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Financial Reporting

Management's Discussion and Analysis

1. Analysis of Financial Condition

Assets, liabilities, and equity

Assets

Total assets at the end of fiscal 2025 stood at 432,366 million yen, a decrease of 13,847 million yen from the end of the previous consolidated fiscal year. This change was due mainly to an overall decrease in assets attributable to foreign exchange rates and other factors and a decrease in cash and cash equivalents due to the impact of the acquisition of treasury stock and payment of dividends. These factors more than offset an increase in trade and other receivables due to increased orders from major customers.

Liabilities

Total liabilities at the end of fiscal 2025 amounted to 106,679 million yen, an increase of 9,169 million yen from the end of the previous consolidated fiscal year. This change resulted primarily from an overall decrease in liabilities attributable to the impact of foreign exchange rates and other factors, while trade and other payables rose due to increased orders from major customers and other factors.

Equity

Total equity at the end of fiscal 2025 was 325,686 million yen, a decrease of 23,016 million yen from the end of the previous consolidated fiscal year. This change was primarily the result of decreases in other equity components attributable to an increase in treasury shares following the acquisition of treasury stock and a decrease in valuation differences on investment securities to market.

2. Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of fiscal 2025 amounted to 111,543 million yen, a decrease of 39,211 million yen from the end of the previous consolidated fiscal year.

Cash flows from operating activities

Cash flows from operating activities amounted to 28,713 million yen, a decrease of 8,945 million yen year on year. Contributing factors included a difference in the performance of trade and other receivables (from a decrease of 13,756 million yen in the previous fiscal year to an increase of 3,846 million yen in fiscal 2025) and a difference in inventory trends (from an increase of 159 million yen in the previous fiscal year to an increase of 6,458 million yen in fiscal 2025). The performance of trade and other payables changed from a decrease of 7,349 million yen in the previous fiscal year to an increase of 10,054 million yen in fiscal 2025.

Cash flows from investing activities

Cash flows from investing activities stood at 35,867 million yen, an increase of 27,197 million yen year on year. This reflects various factors, including the change in payments into and proceeds from withdrawal of time deposits from receipts of 6,515 million yen to payments of 11,613 million yen.

Cash flows from financing activities

Cash flows from financing activities totaled 31,443 million yen, an increase of 13,624 million yen year on year. Contributing factors included an expenditure of 14,999 million yen on acquisition of treasury stock.

3. Overview of Financial Results

Fiscal 2025 saw continuing growth in manufacturing costs due to inflation, rising labor costs, and other factors, in addition to persistent slow sales of Japanese automakers in the Chinese market. Automakers revised their development plans as the global shift toward EVs slowed. For these and other reasons, prospects remain uncertain.

Under these conditions, TS TECH is steadily targeting a V-shaped recovery based on improved earnings in the Americas market, a key management issue, to be achieved by promoting production automation. In the Chinese market, where challenging business conditions persist due to lower vehicle production, we have implemented various measures to secure earnings, including normalizing staffing structures and reducing fixed costs. We also held Next-Generation Automotive Cabin Exhibition 2024, a unique event that showcases next-generation technologies; made preparations to establish a new joint venture to grow our business in the Indian market; and accelerated various efforts intended to generate future growth, including securing new customers and expanding our commercial rights.

Revenue in the consolidated fiscal year reached 460,514 million yen on a consolidated basis, an increase of 18,800 million yen (4.3%) from the previous consolidated fiscal year, attributable primarily to foreign exchange rates and higher new business sales.* Despite efforts to achieve further cost-cutting, operating income decreased 1,078 million yen (6.2%) from the previous consolidated fiscal year to 16,428 million yen. Contributing factors included the effects of lower production for major customers, primarily in China. Income attributable to owners of parent decreased 1,584 million yen (15.5%) from the previous consolidated fiscal year to 8,630 million yen.

* New business sales refer to sales to customers other than Honda Motor Co., Ltd. and its affiliates.

4. Consolidated Earnings Forecasts for Fiscal 2026 (As of May 14, 2025)

The Group's consolidated forecasts for fiscal 2026 are as follows:

Revenue	430 billion yen (Down 6.6% year on year)
Operating income	16.5 billion yen (Up 0.4% year on year)
Income before income tax	20 billion yen (Down 0.3% year on year)
Net income	12.5 billion yen (Up 10.6% year on year)
Income attributable to owners of parent	9.5 billion yen (Up 10.1% year on year)

Full-year forecasts do not reflect U.S. trade policies due to numerous uncertainties about their impact at the present time.

