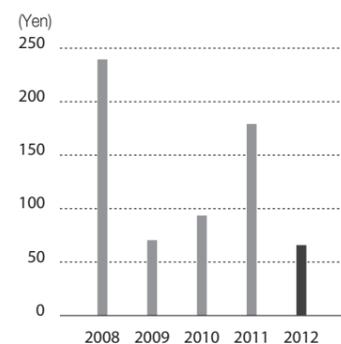
(Unit: Million yen)

	FY2011	FY2012	Year-on-year	Changes
Net sales	139,648	121,738	(17,911)	(12.8)%
Operating income	3,307	2,495	(812)	(24.6)%

## Main factors for year-on-year changes

**Net sales** Sales declined, mainly because of a decrease in orders from the Group's main customers, reflecting the effects of the Great East Japan Earthquake and the flooding in Thailand, as well as the negative impact of exchange rates.

**Operating income** Operating income declined, mainly reflecting the effects of lower sales, despite the effects of cost reduction and other positive factors.

**Basic Net Income per Share**

\* Per share information for the fiscal year ended March 31, 2008, is calculated based on the number of shares after the stock split.

**(China)**

The management environment became even more severe, mainly due to the effects of the Great East Japan Earthquake on production and higher labor costs. In this environment, the Group started producing seats and interior products for Li Nian S1, the concept brand of Guangqi Honda\*, as well as seats for Honda's new CIVIC. Moreover, the Group strengthened its local development capabilities in accordance with local needs and the needs of main customers by bolstering the regional control and management structure. It also increased its sales capabilities with respect to Chinese automobile assemblers, and sought to further increase the rate of local procurement by increasing the number of local business partners. Through these initiatives, the Group managed to develop its operations with an eye on the Chinese market in the future.

The operating performance of the Chinese segment is as follows:

(Unit: Million yen)

	FY2011	FY2012	Year-on-year	Changes
Net sales	77,199	67,752	(9,447)	(12.2)%
Operating income	10,433	5,796	(4,637)	(44.4)%

## Main factors for year-on-year changes

**Net sales** Sales declined, mainly because of a decrease in orders from the Group's main customers, reflecting the effects of the Great East Japan Earthquake, as well as the negative impact of exchange rates.

**Operating income** Operating income declined, reflecting lower sales and higher labor costs, as well as the negative impact of exchange rates.

\* Guangqi Honda: Guangqi Honda Automobile Co., Ltd.

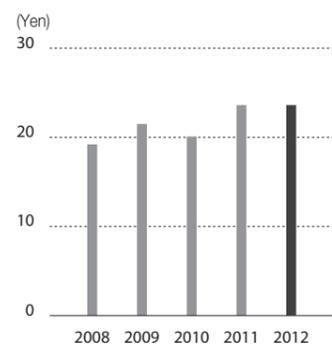
**(Asia and the U.K.)**

The management environment became very severe, mainly due to the effects of the Great East Japan Earthquake and the flooding in Thailand. In these conditions, the Group started producing seats for Honda's Brio in Thailand and India. A subsidiary in Thailand, which sustained inundation damage in the wake of the flooding, suspended its operations from early October 2011, but resumed production in March 2012 following a major restoration effort. The subsidiary is now making its utmost effort to make up the lost production.

The operating performance of the Asia and U.K. segment is as follows:

(Unit: Million yen)

	FY2011	FY2012	Year-on-year	Changes
Net sales	48,260	31,940	(16,320)	(33.8)%
Operating income	5,928	1,735	(4,193)	(70.7)%

**Cash Dividends per Share**

## Main factors for year-on-year changes

**Net sales** Sales declined, mainly due to a decrease in orders from the Group's main customers, reflecting the effects of the Great East Japan Earthquake, and the suspension of operations due to flooding in Thailand.

**Operating income** Operating income declined, mainly reflecting the effects of lower sales, despite the benefits of reduced expenses and other positive factors.

## Sales by business segment are as follows:

(Unit: Million yen)

	FY2011		FY2012		Year-on-year	Changes
	Sales ratio		Sales ratio			
Motorcycles	5,429	1.5%	6,764	2.2%	1,335	24.6%
Automobiles	348,928	97.6%	295,297	96.7%	(53,631)	(15.4)%
(Seats)	294,797	82.5%	258,468	84.6%	(36,329)	(12.3)%
(Interior products)	54,131	15.1%	36,829	12.1%	(17,302)	(32.0)%
Other businesses	3,133	0.9%	3,422	1.1%	290	9.2%
Total	357,489	100.0%	305,483	100.0%	(52,006)	(14.5)%

## Main factors for year-on-year changes

Sales of the Motorcycle segment increased, given an increase in orders from main customers in Japan. Sales in the automobile segment fell, however, with a decline in orders from main customers, reflecting the effects of the Great East Japan Earthquake and the flooding in Thailand.

**4. Forecasts for the Fiscal Year Ending March 31, 2013**

The Group's consolidated forecasts for the FY2013 are as follows:

Consolidated net sales	363.0 billion yen (Year-on-year Up 18.8%)
Consolidated operating income	21.5 billion yen (Year-on-year Up 128.7%)
Consolidated ordinary income	23.0 billion yen (Year-on-year Up 110.5%)
Consolidated net income	12.5 billion yen (Year-on-year Up 165.2%)

## The Group's forecasts by segment are as follows:

**(Japan)**

(Unit: Million yen)

	FY2012	FY2013 Forecasts	Year-on-year	Changes
Net sales	107,572	99,750	(7,822)	(7.3)%
Operating income	2,971	4,820	1,849	62.2%

## Main factors for year-on-year changes

**Net sales** Sales are expected to fall, given a decline in orders from the Group's main customers, despite higher sales of parts for the overseas market.

**Operating income** Operating income is expected to rise, mainly reflecting earnings contributed by overseas operations and the effects of cost cutting, despite the negative impact on earnings from a fall in sales.

**(Americas)**

(Unit: Million yen)

	FY2012	FY2013 Forecasts	Year-on-year	Changes
Net sales	121,738	154,640	32,902	27.0%
Operating income	2,495	8,530	6,035	241.9%

## Main factors for year-on-year changes

**Net sales** Sales are expected to rise, reflecting an increase in orders from the Group's main customers.

**Operating income** Operating income is expected to increase, given an improvement in earnings in addition to an increase in revenue due to higher sales, despite an increase in expenses associated with increase in orders.

**(China)**

(Unit: Million yen)

	FY2012	FY2013 Forecasts	Year-on-year	Changes
Net sales	67,752	83,990	16,238	24.0%
Operating income	5,796	8,200	2,404	41.5%

## Main factors for year-on-year changes

**Net sales** Sales are expected to rise, reflecting an increase in orders from the Group's main customers.

**Operating income** Operating income is expected to rise, given the effects of higher sales, offsetting a rise in labor costs.

**(Asia and Europe)\***

(Unit: Million yen)

	FY2012	FY2013 Forecasts	Year-on-year	Changes
Net sales	31,940	49,300	17,360	54.4%
Operating income	1,735	4,330	2,595	149.5%

## Main factors for year-on-year changes

**Net sales** Sales are expected to rise, reflecting an early recovery in production, which was disrupted by flooding in Thailand, and an increase in orders from the Group's main customers.

**Operating income** Operating income is expected to rise due to the effects of higher sales, despite an increase in expenses associated with increased orders.

\*TS TECH has changed "Asia and the U.K." segment to "Asia and Europe" on April 1, 2012

The Group also plans a capital investment of 9.8 billion yen, up 24.0% year-on-year.

Regarding full-year average exchange rates, the Group has assumed 1 USD = 78.0 yen and 1 CNY= 12.3 yen.

## Business and Other Risks

**The business performance and financial condition of the TS TECH Group may be affected by the following risks, and we believe that the risk factors outlined may materially affect the investment decisions of investors. Although the Group has established appropriate risk management systems in response to these risks, users of this information should be aware that it is not possible to anticipate all contingencies.**

**Any statements contained herein regarding the future are based on judgments made by the Group as of the time this report was produced.**

### [1] Changes in the market environment

The TS TECH Group operates in regions around the world, including Japan, North America, South America, China and other countries in Asia, and Europe. The decline in the economies of these regions and reduced consumer spending resulting from trends in the costs of goods that has led to reduced sales of motorcycles and automobiles may have an adverse effect on the Group's operating performance.

### [2] Level of dependence on sales to Honda Motor Co., Ltd., and Honda Group

Since its founding, the TS TECH Group has worked to quickly and flexibly develop business locations and pursue a development and production system to meet the needs of Honda Motor Co., Ltd. and its affiliates (the Honda Group). As a result, sales to the Honda Group accounted for a high percentage of consolidated net sales in FY2012, at 91.6%. (Including indirect sales to the Honda Group via other Honda Group partners, the Honda Group was the final customer for 94.0% of sales.)

The TS TECH Group participates in new vehicle model projects from the planning and development stages, and strives to carry out product development that meets customer needs by providing plans and proposals. However, the pursuit of such a strategy does not guarantee that the Group will receive ongoing orders for each model. If the Group were to unexpectedly fail to win an order with the Honda Group, the Group's operating performance may be affected.

In addition, the TS TECH Group has regular opportunities to communicate with the Honda Group through which it reaffirms the business direction being pursued by both groups. However, the business performance of the Group may be affected by such factors as (1) changes in the Honda Group's business strategies or purchasing policies; (2) adjustments in the Honda Group's production; (3) transfer of the production location of special models produced by the Honda Group; (4) reorganization of the Honda Group's production locations; and (5) the marketing launch date and marketing trends of Honda Group models that incorporate the Group's products.

### [3] Competition

The appearance of new competitors or cooperation among existing competitors may result in such companies, or alliances, rapidly gaining market share.

The TS TECH Group aims continually for technical innovation to reinforce its position as a manufacturer specializing in automobile seats and interiors. The Group focuses on the development of high-quality, high-value-added automobile seats and interiors as a means of enhancing its competitiveness. However, there is no

guarantee that the Group will be able to maintain or expand its market share in the future.