Consolidated Statement of Financial Position

(Unit: Million yen)

	Note	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	¥150,755	**¥111,543**
Trade and other receivables	7	66,616	**69,907**
Other financial assets	8	10,292	**22,249**
Inventories	9	35,332	**41,103**
Income taxes receivable		3,314	**3,952**
Other current assets		6,207	**6,277**
Total current assets		272,518	**255,033**
NON-CURRENT ASSETS			
Property, plant and equipment	10	90,203	**93,780**
Intangible assets	11	11,157	**14,240**
Investments accounted for using the equity method	28	18,307	**19,565**
Other financial assets	8	39,442	**35,001**
Net defined benefit asset	17	8,322	**9,572**
Deferred tax assets	15	5,839	**4,825**
Other non-current assets		423	**347**
Total non-current assets		173,696	**177,333**
TOTAL ASSETS		¥446,214	**¥432,366**

See notes to consolidated financial statements.

(Unit: Million yen)

	Note	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	13	¥ 69,453	**¥ 78,483**
Other financial liabilities	14	1,147	**1,069**
Income taxes payable		4,695	**4,072**
Provisions	16	99	**893**
Other current liabilities		6,896	**6,617**
Total current liabilities		82,292	**91,135**
NON-CURRENT LIABILITIES			
Other financial liabilities	14	3,535	**4,689**
Net defined benefit liability	17	2,077	**2,132**
Provisions	16	159	**130**
Deferred tax liabilities	15	8,119	**7,305**
Other non-current liabilities		1,326	**1,286**
Total non-current liabilities		15,218	**15,544**
Total liabilities		97,510	**106,679**
EQUITY			
Common stock	18	4,700	**4,700**
Capital surplus	18	5,381	**5,403**
Treasury stock	18	(12,434)	**(26,999)**
Retained earnings	18	269,715	**268,654**
Other components of equity	18	59,569	**54,543**
Total equity attributable to owners of parent		326,932	**306,302**
Non-controlling interests	28	21,771	**19,383**
Total equity		348,703	**325,686**
TOTAL LIABILITIES AND EQUITY		¥446,214	**¥432,366**

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

(Unit: Million yen)

	Note	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Revenue	5, 19	¥ 441,713	**¥ 460,514**
Cost of sales	20	(381,860)	**(397,547)**
Gross profit		59,852	**62,966**
Selling, general and administrative expenses	20	(44,493)	**(47,074)**
Other income	21	3,581	**2,453**
Other expenses	21	(1,433)	**(1,916)**
Operating income	5	17,507	**16,428**
Finance income	22	4,725	**4,079**
Finance costs	22	(437)	**(731)**
Share of profit of investments accounted for using the equity method	28	(48)	**281**
Income before income tax		21,746	**20,058**
Income tax expense	15	(8,258)	**(8,755)**
Net income		13,488	**11,303**
Income attributable to:			
Owners of parent		10,214	**8,630**
Non-controlling interests	28	3,273	**2,672**
Net income		¥ 13,488	**¥ 11,303**
Earnings per share:			
Basic earnings per share (Yen)	23	¥ 80.09	**¥ 70.69**
Diluted earnings per share (Yen)	23	—	**—**

See notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of comprehensive income

(Unit: Million yen)

	Note	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Net income		¥13,488	**¥11,303**
Other comprehensive income			
Components that will not be reclassified subsequently to net profit or loss:			
Remeasurements of net defined benefit plans	24	2,146	**708**
Equity financial assets measured at fair value through other comprehensive income	24	6,941	**(4,793)**
Share of other comprehensive income of affiliates accounted for using the equity method	24	761	**139**
Total components that will not be reclassified subsequently to net profit or loss		9,849	**(3,946)**
Components that may be reclassified subsequently to net profit or loss:			
Differences on translation from foreign operations	24	17,475	**(2,070)**
Share of other comprehensive income of affiliates accounted for using the equity method	24	529	**979**
Total components that may be reclassified subsequently to net profit or loss		18,004	**(1,091)**
Total other comprehensive income, net of tax		27,854	**(5,037)**
Comprehensive income for the period		41,342	**6,265**
Comprehensive income for the period attributable to:			
Owners of parent		36,749	**3,604**
Non-controlling interests		4,593	**2,661**
Total comprehensive income for the period		¥41,342	**¥ 6,265**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

	Note	Equity attributable to owners of parent: Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR		¥4,700	¥5,392	¥(12,508)	¥268,172	¥33,035	¥298,791	¥24,666	¥323,458
Comprehensive income:									
Net income					10,214		10,214	3,273	13,488
Other comprehensive income	18					26,534	26,534	1,320	27,854
Total comprehensive income		—	—	—	10,214	26,534	36,749	4,593	41,342
Transactions with owners, etc.:									
Dividends	25				(8,672)		(8,672)	(7,436)	(16,109)
Acquisition of treasury stock	18						—		—
Disposal of treasury stock	18		(83)	83			—		—
Share-based remuneration transactions	29		86				86		86
Changes in ownership interests in subsidiaries			(14)				(14)	(52)	(66)
Other				(9)			(9)		(9)
Total transactions with owners, etc.		—	(11)	74	(8,672)	—	(8,608)	(7,489)	(16,098)
BALANCE AT THE END OF THE FISCAL YEAR		¥4,700	¥5,381	¥(12,434)	¥269,715	¥59,569	¥326,932	¥21,771	¥348,703

See notes to consolidated financial statements.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

	Note	Equity attributable to owners of parent: Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR		**¥4,700**	**¥5,381**	**¥(12,434)**	**¥269,715**	**¥59,569**	**¥326,932**	**¥21,771**	**¥348,703**
Comprehensive income:									
Net income					**8,630**		**8,630**	**2,672**	**11,303**
Other comprehensive income	18					**(5,026)**	**(5,026)**	**(11)**	**(5,037)**
Total comprehensive income		**—**	**—**	**—**	**8,630**	**(5,026)**	**3,604**	**2,661**	**6,265**
Transactions with owners, etc.:									
Dividends	25				**(9,691)**		**(9,691)**	**(5,048)**	**(14,739)**
Acquisition of treasury stock	18		**(35)**	**(14,999)**			**(15,035)**		**(15,035)**
Disposal of treasury stock	18		**(38)**	**434**			**396**		**396**
Share-based remuneration transactions	29		**96**				**96**		**96**
Changes in ownership interests in subsidiaries							**—**		**—**
Other			**0**	**0**			**0**		**0**
Total transactions with owners, etc.		**—**	**21**	**(14,564)**	**(9,691)**	**—**	**(24,234)**	**(5,048)**	**(29,282)**
BALANCE AT THE END OF THE FISCAL YEAR		**¥4,700**	**¥5,403**	**¥(26,999)**	**¥268,654**	**¥54,543**	**¥306,302**	**¥19,383**	**¥325,686**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Unit: Million yen)

	Note	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		¥ 21,746	**¥ 20,058**
Depreciation and amortization		12,898	**14,312**
Impairment losses		115	**1,496**
Loss (gain) on disposal of non-current assets		(578)	**(1,411)**
Finance costs (income)		(3,209)	**(3,397)**
Share of loss (profit) of investments accounted for using the equity method		48	**(281)**
Decrease (increase) in trade and other receivables		13,756	**(3,846)**
Decrease (increase) in lease receivables		4,460	**1,919**
Decrease (increase) in inventories		(159)	**(6,458)**
Increase (decrease) in trade and other payables		(7,349)	**10,054**
Increase (decrease) in net defined benefit asset and net defined benefit liability		(3,318)	**(1,188)**
Increase (decrease) in provisions		(559)	**769**
Other		2,710	**1,823**
Subtotal		40,561	**33,850**
Interest income received		3,144	**2,406**
Dividend income received		1,694	**1,990**
Interest expenses paid		(245)	**(668)**
Income taxes paid		(7,496)	**(8,864)**
Net cash provided by operating activities		37,659	**28,713**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments into time deposits		(12,065)	**(33,051)**
Proceeds from withdrawal of time deposits		18,581	**21,437**
Purchase of property, plant and equipment		(13,056)	**(16,989)**
Proceeds from sales of property, plant and equipment		1,008	**3,197**
Purchase of intangible assets		(3,524)	**(6,424)**
Purchase of equity instruments		(107)	**(4,175)**
Proceeds from sales of equity instruments		5	**5**
Payments of loans receivable		(243)	**(154)**
Collection of loans receivable		125	**277**
Other		607	**9**
Net cash used in investing activities		(8,669)	**(35,867)**

Consolidated Statement of Cash Flows (Continued)

(Unit: Million yen)

	Note	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of lease liabilities	26	¥ (1,412)	**¥ (1,681)**
Payments for acquisition of interest in subsidiaries from non-controlling interests		(66)	**—**
Purchase of treasury stock		—	**(14,999)**
Cash dividends paid	25	(8,687)	**(9,700)**
Cash dividends paid to non-controlling interests	28	(7,651)	**(5,061)**
Net cash used in financing activities		(17,818)	**(31,443)**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		6,670	**(615)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		17,841	**(39,211)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	132,914	**150,755**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	¥150,755	**¥111,543**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

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

The consolidated financial statements of the Company as of and for the year ended March 31, 2025 comprise the Company, its subsidiaries (hereinafter "the Group"), and the Group's interests in its affiliates.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company meets the criteria of a "specified company" defined under Article 1-2, Item (i) of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements." Accordingly, the consolidated financial statements are prepared according to IFRS pursuant to the provisions of Article 312 of said Ordinance.