### [4] Latent risks inherent in international operations and overseas expansion

In an operating environment in which automobile manufacturers are focusing increasingly on the optimization of their procurement systems on a global level, automobile component manufacturers are also facing expanding requirements related to optimum global procurement, where local production and local parts procurement comprise a fundamental part of the business model. Responding successfully to this globalization is an essential prerequisite to survival in the current competitive environment.

Reinforcing local production capabilities is a core strategy for the TS TECH Group. In North America, South America, China, other countries in Asia, and Europe, the Group has established local manufacturing subsidiaries and is pursuing an aggressive strategy of overseas business development. We expect this trend to continue. In FY2011, sales in Americas accounted for 37.0% of consolidated sales, China 20.6%, and Asia and the U.K. 9.7%.

As a result of this overseas business development, the management results and financial condition of the Group may be influenced by factors such as the unexpected establishment of or changes to overseas laws and regulations, the positions of tax authorities regarding transfer pricing taxation, changes in the politics and economies of different countries, changes to the management policies and business environments of joint ventures, difficulty in acquiring human resources and insufficient infrastructure.

### [5] Exposure to the credit risk of business partners

As a manufacturer of automotive parts, the TS TECH Group has many business partners. While we regularly verify the management status of our business partners, in the event of an unexpected deterioration in the credit or failure of a partner, the Group's operating performance may be adversely affected.

### [6] Impact of fluctuations in raw material markets

The TS TECH Group's main product, automobile seats, is made of steel, resin, polyurethane, and covering materials. The Group takes steps to ensure the stable procurement of these materials by concluding basic purchase contracts with our suppliers of raw materials and parts.

However, in the event of an insufficient supply of raw materials that cannot be addressed or absorbed by the Group, or sharp price

increases induced by changes in the regulations surrounding raw materials, reduced production by raw materials manufacturers, and changes in raw materials markets, the Group's operating performance may be negatively affected.

### [7] Impact of foreign exchange fluctuations

The TS TECH Group operates globally and is susceptible to foreign exchange fluctuations in its foreign currency-denominated transactions. While the Group conducts exchange hedging transactions for major currencies to minimize the risk of foreign exchange fluctuations, as it is impossible to hedge against all exchange risk, the Group's operating performance may be affected by changes in the foreign exchange market.

The Group's operating performance may also be affected by changes in management results following the conversion to yen based on the conversion rate used in the consolidated financial statements.

### [8] Impact of disasters, accidents and other incidents on the Group's production lines

To minimize the latent risk of disruptions to its production lines, the TS TECH Group carries out regular accident prevention and safety inspections as well as equipment maintenance inspections on all equipment at its plants.

However, there is no guarantee that the Group will be able to completely prevent or mitigate the effect of disruptions to its production lines.

In addition, although the Group endeavors to enhance its manufacturing capacity by undertaking measures to improve processes on its production lines, making its equipment more versatile, and installing production equipment that enables the flexible transfer of production between different plants, among other measures, if an earthquake, contagious disease, or other large-scale natural disaster were to occur, or some other situation arose that caused the suspension of operations, it is possible that production capacity would be severely constrained. This event may have an adverse effect on the Group's operating performance.

### [9] Protection of intellectual property rights

Although the TS TECH Group has accumulated significant technology and expertise related to the manufacture of its products, in the future it is possible that these intellectual property rights would not be comprehensively protected. Moreover, the Group's operations could be adversely affected if its intellectual property rights were to be illegally infringed on a large scale.

In addition to the situations outlined above, although the Group develops products and technologies while taking full and appropriate care to ensure that it does not infringe the intellectual property rights of other companies, it is possible that products and technologies developed by the Group could be deemed to infringe on the intellectual property rights of third parties.

### [10] Response to legal procedures

Investigations of the TS TECH Group in lawsuits under related laws and regulations or decisions against the Group in ongoing legal procedures may adversely affect the operating performance and financial condition of the Group.

### [11] Response in case of a product defect

The TS TECH Group's manufacturing plants take steps to prevent the occurrence of product defects by constructing a quality assurance system for manufacturing processes and operating ISO 9001 international standard for quality management systems.

Moreover, the Group hedges the risk of product liability claims for product defects through insurance coverage, construction of a system of traceability (tracing of manufacturing history) and other means. However, a product recall or similar event that incurred substantial cost and led to a decline in confidence in the Group might have an adverse effect on the Group's business performance and financial condition.

### [12] Response to laws and regulations

In its business activities, which extend across many countries, the TS TECH Group is subject to a wide range of legal restrictions, such as safety and environmental regulations and laws. The Group operates in compliance with the relevant laws and regulations. In particular, in response to legal requirements in Europe and the United States relating to automobile safety, the Group has prepared a research and development system that enables it to adequately respond to future changes in the regulatory framework in this area.

However, in response to any future strengthening of regulations or the introduction of new regulations in a wide range of areas, if the Group is unable to fully comply with new legal requirements, its business activities may be restricted.

Moreover, any strengthening of regulations or introduction of new regulations may lead to increased costs for the Group. This scenario could adversely affect the Group's operating performance and financial position.

### [13] Retirement benefit liabilities

The retirement benefit costs and liabilities of the TS TECH Group are calculated based on assumptions such as the discount rate and expected rate of investment income. As a result, should actual results differ from these assumptions or should these assumptions change, the Group's operating performance and financial condition may be affected.

**Consolidated Balance Sheets**TS TECH Co., Ltd. and Consolidated Subsidiaries  
March 31, 2012 and 2011

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 12)	¥ 43,395	¥ 33,288	\$ 527,983
Notes and accounts receivable (Note 12):			
Trade	52,111	49,013	634,034
Unconsolidated subsidiaries and associated companies	306	276	3,719
Inventories (Note 3)	19,943	18,175	242,641
Income taxes receivable (Note 12)	190	362	2,314
Deferred tax assets (Note 9)	2,196	2,513	26,718
Prepaid expenses and other current assets	8,485	12,024	103,243
Allowance for doubtful accounts	(24)	(40)	(290)
Total current assets	<b>126,602</b>	115,611	<b>1,540,362</b>
<b>PROPERTY, PLANT, AND EQUIPMENT</b> (Note 4):			
Land	9,148	9,300	111,306
Buildings and structures	34,420	34,699	418,788
Machinery and equipment	46,763	46,844	568,971
Furniture and fixtures	38,001	37,857	462,351
Construction in progress	2,047	1,755	24,902
Total	<b>130,379</b>	130,455	<b>1,586,318</b>
Accumulated depreciation	(87,385)	(84,713)	(1,063,209)
Net property, plant and equipment	<b>42,994</b>	45,742	<b>523,109</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 5 and 12)	13,129	12,990	159,737
Investments in and advances to unconsolidated subsidiaries and associated companies	2,270	1,301	27,616
Long-term loans (Note 12)	655	424	7,970
Intangibles	1,174	1,335	14,282
Deferred tax assets (Note 9)	843	776	10,261
Other	1,845	2,722	22,451
Allowance for doubtful accounts	(169)	(61)	(2,061)
Total investments and other assets	<b>19,747</b>	19,487	<b>240,256</b>
<b>TOTAL</b>	<b>¥189,343</b>	¥180,840	<b>\$2,303,727</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
<b>CURRENT LIABILITIES:</b>			
Notes and accounts payable (Note 12):			
Trade	¥ 47,635	¥ 42,348	\$ 579,571
Unconsolidated subsidiaries and associated companies	327	354	3,973
Short-term bank loans (Notes 6 and 12)	4,298	1,874	52,299
Current portion of long-term debt (Notes 6 and 12)	678	584	8,254
Accrued bonuses	1,922	1,906	23,387
Accrued bonuses to directors and corporate auditors	87	93	1,058
Income taxes payables (Note 12)	933	1,007	11,354
Deferred tax liabilities (Note 9)	174	93	2,116
Other	11,314	9,852	137,659
Total current liabilities	<b>67,368</b>	58,111	<b>819,671</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 6 and 12)	2,787	3,001	33,909
Liability for employees' retirement benefits (Note 7)	595	393	7,234
Liability for directors' and corporate auditors' retirement benefits	87	78	1,063
Deferred tax liabilities (Note 9)	4,888	4,833	59,477
Other	1,370	2,529	16,665
Total long-term liabilities	<b>9,727</b>	10,834	<b>118,348</b>
<b>CONTINGENT LIABILITIES</b> (Note 14)			
<b>EQUITY:</b>			
Common stock—authorized, 272,000,000 shares; issued, 68,000,000 shares in 2012 and 2011	4,700	4,700	57,185
Capital surplus	5,163	5,163	62,819
Retained earnings	99,214	96,216	1,207,128
Treasury stock—at cost, 1,645 shares in 2012 and 1,630 shares in 2011	(3)	(3)	(39)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	7,089	6,440	86,254
Foreign currency translation adjustments	(15,216)	(12,944)	(185,134)
Total	<b>100,947</b>	99,572	<b>1,228,213</b>
Minority interests	11,301	12,323	137,495
Total equity	<b>112,248</b>	111,895	<b>1,365,708</b>
<b>TOTAL</b>	<b>¥189,343</b>	¥180,840	<b>\$2,303,727</b>