The consolidated financial statements were approved by Masanari Yasuda, the Company's Representative Director and President, on June 18, 2025.

(2) Basis for measurement

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

(3) Functional currency and presentation currency

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

(4) Important accounting judgments, estimates, and assumptions

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

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

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

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

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

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

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

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

(a) Amount recognized in the consolidated financial statements

(Unit: Million yen)

	FY2025 (As of March 31, 2025)
Property, plant and equipment	¥93,780
Intangible assets	14,240
Impairment losses	1,496

Note: In addition to the Polish subsidiary mentioned below, a certain Chinese subsidiary also recognized impairment losses.

(b) Major assumptions used for the estimate

Future cash flows used to assess the need for impairment recognition are based on business plans, incorporating key assumptions such as customer order forecasts. These estimates may be significantly affected by trends in the automobile market and changes in customers' production plans. Estimated future cash flows in the current fiscal year are expected to recover gradually, although the future outlook remains uncertain due to factors such as sluggish sales of Japanese-affiliated automakers in the Chinese market, rising manufacturing costs driven by inflation and labor expenses across regions, and the revision to development plans by automakers in response to the global slowdown in the shift to EVs.

During the current fiscal year, TS TECH Poland sp. z o.o., the Company's Polish subsidiary, experienced a significant deterioration in operating performance compared to the business plan formulated at the time of its establishment, primarily due to changes in customer production conditions. As a result, the Company identified an indication of impairment and assessed whether an impairment loss should be recognized. The recoverable amount was determined to be lower than the total carrying amount of property, plant and equipment, and intangible assets, leading to the recognition of an impairment loss of ¥1,487 million based on fair value less costs of disposal. The total carrying amount after the recognition was ¥1,771 million. The fair value was mainly attributable to real estate and was calculated based on valuations obtained from external experts.

(c) Material impact on the following fiscal year

During the current fiscal year, the Company did not recognize material impairment losses except for those shown above. However, should the decline in production by automakers and increase in manufacturing costs be worse than expected, and should the recoverable amount decline as a result, a material impairment loss may arise in the following fiscal year.

(ii) Recoverability of deferred tax assets

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

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

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

(a) Amount recognized in the consolidated financial statements

(Unit: Million yen)

	FY2025 (As of March 31, 2025)
Deferred tax assets	¥4,825

Note: The amount of the deferred tax assets recognized in the consolidated statement of financial position as listed above is offset by the amount of deferred tax liabilities. The amount before offsetting is described in Note 15 "Income Taxes."

(b) Major assumptions used for the estimate

Future taxable income, which constitutes the basis for recoverability, is based on business plans and incorporates key assumptions such as customer order forecasts. These estimates may be significantly affected by trends in the automobile market and changes in customers' production plans.

Estimated future taxable income in the current fiscal year are expected to recover gradually, although the future outlook remains uncertain due to factors such as sluggish sales of Japanese-affiliated automakers in the Chinese market, rising manufacturing costs driven by inflation and labor expenses across regions, and the revision to development plans by automakers in response to the global slowdown in the shift to EVs.

(c) Material impact on the following fiscal year

During the current fiscal year, the Company did not recognize a material reduction in deferred tax assets. However, should the decline in production by automakers and increase in manufacturing costs be worse than expected, and should recoverability decline as a result, a material reduction in deferred tax assets may occur in the following fiscal year.

(iii) Post-employment benefits

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

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

(a) Amount recognized in the consolidated financial statements

(Unit: Million yen)

	FY2025 (As of March 31, 2025)
Net defined benefit asset	¥9,572
Net defined benefit liability	¥2,132

(b) Major assumptions used for the estimate

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

(c) Material impact on the following fiscal year

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

3. IMPORTANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Affiliates

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

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

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

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

(3) Foreign currency translations

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

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

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

(4) Financial instruments

(i) Financial assets

(a) Initial recognition and measurement

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

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

(b) Classification and subsequent measurement

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

(A) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

(c) Impairment of financial assets

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

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

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

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

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

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

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

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

(d) Derecognition of financial assets

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

(ii) Financial liabilities

(a) Initial recognition and measurement

The Group initially recognizes financial liabilities on the transaction date.

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

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

(b) Classification and subsequent measurement

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

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

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

(c) Derecognition of financial liabilities

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

(iii) Offsetting a financial asset and a financial liability

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

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

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

(7) Property, plant and equipment

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

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

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

- Buildings and structures: 2 to 60 years
- Machinery, equipment and vehicles: 2 to 25 years
- Tools, furniture and fixtures: 2 to 20 years

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

(8) Intangible assets

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

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

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

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

(9) Leases

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

(i) Lease as lessee

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

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

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

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

(ii) Leases as lessor

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

(a) Finance lease

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

(b) Operating lease

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

(c) Sublease

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

(10) Impairment of non-financial assets

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

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

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

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

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

(11) Non-current assets held for sale

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

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

(12) Employee benefits

(i) Post-employment benefits

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

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

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

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

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

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

(ii) Short-term employee benefits

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

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

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

(iii) Other long-term employee benefits

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

(13) Provisions

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

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

(14) Government-imposed levies

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

(15) Equity

(i) Common shares

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

(ii) Treasury stock

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

(16) Revenues

(i) Revenue from contracts with customers

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

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract(s).
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract(s).
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

(ii) Interest income

Interest income is recognized based on the effective interest method.

(iii) Dividend income

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

(17) Government grants

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

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

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

(18) Share-based remuneration

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and one of the following conditions is met:
• The income taxes are levied on the same taxpayer by the same tax authority; or
• The income taxes are levied on different taxpayers, but those taxpayers intend to settle current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group has adopted the amendments to IAS 12 Income Taxes issued by the International Accounting Standards Board (IASB) in May 2023. Also, the Group has adopted a temporary exception exempting from recognition and disclosure of deferred tax assets and deferred tax liabilities related to corporate taxes under the Pillar Two Model Rules.

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

4. NEW STANDARDS NOT YET ADOPTED BY THE GROUP
Among the new or revised standards and interpretations that were issued by the date of approval of the consolidated financial statements, the Group has not adopted the following standards, etc.

Standard	Title	Date of mandatory adoption (Fiscal year of commencement thereafter)	Fiscal year of adoption by the Group	Outline of new standards / amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	Introduction of three new requirements for the purpose of improving the reporting of financial results of businesses and providing investors with a better basis for corporate analysis and comparison.

In IFRS 18 Presentation and Disclosure in Financial Statements, the IASB has introduced new requirements primarily concerning the presentation and disclosure of financial results on the statement of profit or loss. The impact of the application of these requirements on consolidated financial statements is under evaluation.

5. SEGMENT INFORMATION
(1) Overview of reportable segments
The reportable segments are components of the Company for which separate financial information is available. These segments file monthly reports which the Board of Directors uses for deciding the allocation of management recourses and evaluating results.

The Company establishes subsidiaries in Japan and other countries for the execution of its business activities. In the course of its business management, the Company categorizes its subsidiaries into reportable segments based on their location and evaluates their business results by each segment.

The categories of reportable segments are as follows.

Reportable segments	Country or region
Japan	Japan
The Americas	United States, Canada, Mexico, Brazil
China	China and Hong Kong
Asia and Europe	Thailand, Philippines, India, Indonesia, Hungary*, Poland

* Due to its dissolution, TS TECH Hungary Kft., the Company's Hungarian consolidated subsidiary, has been excluded from the scope of consolidation starting from the current fiscal year.

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

(2) Accounting method for revenue, profits or losses, and other items according to reportable segments
Accounting methods for reportable business segments are the same as those presented in Note 3 "Important Accounting Policies."

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

(3) Information on revenue, profits or losses, and other items according to reportable segments
For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

	Reportable segments						
	Japan	The Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Revenue:							
External revenue	¥70,340	¥239,381	¥85,254	¥46,737	¥441,713	¥ —	¥441,713
Inter-segment revenue	20,866	718	2,284	2,224	26,095	(26,095)	—
Total	¥91,206	¥240,100	¥87,539	¥48,962	¥467,808	¥(26,095)	¥441,713
Segment profits	¥ 7,963	¥ 3,276	¥ 9,999	¥ 2,612	¥ 23,852	¥ (6,344)	¥ 17,507
Finance income and finance costs	—	—	—	—	—	—	4,287
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	(48)
Income before income tax	—	—	—	—	—	—	21,746

Notes: 1. Adjustments of –¥6,344 million for segment profits included an inter-segment elimination of –¥98 million and operating expenses of –¥6,245 million associated with the administration division of the headquarters of the parent, which could not be allocated.
2. Profits (losses) of reportable segments are figures based on operating income as reported in the consolidated statement of profit or loss.