## Consolidated Statements of Changes in Equity

TS TECH Co., Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2012 and 2011

	Thousands		Millions of Yen							
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)		Total	Minority Interests	Total Equity
						Unrealized Gain(Loss) on Available- for-Sale Securities	Foreign Currency Translation Adjustments			
<b>BALANCE, APRIL 1, 2010</b>	68,000	¥4,700	¥5,163	¥86,230	¥(3)	¥6,844	¥ (8,828)	¥ 94,106	¥11,383	¥105,489
Adjustment of retained earnings due to an adoption of PITF No. 16 and No. 18 (Note 2.b, c)				(24)				(24)		(24)
Net income				11,755				11,755		11,755
Cash dividends, ¥22 per share				(1,496)				(1,496)		(1,496)
Contribution to employee welfare fund				(113)				(113)		(113)
Purchase of treasury stock					(0)			(0)		(0)
Takeover of retained earnings for merger of nonconsolidated subsidiary				(136)				(136)		(136)
Net change in the year						(404)	(4,116)	(4,520)	940	(3,580)
<b>BALANCE, MARCH 31, 2011</b>	68,000	4,700	5,163	96,216	(3)	6,440	(12,944)	99,572	12,323	111,895
Net income				4,713				4,713		4,713
Cash dividends, ¥25 per share				(1,700)				(1,700)		(1,700)
Contribution to employee welfare fund				(93)				(93)		(93)
Purchase of treasury stock					(0)			(0)		(0)
Takeover of retained earnings for merger of nonconsolidated subsidiary				78				78		78
Net change in the year						649	(2,272)	(1,623)	(1,022)	(2,645)
<b>BALANCE, MARCH 31, 2012</b>	<b>68,000</b>	<b>¥4,700</b>	<b>¥5,163</b>	<b>¥99,214</b>	<b>¥(3)</b>	<b>¥7,089</b>	<b>¥(15,216)</b>	<b>¥100,947</b>	<b>¥11,301</b>	<b>¥112,248</b>

	Thousands of U.S. Dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)		Total	Minority Interests	Total Equity	
					Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments				
<b>BALANCE, APRIL 1, 2011</b>	\$57,185	\$62,819	\$1,170,652	\$(39)	\$78,351	\$(157,487)	\$1,211,481	\$149,934	\$1,361,415	
Net income			57,341				57,341		57,341	
Cash dividends, \$0.30 per share			(20,683)				(20,683)		(20,683)	
Contribution to employee welfare fund			(1,127)				(1,127)		(1,127)	
Purchase of treasury stock				(0)			(0)		(0)	
Takeover of retained earnings for merger of nonconsolidated subsidiary			945				945		945	
Net change in the year					7,903	(27,647)	(19,744)	(12,439)	(32,183)	
<b>BALANCE, MARCH 31, 2012</b>	<b>\$57,185</b>	<b>\$62,819</b>	<b>\$1,207,128</b>	<b>\$(39)</b>	<b>\$86,254</b>	<b>\$(185,134)</b>	<b>\$1,228,213</b>	<b>\$137,495</b>	<b>\$1,365,708</b>	

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

TS TECH Co., Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	<b>¥10,563</b>	¥21,271	<b>\$128,521</b>
Adjustments for:			
Income taxes paid	<b>(3,810)</b>	(3,785)	<b>(46,353)</b>
Depreciation and amortization	<b>8,578</b>	9,319	<b>104,366</b>
Impairment loss on long-lived assets	<b>6</b>	26	<b>74</b>
Loss on adjustment for changes of accounting standard for asset retirement obligations		106	
Equity in earnings of associated companies	<b>(401)</b>	(530)	<b>(4,880)</b>
Losses on disaster undisbursed	<b>750</b>	126	<b>9,127</b>
Changes in assets and liabilities, excluding effects of newly consolidated subsidiaries:			
(Increase) decrease in trade notes and accounts receivable	<b>(3,308)</b>	5,722	<b>(40,243)</b>
(Increase) decrease in inventories	<b>(2,259)</b>	432	<b>(27,491)</b>
(Decrease) increase in interest and dividends receivable	<b>(15)</b>	485	<b>(186)</b>
Increase in trade notes and accounts payable	<b>5,259</b>	581	<b>63,986</b>
Increase (decrease) in interest payable	<b>1</b>	(1)	<b>17</b>
Increase in liability for employees' retirement benefits	<b>227</b>	70	<b>2,762</b>
Proceeds from reimbursement of insurance	<b>722</b>		<b>8,791</b>
Other—net	<b>2,286</b>	(145)	<b>27,807</b>
Total adjustments	<b>8,036</b>	12,406	<b>97,777</b>
Net cash provided by operating activities	<b>18,599</b>	33,677	<b>226,298</b>
<b>INVESTING ACTIVITIES:</b>			
Increase (decrease) in time deposits	<b>2,667</b>	(2,135)	<b>32,451</b>
Proceeds from sale of property, plant, and equipment	<b>596</b>	265	<b>7,257</b>
Payment for purchase of property, plant, and equipment	<b>(7,019)</b>	(7,803)	<b>(85,399)</b>
Proceeds from sale of investment securities	<b>8</b>		<b>93</b>
Payment for purchase of investment securities	<b>(46)</b>	(367)	<b>(562)</b>
Proceeds from collection of loan receivables	<b>418</b>	344	<b>5,086</b>
Payment of loan receivables	<b>(642)</b>	(276)	<b>(7,807)</b>
Payment for purchase of unconsolidated subsidiary	<b>(1,159)</b>	(176)	<b>(14,101)</b>
Other—net	<b>(233)</b>	(181)	<b>(2,841)</b>
Net cash used in investing activities	<b>(5,410)</b>	(10,329)	<b>(65,823)</b>
<b>FINANCING ACTIVITIES:</b>			
Increase (decrease) in short-term bank loans	<b>2,597</b>	(346)	<b>31,597</b>
Repayment of finance lease obligations	<b>(455)</b>	(570)	<b>(5,534)</b>
Proceeds from long-term debt		350	
Repayment of long-term debt	<b>(218)</b>	(208)	<b>(2,656)</b>
Payment for purchase of treasury stock	<b>(0)</b>	(1)	<b>(0)</b>
Dividends paid	<b>(3,854)</b>	(4,008)	<b>(46,892)</b>
Net cash used in financing activities	<b>(1,930)</b>	(4,783)	<b>(23,485)</b>
<b>FORWARD</b>	<b>¥11,259</b>	¥18,565	<b>\$136,990</b>

## Consolidated Statements of Cash Flows

TS TECH Co., Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
FORWARD	¥11,259	¥18,565	\$136,990
<b>CASH AND CASH EQUIVALENTS INCREASED BY MERGER WITH UNCONSOLIDATED SUBSIDIARIES</b>	<b>123</b>	69	<b>1,496</b>
<b>FOREIGN CURRENCY TRANSLATION AND OTHER ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	<b>(1,275)</b>	(1,540)	<b>(15,512)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>10,107</b>	17,094	<b>122,974</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>33,288</b>	16,194	<b>405,009</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>¥43,395</b>	¥33,288	<b>\$527,983</b>

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

TS TECH Co., Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2012 and 2011

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TS TECH Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥82.19 to \$1, the approximate rate of exchange at March 31, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 29 significant (29 in 2011) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in two (two in 2011) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Under Japanese GAAP, a difference of less than three months between the fiscal year end of the parent company and its subsidiaries is not required to be adjusted for purposes of the consolidation. The fiscal year end of subsidiaries except for in Japan, North America, and India is December 31.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either IFRS or U.S. GAAP tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development (R&D); (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting, and (e) exclusion of minority interests from net income, if contained in net income.

**c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**—In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting, and (5) exclusion of minority interests from net income, if contained in net income.

**d. Business Combination**—In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests. For business combinations that do not

meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2011.

- e. Cash and Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature or become due within three months of the date of acquisition.
- f. Inventories**—Inventories are stated at the lower of cost, determined by the first-in, first-out method, or net selling value, except for certain items stated at cost on a specific identification method or supplies stated at cost determined by the most recent purchase price method.
- g. Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- h. Property, Plant, and Equipment**—Property, plant, and equipment are stated at cost. Depreciation for the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method, while the straight-line method is principally applied by consolidated foreign subsidiaries and for buildings acquired after April 1, 1998. The range of useful lives is from 2 to 50 years for buildings, from 2 to 20 years for machinery and equipment and from 2 to 20 years for furniture and fixtures.
- i. Investment Securities**—Investment securities are all classified as available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average cost method. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.
- j. Investments in Unconsolidated Subsidiaries and Associated Companies**—Nonmarketable available-for-sale investments in unconsolidated subsidiaries and associated companies are stated at cost determined by the moving-average cost method.
- k. Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- l. Other Assets**—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 3 to 20 years for intangible assets of the Company and its consolidated domestic subsidiaries and over the estimated useful life for intangible assets of the consolidated foreign subsidiaries. Goodwill and negative goodwill incurred before March 31, 2010 have been amortized by straight-line method over 5 years.
- m. Employees' Retirement Benefits**—The Company has a defined contribution plan, retirement lump-sum payment plan and pre-paid retirement plan covering substantially all of their employees. The domestic subsidiaries mainly have a contributory funded pension plan and retirement lump-sum payment plan. Certain consolidated subsidiaries have a defined benefit plan. The Company accounts for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The past service cost is amortized over 17 years, which is less than the employees' average residual service period, starting from the fiscal year when recognized. The actuarial gain or loss is amortized over 17 years, which is less than the employees' average residual service period, starting from the following fiscal year.

**n. Liabilities for Directors' and Corporate Auditors' Retirement Benefits**—Liabilities for directors' and corporate auditors' retirement benefits of domestic subsidiaries which rules them in their company policies, are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

Liability for directors' and corporate auditors' retirement benefits are paid subject to approval of the shareholders in accordance with the Companies Act of Japan (the "Companies Act").

**o. Asset Retirement Obligations**—In March 2008, the ASBJ published ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

**p. Research and Development Costs**—Research and development costs are charged to income as incurred.

**q. Leases**—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. All other leases are accounted for as operating leases.

**r. Bonuses to Directors and Corporate Auditors**—Bonuses to directors and corporate auditors are accrued at the fiscal year-end to which such bonuses are attributable.

**s. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Certain consolidated foreign subsidiaries file a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned subsidiaries.

**t. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

**u. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange date.

**v. Derivatives and Hedging Activities**—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes. Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income, and (2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high

correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign currency exposures in procurement of raw materials from overseas suppliers. Trade payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

- w. Per-Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.  
Diluted net income per share is not disclosed because it is antidilutive.  
Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

- x. Accounting Changes and Error Corrections**—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:  
(1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentations—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

**y. New Accounting Pronouncements**

**Accounting Standard for Retirement Benefit**—On May 17, 2012, ASBJ issued ASBJ Statement No. 26 "Accounting Standard for Retirement Benefits and ASBJ Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances being followed by partial amendments from time to time through 2009.