Other important items

(Unit: Million yen)

	Reportable segments						
	Japan	The Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Depreciation and amortization	¥4,175	¥4,688	¥2,229	¥1,824	¥12,918	¥(19)	¥12,898
Impairment losses	—	—	115	—	115	—	115
Capital expenditures	6,370	5,082	667	1,443	13,564	—	13,564

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

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

	Reportable segments						
	Japan	The Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Revenue:							
External revenue	¥ 87,995	¥262,345	¥68,019	¥42,153	¥460,514	¥ —	¥460,514
Inter-segment revenue	22,471	1,210	2,794	2,897	29,373	(29,373)	—
Total	¥110,467	¥263,555	¥70,814	¥45,050	¥489,887	¥ (29,373)	¥460,514
Segment profits (losses)	¥ 10,359	¥ 6,111	¥ 7,449	¥ (925)	¥ 22,994	¥ (6,566)	¥ 16,428
Finance income and finance costs	—	—	—	—	—	—	3,347
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	281
Income before income tax	—	—	—	—	—	—	20,058

Notes: 1. Adjustments of -¥6,566 million for segment profits included an inter-segment elimination of -¥259 million and operating expenses of -¥6,306 million associated with the administration division of the headquarters of the parent, which could not be allocated.
2. Profits (losses) of reportable segments are figures based on operating income as reported in the consolidated statement of profit or loss.

Other important items

(Unit: Million yen)

	Reportable segments						
	Japan	The Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Depreciation and amortization	¥4,594	¥5,705	¥2,184	¥1,844	¥14,329	¥(16)	¥14,312
Impairment losses	—	—	9	1,487	1,496	—	1,496
Capital expenditures	6,330	11,588	1,597	2,138	21,654	—	21,654

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

(4) Information related to products and services

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

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

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

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

(5) Information according to region

(i) Revenue

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Japan	¥ 70,120	**¥ 85,025**
The United States	162,236	**175,198**
Canada	61,971	**70,007**
China	85,087	**68,391**
Other	62,297	**61,891**
Total	¥441,713	**¥460,514**

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

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

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Japan	¥ 43,131	**¥ 45,448**
The United States	20,791	**24,912**
China	9,859	**9,312**
Other	27,578	**28,347**
Total	¥101,361	**¥108,021**

(6) Information according to major customers

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Honda Motor Co., Ltd. Group	¥388,178	**¥400,373**

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

6. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Cash and cash equivalents	¥150,755	**¥111,543**

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

7. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Trade receivables	¥62,422	**¥66,044**
Others	4,195	**3,863**
Allowance for doubtful accounts	(1)	**(1)**
Total	¥66,616	**¥69,907**

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

8. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Deposits with maturities of three months or more	¥10,485	**¥21,988**
Short-term loans receivable	1	**2**
Long-term loans receivable	690	**561**
Lease receivables	6,075	**4,723**
Equity instruments	29,245	**26,795**
Derivative financial assets	0	**1**
Others	3,248	**3,242**
Allowance for doubtful accounts	(13)	**(63)**
Total	¥49,734	**¥57,251**
Current assets	¥10,292	**¥22,249**
Non-current assets	39,442	**35,001**
Total	¥49,734	**¥57,251**

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

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

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Honda Motor Co., Ltd.	¥22,170	**¥18,924**
Kurabo Industries Ltd.	609	**1,037**
Mitsubishi UFJ Financial Group, Inc.	639	**825**
PIOLAX, Inc.	838	**736**
Isuzu Motors Ltd.	680	**696**
Other	4,309	**4,577**
Total	¥29,245	**¥26,795**

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

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

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Dividends received on investments held at the end of the period	¥773	**¥1,159**

9. INVENTORIES

The breakdown of inventories is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Merchandise and finished goods	¥ 3,779	**¥ 4,109**
Work in progress	3,283	**2,598**
Raw materials and supplies	28,269	**34,395**
Total	¥35,332	**¥41,103**

Note: Inventories recognized as expenses during the previous fiscal year and the current fiscal year amount to ¥423 million and ¥278 million, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

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

Cost

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2023	¥79,724	¥88,225	¥36,725	¥14,934	¥ 4,255	¥223,866
Acquisition cost	734	1,236	1,500	319	8,560	12,351
Sales or disposal	(507)	(4,235)	(1,214)	(126)	(20)	(6,104)
Reclassification to other account	1,573	3,807	1,882	126	(7,811)	(420)
Effects of foreign currency translation	5,879	7,802	2,708	623	455	17,469
Other	29	3	(58)	—	(672)	(698)
Balance as of March 31, 2024	¥87,433	¥96,838	¥41,544	¥15,879	¥ 4,766	¥246,463
Acquisition cost	**3,166**	**1,918**	**1,240**	**326**	**13,348**	**20,000**
Sales or disposal	**(2,513)**	**(5,690)**	**(2,260)**	**(734)**	**(26)**	**(11,224)**
Reclassification to other account	**1,088**	**3,215**	**1,025**	**3**	**(6,207)**	**(875)**
Effects of foreign currency translation	**(511)**	**(864)**	**(192)**	**(63)**	**(195)**	**(1,827)**
Other	**389**	**39**	**(2)**	**—**	**(3)**	**423**
Balance as of March 31, 2025	**¥89,053**	**¥95,456**	**¥41,355**	**¥15,411**	**¥11,682**	**¥252,959**