Major changes are as follows:

*(a) Treatment in the consolidated balance sheet*

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the consolidated balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or an asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

*(b) Treatment in the consolidated statement of income and the statement of comprehensive income*

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013 and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

**3. INVENTORIES**

Inventories as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Merchandise	¥ 789	¥ 1,256	\$ 9,596
Finished products	1,463	1,470	17,801
Work in process	1,901	1,639	23,125
Raw materials	13,367	12,397	162,635
Supplies	2,423	1,413	29,484
Total	¥19,943	¥18,175	\$242,641

**4. LONG-LIVED ASSETS**

The Group reviewed its long-lived assets for impairment as of March 31, 2012 and 2011. As a result, the Group recognized an impairment loss of ¥6 million (\$74 thousand) and ¥26 million, respectively, as other expenses due to the significant decline in the market value of identified machinery and equipment. The total book values of the relevant assets were written off.

**5. INVESTMENT SECURITIES**

Investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Noncurrent:			
Marketable equity securities	¥12,971	¥12,756	\$157,812
Nonmarketable equity securities	158	234	1,925
Total	¥13,129	¥12,990	\$159,737

The costs and aggregate fair values of investment securities at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2012</b>				
Securities classified as available-for-sale equity securities	¥2,060	¥10,911		¥12,971
March 31, 2011				
Securities classified as available-for-sale equity securities	¥2,019	¥10,737		¥12,756
			Thousands of U.S. Dollars	
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2012</b>				
Securities classified as available-for-sale equity securities	\$25,061	\$132,751		\$157,812

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2012 and 2011 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen	2011	2012
Available-for-sale equity securities	¥158	¥234	\$1,925

For other-than-temporary declines where fair values of securities at the end of the fiscal year become less than 50% of their acquisition costs, investment securities are reduced to net realizable value by a charge to income.

There is no impairment loss on available-for-sale equity securities for the year ended March 31, 2012. In 2011, impairment loss was ¥34 million recorded in other-net in other income.

Proceeds from sales of available-for-sale equity securities for the year ended March 31, 2012 are ¥8 million (\$93 thousand). There were no proceeds from sales of available-for-sale equity securities for the year ended March 31, 2011. There was no gross realized gain on these sales, computed on the moving-average cost basis for the year ended March 31, 2012.

**6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT**

Short-term borrowings as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Short-term borrowings—From banks, 0.73% to 2.12% (0.68% to 1.65% for 2011)	<b>¥4,298</b>	¥1,874	<b>\$52,299</b>

Long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans from financial institutions—From banks, 1.18% to 3.85% (1.65% to 3.85% for 2011):			
Collateralized			
Unsecured	<b>¥3,465</b>	¥3,585	<b>\$42,163</b>
Total	<b>3,465</b>	3,585	<b>42,163</b>
Less current portion	<b>(678)</b>	(584)	<b>(8,254)</b>
Long-term debt, less current portion	<b>¥2,787</b>	¥3,001	<b>\$33,909</b>

Annual maturities of long-term debt as of March 31, 2012 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 678	\$ 8,254
2014	2,501	30,438
2015	207	2,515
2016	69	839
2017	9	107
2018 and thereafter	1	10
Total	¥3,465	\$ 42,163

**7. EMPLOYEES' RETIREMENT BENEFITS**

Employees whose service with the Company is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs.

Prepaid pension expenses incurred from contribution plan using outside financial institutions to save plan assets. While liability for employees' retirement benefit incurred from retirement lump-sum payment plan.

As of March 31, 2012, the plan assets are overfunded. However, Japanese GAAP allows deferred recognition of the actuarial loss as indicated above. As a result, the Company recorded prepaid pension expenses.

The liability for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	<b>¥13,303</b>	¥12,234	<b>\$161,857</b>
Fair value of plan assets	<b>(9,823)</b>	(9,434)	<b>(119,516)</b>
Funded status	<b>3,480</b>	2,800	<b>42,341</b>
Unrecognized actuarial loss	<b>(3,424)</b>	(3,272)	<b>(41,660)</b>
Prepaid pension expenses	<b>539</b>	865	<b>6,553</b>
Net liability	<b>¥ 595</b>	¥ 393	<b>\$ 7,234</b>

The components of net periodic benefit costs for the years ended March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	<b>¥ 742</b>	¥ 761	<b>\$ 9,026</b>
Interest cost	<b>232</b>	228	<b>2,820</b>
Expected return on plan assets	<b>(219)</b>	(208)	<b>(2,661)</b>
Recognized prior service cost	<b>178</b>		<b>2,165</b>
Recognized actuarial loss	<b>416</b>	439	<b>5,061</b>
Other	<b>206</b>	205	<b>2,504</b>
Net periodic benefit costs	<b>1,555</b>	1,425	<b>18,915</b>

Assumptions used for the years ended March 31, 2012 and 2011 are set forth as follows:

	2012	2011
Discount rate	<b>2.0%</b>	2.0%
Expected rate of return on plan assets	<b>2.5%</b>	2.5%
Amortization period of prior service cost	<b>17 years</b>	17 years
Recognition period of actuarial gain/loss	<b>17 years</b>	17 years

**8. EQUITY**

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

**a. Dividends**

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having a board of directors, (2) having independent auditors, (3) having a board of corporate auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**b. Treasury Stock**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

**9. INCOME TAXES**

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 39.8% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Accrued bonus	¥ 709	¥ 727	\$ 8,632
Accrued expenses	828	776	10,079
Reserve for retirement benefits for directors	221	242	2,688
Pension and severance costs	188	122	2,287
Allowance for doubtful accounts	61	70	745
Inventories	282	186	3,430
Depreciation and amortization	460	451	5,603
Research and development costs	905	804	11,004
Foreign tax credit carryforwards	277	147	3,371
Tax loss carryforwards	339	432	4,119
Other	630	881	7,664
Total deferred tax assets	4,900	4,838	59,622
Valuation allowance	(794)	(415)	(9,658)
Offset to deferred tax liabilities	(1,067)	(1,134)	(12,985)
Total deferred tax assets, net	¥3,039	¥3,289	\$36,979
Deferred tax liabilities:			
Depreciation of foreign subsidiaries	¥ 860	¥ 338	\$10,464
Net unrealized gains on marketable securities	3,791	4,252	46,120
Prepaid pension expense	189	346	2,296
Foreign currency translation adjustments	372	410	4,531
Other	917	714	11,167
Total deferred tax liabilities	6,129	6,060	74,578
Offset to deferred tax assets	(1,067)	(1,134)	(12,985)
Total deferred tax liabilities, net	¥5,062	¥4,926	\$61,593

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Normal effective statutory tax rate	39.8%	39.8%
Permanent differences mainly arisen from non-taxable dividend income	(16.2)	(7.1)
Tax credit	(1.4)	(2.3)
Dividend income from subsidiaries eliminated by consolidation	20.7	10.7
Difference in statutory tax rates of foreign subsidiaries	(15.9)	(17.0)
Income taxes—prior year	(0.1)	(0.6)
Undistributed earnings of tax-haven subsidiaries	3.1	1.8
Valuation allowance	4.1	
Other—net	0.8	(2.5)
Actual effective tax rate	34.9%	22.8%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 39.8% to 37.2% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 34.8% afterward. The effect of this change

was to decrease deferred taxes liabilities (after netting the deferred tax assets) in the consolidated balance sheet as of March 31, 2012 by ¥423 million (\$5,145 thousand) and to decrease income taxes-deferred in the consolidated statement of income for the year then ended by ¥122 million (\$1,480 thousand).

**10. RESEARCH AND DEVELOPMENT COSTS**

Research and development expenses included in selling, general, and administrative expenses and cost of sales for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Research and development expenses	¥9,642	¥9,621	\$117,309

**11. LEASES**

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 is omitted due to immateriality of the balance as of March 31, 2012.

The minimum rental commitments under operating leases at March 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 492	\$ 5,980
Due after one year	1,502	18,276
Total	¥1,994	\$24,256

## 12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly long-term debt including bank loans, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets such as time deposits or other assets whose principal is guaranteed. Short-term bank loans are used to fund its ongoing operations. Derivatives are used not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

### (2) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using foreign currency forward contracts. Investment securities, mainly held-to-maturity securities and equity instruments of customers and suppliers of the Group, are exposed to the risk of market price fluctuations. Long-term loans are mainly for the suppliers of the Group.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Maturities of bank loans are less than five years after the balance sheet date.

Derivatives mainly include foreign currency forward contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Note 2.v for more detail about derivatives.

### (3) Risk Management for Financial Instruments

#### Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages.

#### Market risk management (foreign exchange risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by foreign currency forward contracts. Derivative transactions entered into by the Group have been made in accordance with internal guidelines which regulate the authorization and credit limit amount. The execution and control of derivatives are under the authority of the finance department. In addition, the counterparties to these derivatives are limited to major international financial institutions, and the Group therefore does not anticipate any losses arising from credit risk.

#### Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by conducting adequate financial planning by the corporate accounting department.

### (4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead. Please see Note 13 for details, on the fair value for derivatives.

#### (a) Fair value of financial instruments

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<b>March 31, 2012</b>			
Cash and cash equivalents	¥ 43,395	¥ 43,395	
Notes and accounts receivable	52,417	52,417	
Income taxes receivable	190	190	
Investment securities	12,971	12,971	
Long-term loans	655		
Allowance for doubtful accounts	(150)		
Subtotal	505	471	¥ (34)
Total	¥109,478	¥109,444	¥ (34)
Notes and accounts payable	¥ 47,961	¥ 47,961	
Short-term bank loans	4,299	4,299	
Current portion of long-term debt	678	683	¥ 5
Income taxes payables	933	933	
Long-term debt	2,787	2,683	(104)
Total	¥ 56,658	¥ 56,559	¥ (99)
Derivatives	¥ (2)	¥ (2)	

	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<b>March 31, 2011</b>			
Cash and cash equivalents	¥33,288	¥33,288	
Notes and accounts receivable	49,289	49,289	
Income taxes receivable	362	362	
Investment securities	12,756	12,756	
Long-term loans	424	381	¥ (43)
Total	¥96,119	¥96,076	¥ (43)
Notes and accounts payable	¥42,702	¥42,702	
Short-term bank loans	1,874	1,874	
Current portion of long-term debt	584	590	¥ 6
Income taxes payables	1,007	1,007	
Long-term debt	3,001	2,960	(41)
Total	¥49,168	¥49,133	¥ (35)
Derivatives	¥ 6	¥ 6	

	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
<b>March 31, 2012</b>			
Cash and cash equivalents	\$ 527,983	\$ 527,983	
Notes and accounts receivable	637,752	637,752	
Income taxes receivable	2,314	2,314	
Investment securities	157,813	157,813	
Long-term loans	7,970		
Allowance for doubtful accounts	(1,825)		
Subtotal	6,145	5,735	\$ (410)
Total	\$1,332,007	\$1,331,597	\$ (410)
Notes and accounts payable	\$ 583,544	\$ 583,544	
Short-term bank loans	52,299	52,299	
Current portion of long-term debt	8,254	8,308	\$ 54
Income taxes payables	11,354	11,354	
Long-term debt	33,909	32,647	(1,262)
Total	\$ 689,360	\$ 688,152	\$ (1,208)
Derivatives	\$ (19)	\$ (19)	

#### Cash and Cash Equivalents, Receivables, and Income Taxes Receivable

The carrying values of cash and cash equivalents, notes and accounts receivable, and income taxes receivable approximate fair value because of their short maturities.

#### Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Information on the fair values of investment securities by classification is included in Note 5.

#### Long-Term Loans

The fair values of long-term loans are determined by discounting the cash flows by an interest rate, such as the yield on government bonds, added with a credit spread.

#### Payables, Short-Term Bank Loans, and Income Taxes Payables

The carrying values of notes and accounts payable, short-term bank loans, and income taxes payables approximate fair value because of their short maturities.

#### Long-Term Debt

The fair values of the current portion of long-term debt and long-term debt are measured at the amounts to be paid at maturity discounted at the Group's assumed corporate borrowing rate.

#### Derivatives

Information regarding the fair value for derivatives is included in Note 13.

**(b) Carrying amount of financial instruments whose fair value cannot be reliably determined**

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investments in equity instruments that do not have a quoted market price in an active market	¥158	¥234	\$1,925

**(5) Maturity Analysis for Financial Assets with Contractual Maturities**

	Millions of Yen		
	Due in One Year or Less	Due after One Year through Five Years	
<b>March 31, 2012</b>			
Cash and cash equivalents	¥ 4,008		
Notes and accounts receivable	52,417		
Income taxes receivable	190		
Long-term loans			¥655
Total	¥56,615		¥655
	Thousands of U.S. Dollars		
	Due in One Year or Less	Due after One Year through Five Years	
<b>March 31, 2012</b>			
Cash and cash equivalents	\$ 48,765		
Notes and accounts receivable	637,752		
Income taxes receivable	2,314		
Long-term loans			\$7,970
Total	\$688,831		\$7,970

Please see Note 6 for annual maturities of long-term debt.

**13. DERIVATIVES****Derivative Transactions to Which Hedge Accounting Is Not Applied Currencies**

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
<b>At March 31, 2012</b>				
Forward exchange contracts:				
Buying Japanese yen	¥301		¥(2)	¥(2)

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
At March 31, 2011				
Forward exchange contracts:				
Buying U.S. dollars	¥244		¥6	¥6
Buying Japanese yen	1		(0)	(0)
Buying Euro	162		0	0

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
<b>At March 31, 2012</b>				
Forward exchange contracts:				
Buying Japanese yen	\$3,660		\$(19)	\$(19)

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

**Derivative Transactions to Which Hedge Accounting Is Applied (1) Currencies**

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
<b>At March 31, 2012</b>				
Forward exchange contracts:				
Selling:				
U.S. dollars	Receivables	¥978		¥945
British pounds	Receivables	566		542
Canadian dollars	Receivables	83		80
Thai baht	Receivables	59		59

	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
At March 31, 2011				
Forward exchange contracts:				
Buying:				
U.S. dollars	Payables	¥ 43		¥ 44
Japanese yen	Payables	116		115
Selling:				
U.S. dollars	Receivables	1,406		1,394
British pounds	Receivables	922		922
Canadian dollars	Receivables	77		76
Thai baht	Receivables	184		180

	Hedged Item	Thousands of U.S. Dollars	
		Contract Amount	Fair Value
<b>At March 31, 2012</b>			
Forward exchange contracts:			
Selling:			
U.S. dollars	Receivables	\$11,900	\$11,499
British pounds	Receivables	6,891	6,597
Canadian dollars	Receivables	1,004	973
Thai baht	Receivables	715	712

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

## (2) Interest

	Hedged Item	Millions of Yen	
		Contract Amount	Contract Amount Due after One Year
<b>At March 31, 2012</b>			
Interest rate swaps—			
fixed-rate payment, floating rate receipt	Long-term debt	¥392	¥240

	Hedged Item	Millions of Yen	
		Contract Amount	Contract Amount Due after One Year
At March 31, 2011			
Interest rate swaps—			
fixed-rate payment, floating rate receipt	Long-term debt	¥544	¥392

	Hedged Item	Thousands of U.S. Dollars	
		Contract Amount	Contract Amount Due after One Year
<b>At March 31, 2012</b>			
Interest rate swaps—			
fixed-rate payment, floating rate receipt	Long-term debt	\$4,769	\$2,920

The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of hedged items (i.e., long-term debt).

## 14. CONTINGENT LIABILITIES

At March 31, 2012, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes endorsed	¥ 36	\$ 439
Guarantees and similar items of bank loans	397	4,831

## 15. COMPREHENSIVE INCOME

### For the year ended March 31, 2012

The components of other comprehensive income for the year ended March 31, 2012 was as follows:

	2012	2012
	Millions of Yen	Thousands of U.S. Dollars
Unrealized gain on available-for-sale securities		
Gains arising during the year	¥ 174	\$ 2,117
Reclassification adjustments to profit or loss		
Amount before income tax effect	174	2,117
Income tax effect	475	5,782
Total	¥ 649	\$ 7,899
Foreign currency translation adjustments		
Adjustments arising during the year	¥ (2,973)	\$ (36,191)
Total	¥ (2,973)	\$ (36,191)
Share of other comprehensive income in associates		
Gains arising during the year	¥ 18	\$ 225
Total	¥ 18	\$ 225
Total other comprehensive income	¥ (2,306)	\$ (28,067)

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

## 16. RELATED-PARTY DISCLOSURES

### Transactions between the Group and a Major Shareholder

Honda Motor Co., Ltd. ("Honda") holds shares of the Company's common stock representing 22.6% of the total and is the largest principal shareholder of the Company. The Company sells significant quantities of its products to Honda and also purchases significant quantities of materials and manufacturing components from Honda. Terms and conditions of transactions are determined individually through price negotiations and are documented in a written agreement or estimate.

Transactions between the Company and Honda for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Sales of products	¥58,897	¥62,701	\$716,596
Purchases of materials and components	11,982	12,728	145,784

The balances due to or from Honda at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Accounts receivable	¥10,498	¥5,119	\$127,730
Accounts payable	272	203	3,305

Note: Consumption tax is excluded from the transaction amounts and included in the year-end balances.

### Transactions between a Consolidated Subsidiary and Fellow Subsidiary

#### TS TECH USA CORPORATION Ltd.

Honda of America Mfg., Inc. is a subsidiary of Honda and, as such, is a fellow subsidiary of the Company, and TS TECH USA CORPORATION Ltd. sells significant quantities of its products to Honda of America Mfg., Inc. Terms and conditions of transactions are determined individually through price negotiations and are documented in a written agreement or estimate.

Transactions between TS TECH USA CORPORATION Ltd. and Honda of America Mfg., Inc. for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Sales of products	<b>¥37,917</b>	¥41,341	<b>\$461,331</b>

The balances from Honda of America Mfg., Inc. at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Accounts receivable	<b>¥3,909</b>	¥3,324	<b>\$47,558</b>

Note: Consumption tax is excluded from the transaction amounts and included in the year-end balances.

#### TS TECH ALABAMA, LLC.

Honda Manufacturing of Alabama, LLC. is a subsidiary of Honda and also a related party of the Company, and TS TECH ALABAMA, LLC. sells significant quantities of its products to Honda Manufacturing of Alabama, LLC. Terms and conditions of transactions are determined individually through price negotiations and are documented in a written agreement or estimate.

Transactions between TS TECH ALABAMA, LLC. and Honda Manufacturing of Alabama, LLC. for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Sales of products	<b>¥29,609</b>	¥34,832	<b>\$360,246</b>

The balances from Honda Manufacturing of Alabama, LLC. at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Accounts receivable	<b>¥3,173</b>	¥3,154	<b>\$38,605</b>

Note: Consumption tax is excluded from the transaction amounts and included in the year-end balances.

#### TS TECH CANADA INC.

Honda Canada, Inc. is a subsidiary of Honda and also a related party of the Company, and TS TECH CANADA INC. sells significant quantities of its products to Honda Canada, Inc. Terms and conditions of transactions are determined individually through price negotiations and are documented in a written agreement or estimate.

Transactions between TS TECH CANADA INC. and Honda Canada, Inc. for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Sales of products	<b>¥17,545</b>	¥21,156	<b>\$213,465</b>

The balances from Honda Canada, Inc. at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Accounts receivable	<b>¥2,877</b>	¥2,543	<b>\$34,999</b>

Note: Consumption tax is excluded from the transaction amounts and included in the year-end balances.

#### TS TECH (THAILAND) Co., Ltd.

Honda Automobile (Thailand) Co., Ltd. is a subsidiary of Honda and also a related party of the Company, and TS TECH (THAILAND) Co., Ltd. sells significant quantities of its products to Honda Automobile (Thailand) Co., Ltd. Terms and conditions of transactions are determined individually through price negotiations and are documented in a written agreement or estimate.