Accumulated depreciation and impairment loss

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2023	¥39,977	¥66,961	¥32,416	¥636	¥ —	¥139,992
Depreciation	3,244	5,023	2,105	70	—	10,444
Impairment loss	—	115	—	—	—	115
Sales or disposal	(453)	(4,086)	(1,152)	(15)	—	(5,708)
Reclassification to other account	(0)	(91)	57	—	—	(33)
Effects of foreign currency translation	2,756	5,949	2,456	37	—	11,199
Other	262	2	(12)	(2)	—	250
Balance as of March 31, 2024	¥45,787	¥73,875	¥35,871	¥726	¥ —	¥156,260
Depreciation	**3,774**	**5,500**	**2,445**	**125**	**—**	**11,845**
Impairment loss	**625**	**811**	**59**	**—**	**—**	**1,496**
Sales or disposal	**(2,233)**	**(5,060)**	**(2,149)**	**(37)**	**—**	**(9,480)**
Reclassification to other account	**(52)**	**2**	**2**	**(0)**	**—**	**(48)**
Effects of foreign currency translation	**(191)**	**(636)**	**(151)**	**(7)**	**—**	**(986)**
Other	**55**	**18**	**5**	**12**	**—**	**91**
Balance as of March 31, 2025	**¥47,766**	**¥74,510**	**¥36,082**	**¥818**	**¥ —**	**¥159,178**

Notes: 1. Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
2. Depreciation of right-of-use assets included in property, plant and equipment are outlined in Note 31 “Leases.”

Carrying amounts

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2023	¥39,746	¥21,263	¥4,309	¥14,298	¥4,255	¥83,874
Balance as of March 31, 2024	41,646	22,963	5,673	15,152	4,766	90,203
Balance as of March 31, 2025	**41,287**	**20,946**	**5,272**	**14,592**	**11,682**	**93,780**

Note: The carrying amounts of right-of-use assets included in property, plant and equipment are outlined in Note 31 “Leases.”

11. INTANGIBLE ASSETS

(1) Schedule of intangible assets

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

Cost

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2023	¥6,392	¥15,770	¥463	¥1,314	¥23,941
Acquisition cost	443	—	—	769	1,213
Increase due to internal development	—	2,311	—	—	2,311
Disposal	(92)	(1,403)	—	(9)	(1,505)
Effects of foreign currency translation	104	222	—	11	338
Other	81	(628)	—	(131)	(678)
Balance as of March 31, 2024	¥6,928	¥16,273	¥463	¥1,954	¥25,619
Acquisition cost	**401**	**—**	**—**	**1,252**	**1,654**
Increase due to internal development	**—**	**4,770**	**—**	**—**	**4,770**
Disposal	**(99)**	**(242)**	**—**	**(0)**	**(341)**
Effects of foreign currency translation	**(6)**	**(23)**	**—**	**(1)**	**(31)**
Other	**95**	**(1,064)**	**—**	**(3)**	**(972)**
Balance as of March 31, 2025	**¥7,320**	**¥19,713**	**¥463**	**¥3,202**	**¥30,699**

Accumulated amortization and impairment loss

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2023	¥5,748	¥7,232	¥ —	¥ 272	¥13,252
Amortization	350	2,007	—	96	2,454
Disposal	(88)	(1,386)	—	(9)	(1,484)
Effects of foreign currency translation	84	222	—	5	313
Other	(1)	(16)	—	(54)	(73)
Balance as of March 31, 2024	¥6,093	¥8,058	¥ —	¥ 310	¥14,461
Amortization	**429**	**1,862**	**—**	**174**	**2,466**
Disposal	**(96)**	**(209)**	**—**	**(0)**	**(306)**
Effects of foreign currency translation	**(0)**	**(23)**	**—**	**2**	**(21)**
Other	**1**	**(32)**	**—**	**(111)**	**(142)**
Balance as of March 31, 2025	**¥6,427**	**¥9,655**	**¥ —**	**¥ 375**	**¥16,458**