Transactions between TS TECH (THAILAND) Co., Ltd. and Honda Automobile (Thailand) Co., Ltd. for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Sales of products	<b>¥7,909</b>	¥14,752	<b>\$96,223</b>

The balances from Honda Automobile (Thailand) Co., Ltd. at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Accounts receivable	<b>¥47</b>	¥2,108	<b>\$571</b>

Note: Consumption tax is excluded from the transaction amounts and included in the year-end balances.

## 17. SUBSEQUENT EVENT

### Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2012 were approved at the Company's shareholders' meeting held on June 22, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥12 (\$0.15) per share	<b>¥816</b>	<b>\$9,928</b>

## 18. SEGMENT INFORMATION

### For the years ended March 31, 2012 and 2011

Under the ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information", an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### 1. Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group consists of Japan, America, China, and Asia/UK. Japan represents Japan only. Americas consists of USA, Canada, Mexico, and Brazil. China consists of China and Hong Kong. Asia/UK consists of Thailand, the Philippines, India, Indonesia, and the UK.

#### 2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities, and other items for each reportable segment.

The accounting policies of each reportable segment are consistent to those disclosed in Note 2.

#### 3. Information about sales, profit (loss), assets, liabilities, and other items is as follows.

	Millions of Yen							
	2012						Reconciliations	Consolidated
	Reportable Segment					Total		
Japan	Americas	China	Asia/UK	Total				
Sales								
Sales to external customers	¥ 87,274	¥121,738	¥64,622	¥31,849	¥305,483		¥305,483	
Intersegment sales or transfers	20,298		3,130	90	23,518	¥(23,518)		
Total	107,572	121,738	67,752	31,939	329,001	(23,518)	305,483	
Segment profit	2,971	2,495	5,796	1,735	12,997	(3,596)	9,401	
Segment assets	83,907	47,799	42,200	25,488	199,394	(10,051)	189,343	
Segment liabilities	27,579	27,500	27,412	5,955	88,446	(11,351)	77,095	
Other:								
Depreciation	3,769	2,509	1,006	1,377	8,661	(35)	8,626	
Investment in associated companies in the equity method	763			5	768		768	
Increase in property, plant and equipment and intangible assets	¥ 2,880	¥ 2,466	¥ 563	¥ 2,257	¥ 8,166		¥ 8,166	

	Millions of Yen							
	2011						Reconciliations	Consolidated
	Reportable Segment					Total		
Japan	Americas	China	Asia/UK	Total				
Sales								
Sales to external customers	¥ 94,797	¥139,647	¥74,792	¥48,253	¥357,489		¥357,489	
Intersegment sales or transfers	24,827	1	2,407	7	27,242	¥(27,242)		
Total	119,624	139,648	77,199	48,260	384,731	(27,242)	357,489	
Segment profit	4,115	3,307	10,433	5,928	23,783	(3,619)	20,164	
Segment assets	79,255	42,718	39,943	28,909	190,825	(9,985)	180,840	
Segment liabilities	24,582	22,933	23,895	7,860	79,270	(10,325)	68,945	
Other:								
Depreciation	3,921	2,828	1,097	1,557	9,403	(34)	9,369	
Investment in associated companies in the equity method	867			9	876		876	
Increase in property, plant and equipment and intangible assets	¥ 4,217	¥ 2,920	¥ 766	¥ 1,385	¥ 9,288		¥ 9,288	

	Thousands of U.S. Dollars							
	2012						Reconciliations	Consolidated
	Reportable Segment					Total		
Japan	Americas	China	Asia/UK	Total				
Sales								
Sales to external customers	\$1,061,853	\$1,481,173	\$786,254	\$387,510	\$3,716,790		\$3,716,790	
Intersegment sales or transfers	246,964		38,082	1,099	286,145	\$(286,145)		
Total	1,308,817	1,481,173	824,336	388,609	4,002,935	(286,145)	3,716,790	
Segment profit	36,148	30,351	70,518	21,115	158,132	(43,751)	114,381	
Segment assets	1,020,890	581,568	513,443	310,112	2,426,013	(122,286)	2,303,727	
Segment liabilities	335,556	334,595	333,519	72,455	1,076,125	(138,106)	938,019	
Other:								
Depreciation	45,853	30,526	12,244	16,756	105,379	(431)	104,948	
Investment in associated companies in the equity method	9,284			58	9,342		9,342	
Increase in property, plant and equipment and intangible assets	\$ 35,035	\$ 30,000	\$ 6,849	\$ 27,469	\$ 99,353		\$ 99,353	

Notes: The above reconciliations include the following:

- The reconciliations of "segment profit," ¥3,596 million (\$43,751 thousand) and ¥3,619 million include intersegment elimination of ¥105 million (\$1,275 thousand) and ¥451 million and the Company's administrative expenses of ¥3,925 million (\$47,761 thousand) and ¥3,601 million, which could not be allocated to each segment for the years ended March 31, 2012 and 2011, respectively.
- The reconciliations of "segment assets," ¥10,051 million (\$122,286 thousand) and ¥9,985 million include the Company's investments in subsidiaries, which amounted to ¥12,887 million (\$156,801 thousand) and ¥12,887 million, intersegment elimination of receivable of ¥11,459 million (\$139,421 thousand) and ¥10,632 million, and long-term investment securities held by the Company and its subsidiaries, which amounted to ¥13,129 million (\$159,737 thousand) and

¥12,990 million for the years ended March 31, 2012 and 2011, respectively.

3. The reconciliations of "segment liabilities," ¥11,351 million (\$138,106 thousand) and ¥10,325 million for the years ended March 31, 2012 and 2011, respectively, are the intersegment eliminations.

4. The reconciliations of "depreciation," ¥35 million (\$431 thousand) and ¥34 million for the years ended March 31, 2012 and 2011, respectively, are the intersegment eliminations.

### Segment-Related Information

#### 1. Information about products and services

Sales of single product and outside customers are more than 90% of the consolidated sales amount. Consequently, details are not presented.

#### 2. Information about geographical areas

##### (1) Sales

	Millions of Yen					
	2012					
	Japan	Americas	China	Asia/UK	Other	Total
	¥86,419	¥121,931	¥65,015	¥31,894	¥224	¥305,483

	Millions of Yen					
	2011					
	Japan	Americas	China	Asia/UK	Other	Total
	¥93,876	¥139,742	¥75,399	¥48,309	¥163	¥357,489

	Thousands of U.S. Dollars					
	2012					
	Japan	Americas	China	Asia/UK	Other	Total
	\$1,051,459	\$1,483,531	\$791,028	\$388,050	\$2,722	\$3,716,790

Note: Sales are classified in countries or regions based on location of customers.

##### (2) Property, Plant, and Equipment

	Millions of Yen				
	2012				
	Japan	Americas	China	Asia/UK	Total
	¥19,941	¥13,466	¥3,696	¥5,891	¥42,994

	Millions of Yen				
	2011				
	Japan	Americas	China	Asia/UK	Total
	¥21,011	¥14,291	¥4,242	¥6,198	¥45,742

	Thousands of U.S. Dollars				
	2012				
	Japan	Americas	China	Asia/UK	Total
	\$242,625	\$163,838	\$44,967	\$71,679	\$523,109

**3. Information about major customers**

Name of Customers	Millions of Yen	
	2012	
	Sales	Related Segment Name
Honda Motor Co., Ltd.	¥62,052	Japan
Honda of America Mfg., Inc.	48,278	Americas
Guangqi Honda Automobile Co., Ltd.	33,805	China

Name of Customers	Millions of Yen	
	2011	
	Sales	Related Segment Name
Honda Motor Co., Ltd.	¥64,517	Japan
Honda of America Mfg., Inc.	53,270	Americas
Guangqi Honda Automobile Co., Ltd.	41,495	China

Name of Customers	Thousands of U.S. Dollars	
	2012	
	Sales	Related Segment Name
Honda Motor Co., Ltd.	\$754,986	Japan
Honda of America Mfg., Inc.	587,391	Americas
Guangqi Honda Automobile Co., Ltd.	411,303	China

**4. Information about impairment loss on long-lived assets by reportable segment**

	Millions of Yen						
	2012						
	Japan	Americas	China	Asia/UK	Other	Eliminations/ Corporate	Total
Impairment losses of assets		¥6					¥6

	Millions of Yen						
	2011						
	Japan	Americas	China	Asia/UK	Other	Eliminations/ Corporate	Total
Impairment losses of assets		¥26					¥26

	Thousands of U.S. Dollars						
	2012						
	Japan	Americas	China	Asia/UK	Other	Eliminations/ Corporate	Total
Impairment losses of assets		\$74					\$74

**5. Information about goodwill by reportable segment**

Due to low materiality, details are not presented.

**6. Information about bargain purchase gain**

	Millions of Yen						
	2011						
	Japan	Americas	China	Asia/UK	Other	Eliminations/ Corporate	Total
Bargain purchase gain	¥19						¥19

The above bargain purchase gain was incurred due to additional investment in subsidiary, Sun Chemical Industry Co., Ltd. on July 15, 2010.

There is no bargain purchase gain in the year for the year ended March 31, 2012.

**19. INFORMATION ABOUT LOSS ON DISASTER**

Due to severe flood in Thailand in October 2011, the Group recognized of ¥976 million losses. Expenses for the year ended March 31, 2012 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loss on disposal of property, plant, and equipment	¥364	\$ 4,428
Loss on disposal of inventories	229	2,785
Fixed cost during shutdown	145	1,758
Repair costs of machines, tools, and plants	135	1,644
Other	103	1,257
Total	¥976	\$11,872

For the year ended March 31, 2011, the Group recognized loss on disaster of ¥126 million (\$1,534 thousand) as a result of the Great East Japan Earthquake.

Independent Auditors' Report



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 Minato-ku, Tokyo 108-8530  
 Japan  
 Tel:+81 (3) 3457 7321  
 Fax:+81 (3) 3457 1694  
 www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TS TECH CO., Ltd.:

We have audited the accompanying consolidated balance sheet of TS TECH CO., Ltd. and consolidated subsidiaries as of March 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TS TECH CO., Ltd. and consolidated subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

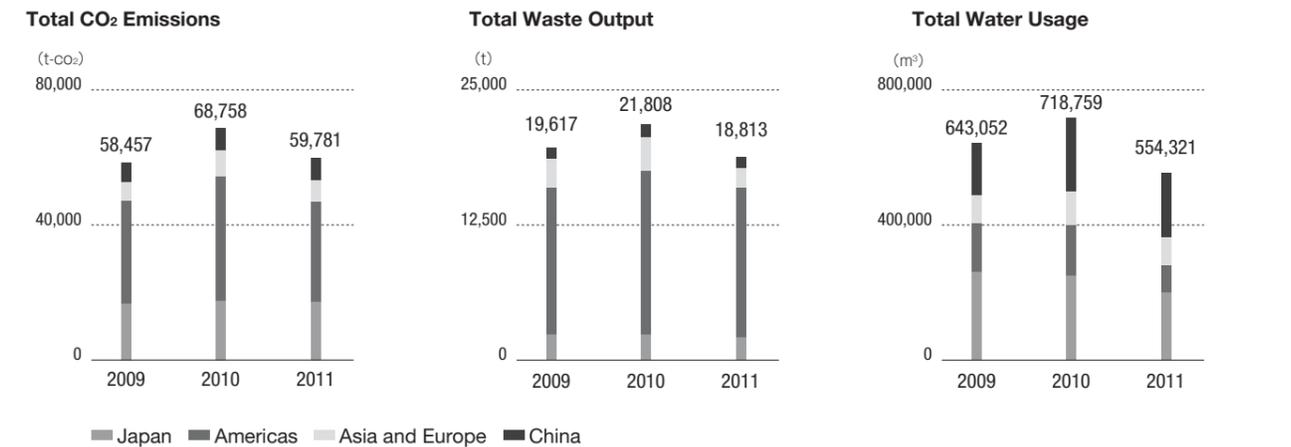
*Deloitte Touche Tohmatsu LLC*

June 22, 2012

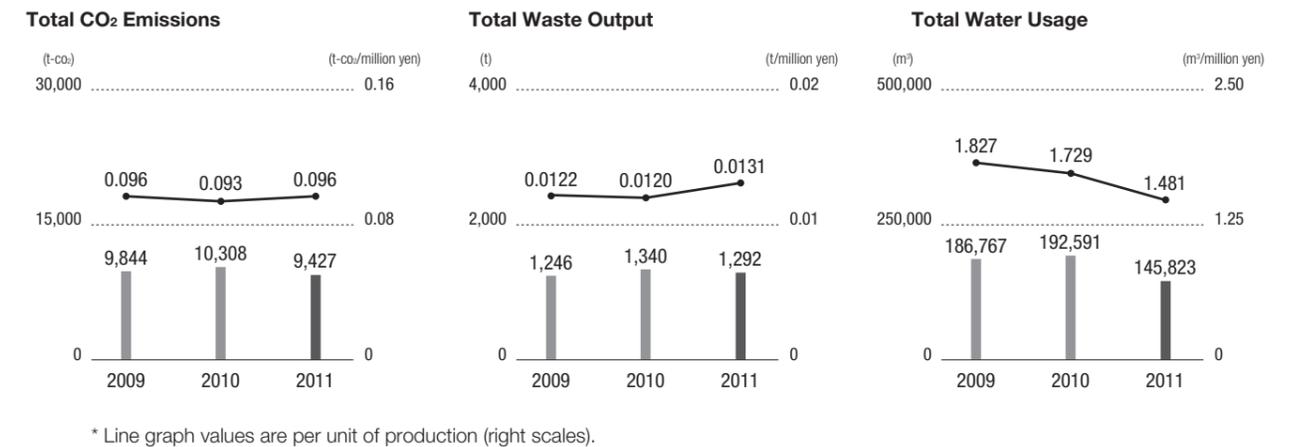
Member of  
 Deloitte Touche Tohmatsu Limited

Main Environmental Data

Environmental Data for the TS TECH Group

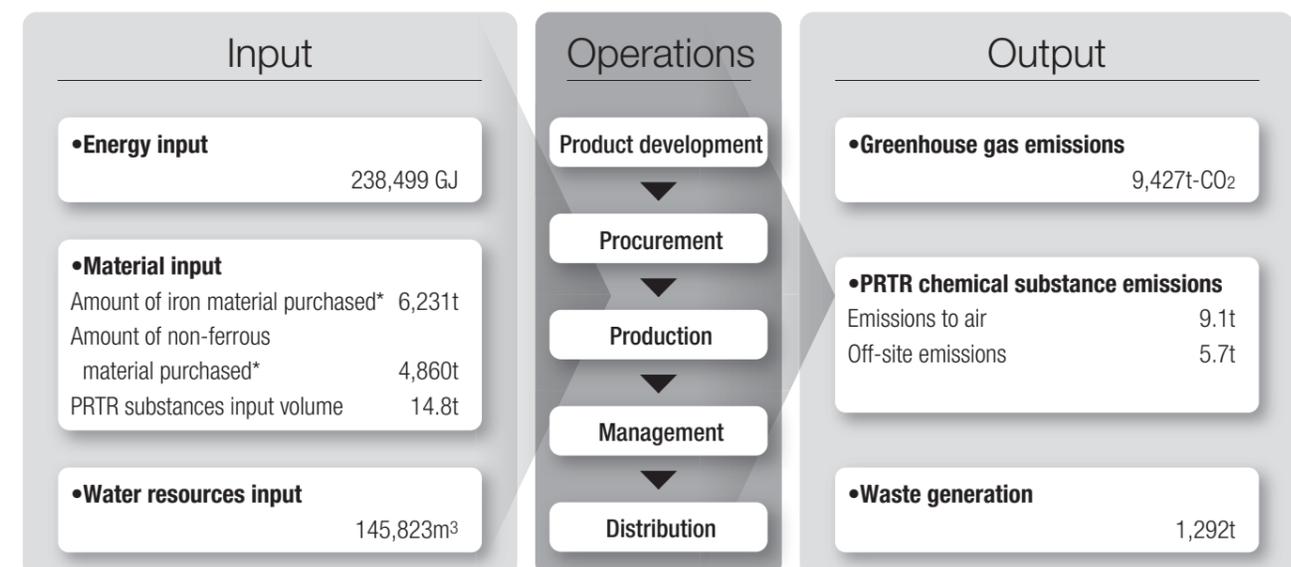


Environmental Data for TS TECH



\* Line graph values are per unit of production (right scales).

Material Flow



\* Amount of iron material purchased and amount of non-ferrous material purchased are raw materials used at plants in Japan. Does not include procured parts.

## Directors and Auditors (as of June 22, 2012)

### Water Pollution Control Act / Sewerage Act

The TS TECH Group periodically monitors the release of water discharged to public water areas and drainage that soaks into the ground from each business site to confirm that the Group is in compliance with effluent standards.

Item	Unit	Head Office		Tochigi area		Saitama Plant				Hamamatsu Plant		Suzuka Plant	
		Regulatory standards	Results	Regulatory standards	Results	(Gyoda)		(Sayama)		Regulatory standards	Results	Regulatory standards	Results
Hydrogen ion concentration	PH	5.0~9.0	8.3	6.0~8.4	8.0	5.8~8.6	7.5	5.0~9.0	7.7	5.8~8.6	8.1	5.8~8.6	7.1
Biochemical oxygen demand (BOD)	mg/l	600*	185	10	7.9	25	6.1	600*	53	160	18.8	25	14
Suspended solids (SS)	mg/l	600*	422	25	13	60	6.0	600*	29	200	28.8	90	45

\* The regulation values are self-imposed.

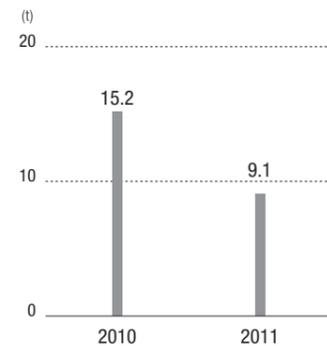
### Chemical Substances (Pollutant Release and Transfer Register [PRTR]\* Law)

#### Handling of PRTR Substances in 2011

	Saitama Plant (Gyoda)	Hamamatsu Plant	Suzuka Plant
Amount handled (t)	7.5	5.8	1.5
Amount emitted into air (t)	3.1	5.8	0.2
Amount transferred (t)	4.4	0.0	1.3

\* PRTR is a system that requires that companies ascertain, compile, and make available to the public: the amounts of specific hazardous chemical substances it released into the environment, the sources of those substances, and the amount that was transferred outside business premises in waste.

#### Amount Emitted into Air



### Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes

TS TECH business sites are storing polychlorinated biphenyls (PCBs)\* contained in power receiving equipment (transformers and capacitors) for waste treatment, as indicated in the table on the right. The Company will continue to safely store and manage PCB waste.

\* PCBs are highly toxic, carcinogenic, and generally said to possibly cause damage to skin and internal organs.

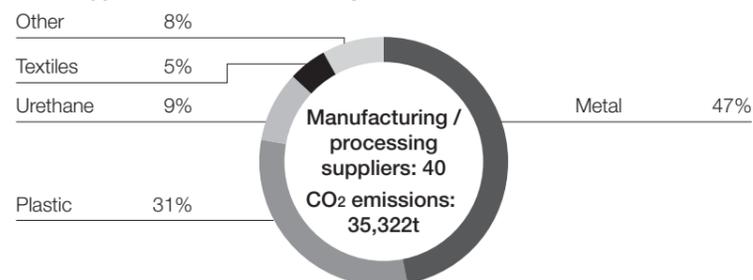
#### PCB Storage in 2011

Business site	Weight (kg)
Head Office	514
Tochigi area	1,755
Saitama Plant	2,479
Suzuka Plant	2,315
Hamamatsu Plant	116
Total	7,179

### Survey of Suppliers' CO<sub>2</sub> Emissions

TS TECH started a CO<sub>2</sub> emissions survey targeted at its main manufacturing and processing suppliers in 2010. (Suppliers' emission reduction targets are set for 2013 onward.)

#### 2011 Supplier CO<sub>2</sub> Emissions Survey

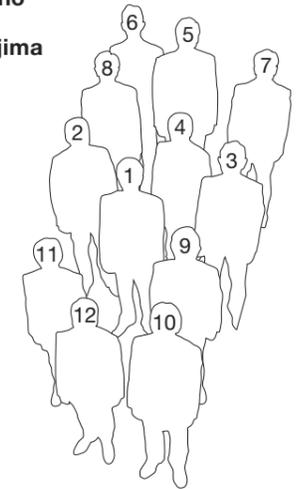


Percentage of CO<sub>2</sub> emissions, by industry, of manufacturing and processing suppliers



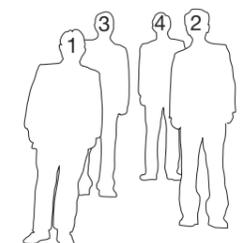
### Directors

- Toshio Komeji**  
President (Representative Director)
- Michio Inoue**  
Executive Vice President (Representative Director)
- Toyohide Ishii**  
Senior Managing Director (Representative Director)
- Kazuhisa Saito**  
Senior Managing Director
- Takuo Arai**  
Senior Managing Director
- Kazuhiko Hikida**  
Managing Director
- Tatsuo Wada**  
Managing Director
- Yoshiaki Yui**  
Managing Director
- Minoru Maeda**  
Director
- Masanari Yasuda**  
Director
- Katsuyuki Kusano**  
Director
- Yoshitaka Nakajima**  
Director



### Auditors

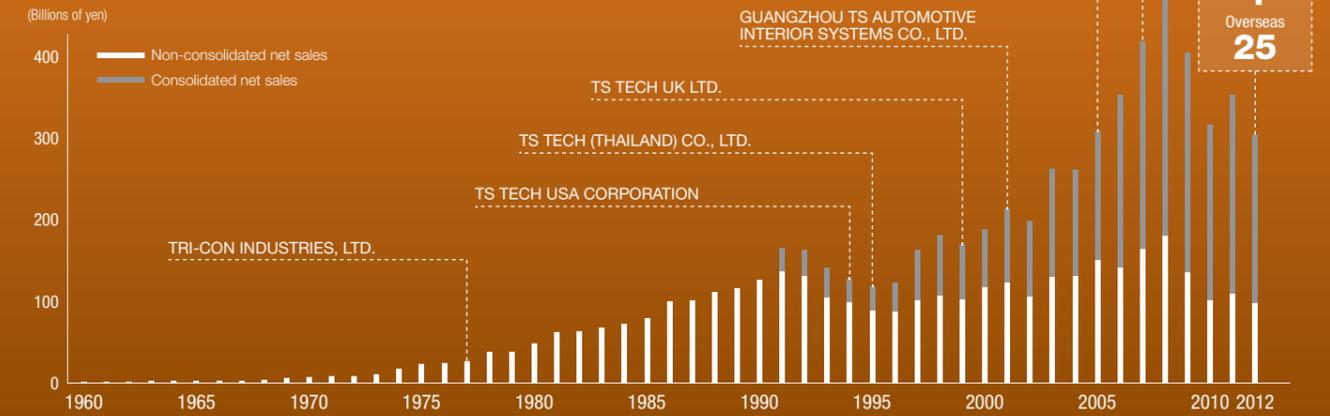
- Masao Uzawa**  
Auditor (Full-Time)
- Akira Nemoto**  
Auditor (Full-Time)
- Hiroyasu Watatani**  
Auditor
- Takeshi Hanamura**  
Auditor



# Global Network



## Worldwide Expansion and Net Sales Over Time



# Global Supply Capabilities Meeting Local Needs Optimally Through a Network of 12 Countries

The TS TECH Group has established a regional control system composed of the Americas, China, and Asia and Europe, with Japan at the center of the global operations. The Group maintains close cooperation between regions, and has strengthened its system of production support from Japan as well as its omni-directional management system.

### Locations in Japan

- ① **HEAD OFFICE**
- ② **TECHNICAL CENTER**  
Research and development, sales, procurement, and quality management
- ③ **SAITAMA PLANT**  
Manufacture of seats for automobiles, door trim, roof trim, and steering wheels
- ④ **HAMAMATSU PLANT**  
Manufacture of seats for automobiles, motorcycles, door trim and seats for construction equipment and jet ski
- ⑤ **SUZUKA PLANT**  
Manufacture of seats for automobiles and door trim

- ① **KYUSYU T•S CO., LTD.**  
Manufacture of seats for motorcycles and resin-based products
- ② **SUN CHEMICAL INDUSTRY CO., LTD.**  
Rubber parts and resin-based products
- ③ **TS LOGISTICS CO., LTD.**  
Logistics
- ④ **SOWA SANGYO CO., LTD.**  
Manufacture of wire frames for seats and resin-based products

### Locations Overseas

- A TRI-CON INDUSTRIES, LTD.**  
Manufacture of seats for motorcycle, ATV and seat parts for automobiles
- B TS TRIM INDUSTRIES INC.**  
Manufacture of door trim and roof trim
- C TS TECH USA CORPORATION**  
Manufacture of seats for automobiles
- D TS TECH NORTH AMERICA, INC.**  
Head office and research and development of North America Group
- E TS TECH ALABAMA, LLC.**  
Manufacture of seats for automobiles
- F TriMold LLC**  
Manufacture of resin-based products for automobiles
- G TS TECH INDIANA, LLC**  
Manufacture of seats for automobiles
- H TST NA TRIM, LLC.**  
Trim cover production control
- I TS TECH CANADA INC.**  
Manufacture of seats for automobiles
- J TRIMONT MFG. INC.**  
Manufacture of door trim and roof trim
- K INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.**  
Manufacture of trim covers
- L TS TECH DO BRASIL LTDA.**  
Manufacture of seats for automobiles and door trim
- M GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.**  
Manufacture of seats for automobiles
- N GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO., LTD.**  
Manufacture of trim covers
- O GUANGZHOU TSK AUTO PARTS CO., LTD.**  
Manufacture of door trim
- P NINGBO FTZ TS TRIMONT AUTOMOTIVE INTERIOR INC.**  
Manufacture of trim covers
- Q NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC.**  
Manufacture of trim covers
- R WUHAN TS-GSK AUTO PARTS CO., LTD.**  
Manufacture of seats for automobiles and door trim
- S TS TECH (HONG KONG) CO., LTD.**  
Trade administration for China Group
- T TS TECH TRIM PHILIPPINES, INC.**  
Manufacture of seats for automobiles, door trim, and trim covers
- U PT. TS TECH INDONESIA**  
Manufacture of seats for automobiles, and door trim
- V TS TECH (THAILAND) CO., LTD.**  
Manufacture of seats for automobiles and door trim
- W TS TECH SUN (INDIA) LIMITED**  
Manufacture of seats for automobiles, door trim and seats for motorcycles
- X TS TECH SUN RAJASTHAN PVT. LTD**  
Manufacture of seats for automobiles
- Y TS TECH UK LTD.**  
Manufacture of seats for automobiles
- Z TS TECH DEUTSCHLAND GmbH**  
Sales, development and related activities and others in Europe



HEAD OFFICE



SAITAMA PLANT (GYODA)



TECHNICAL CENTER



SUZUKA PLANT



Americas: TS TRIM INDUSTRIES INC.



China: GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.



Asia: PT. TS TECH INDONESIA



UK: TS TECH UK LTD

## Corporate Data and Stock Information (as of March 31, 2012)

### Corporate Data

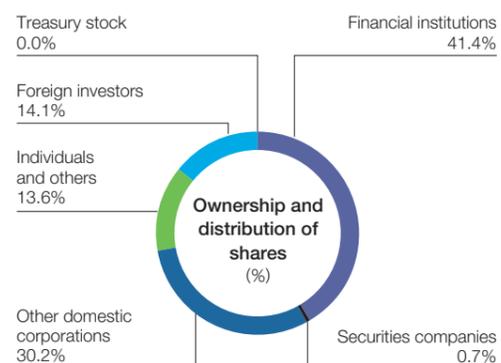
Company Name	TS TECH Co., Ltd.
Establishment	December 5, 1960
Head Office	3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan
Common Stock	¥4,700,000,000
Corporate Representative	President, Toshio Komeji
Lines of Business	Manufacturing and sales of seats for automobiles; interior trim and interior components for automobiles; motorcycle seats; and motorcycle parts and accessories
Number of Employees	14,434 (consolidated) 1,759 (non-consolidated)
Closing of Accounts	March 31
Securities Traded	Tokyo Stock Exchange (First Section)
Main Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Saitama Resona Bank, Limited
Main Customers	Honda Motor Co., Ltd. / Honda R&D Co., Ltd. / Honda Trading Corporation / Honda Access Corp. / Suzuki Motor Corporation / Yamaha Motor Co., Ltd. / Kawasaki Heavy Industries, Ltd. / Fuji Heavy Industries, Ltd. / PARAMOUNT BED CO., LTD.

### Stock Information

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Outstanding	68,000,000
Number of Shareholders	13,602

### Major Shareholders

	Equity participation	
	Number of shares held (thousands)	Voting stake (%)
Honda Motor Co., Ltd.	15,360	22.6
Japan Trustee Services Bank, Ltd. (Trust Account)	4,228	6.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,784	4.1
Mitsui Sumitomo Insurance Company, Limited	2,451	3.6
Japan Trustee Services Bank, Ltd. (Chuo Mitsui Asset Trust and Banking Company, Limited Re-trust Portion, Sumitomo Mitsui Banking Corporation Pension Trust Account)	2,199	3.2
Sumitomo Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	1,940	2.9
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,920	2.8
Saitama Resona Bank, Limited	1,720	2.5
Bridgestone Corporation	1,536	2.3
Nippon Life Insurance Company	1,424	2.1





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