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

Carrying amounts

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2023	¥644	¥ 8,538	¥463	¥1,042	¥10,688
Balance as of March 31, 2024	835	8,214	463	1,644	11,157
Balance as of March 31, 2025	**892**	**10,058**	**463**	**2,827**	**14,240**

(2) Development expenses

The breakdown of development expenses is as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
R&D expenditures incurred during the period	¥15,524	**¥19,497**
Reclassification to capitalized development expenses	(2,311)	**(4,770)**
Amortization of capitalized development expenses	2,007	**1,862**
Total	¥15,219	**¥16,589**

12. IMPAIRMENT LOSSES

The Group uses the smallest identifiable group of assets that generates independent cash flows as a cash-generating unit. Impairment tests for idle assets are performed on an individual asset basis.

Impairment losses are included in “Other expenses” in the consolidated statement of profit or loss.

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)
Omitted as the amount is immaterial.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

Location	Reportable segments	Type	Amount
Silesian Voivodeship, Poland	Asia and Europe	Buildings and structures, machinery, equipment and vehicles, etc.	¥1,487
Other			9
Total			¥1,496

Operating income of TS TECH Poland sp. z o.o., a consolidated subsidiary in the Asia and Europe segment, significantly deteriorated compared to the business plan formulated at the time of its establishment, primarily due to changes in customer production conditions. Therefore, the Company determined that there was an indication of impairment and assessed whether an impairment loss should be recognized. As the recoverable amount was below the carrying amount, the carrying amount was reduced to the recoverable amount, and the Company recognized an impairment loss of ¥1,487 million.

The recoverable amount mentioned above is measured at fair value less costs of disposal. Fair value was determined based on valuations obtained from external experts and calculated using a valuation technique incorporating unobservable inputs (income approach), which corresponds to Level 3 of the fair value hierarchy.

13. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Notes and accounts payable – trade	¥50,685	**¥56,847**
Other	18,768	**21,636**
Total	¥69,453	**¥78,483**

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

14. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Lease obligations	¥4,656	**¥5,757**
Derivative financial liabilities	26	**0**
Total	¥4,683	**¥5,758**
Current liabilities	¥1,147	**¥1,069**
Non-current liabilities	3,535	**4,689**
Total	¥4,683	**¥5,758**

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

15. INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

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

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Balance at the end of the fiscal year
Deferred tax assets:				
Inventories	¥ 2,203	¥ 593	¥ —	¥ 2,797
Property, plant and equipment	1,289	(732)	—	557
Intangible assets	947	2,353	—	3,300
Accrued expenses and provisions	1,759	(11)	—	1,748
Net defined benefit liability	407	(45)	87	448
Unused tax losses	913	(97)	—	815
Other	3,348	389	—	3,738
Total deferred tax assets	¥10,869	¥2,449	¥ 87	¥13,406
Deferred tax liabilities:				
Property, plant and equipment	¥ 2,457	¥ (28)	¥ —	¥ 2,429
Intangible assets	2,344	(1)	—	2,343
Investments in equity instruments	4,138	—	2,971	7,109
Net defined benefit asset	1,445	(37)	1,007	2,415
Undistributed earnings of foreign subsidiaries	1,142	(119)	—	1,022
Other	870	(505)	—	365
Total deferred tax liabilities	¥12,400	¥ (692)	¥ 3,978	¥15,687
Net deferred tax liabilities	¥ (1,531)	¥3,141	¥(3,891)	¥ (2,280)

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

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Balance at the end of the fiscal year
Deferred tax assets:				
Inventories	**¥ 2,797**	**¥ 478**	**¥ —**	**¥ 3,275**
Property, plant and equipment	**557**	**69**	**—**	**627**
Intangible assets	**3,300**	**586**	**—**	**3,887**
Accrued expenses and provisions	**1,748**	**(276)**	**—**	**1,472**
Net defined benefit liability	**448**	**67**	**(21)**	**494**
Unused tax losses	**815**	**(456)**	**—**	**358**
Other	**3,738**	**(1,076)**	**—**	**2,661**
Total deferred tax assets	**¥13,406**	**¥ (607)**	**¥ (21)**	**¥12,777**
Deferred tax liabilities:				
Property, plant and equipment	**¥ 2,429**	**¥ 126**	**¥ —**	**¥ 2,555**
Intangible assets	**2,343**	**680**	**—**	**3,024**
Investments in equity instruments	**7,109**	**—**	**(1,832)**	**5,277**
Net defined benefit asset	**2,415**	**150**	**377**	**2,944**
Undistributed earnings of foreign subsidiaries	**1,022**	**144**	**—**	**1,167**
Other	**365**	**(77)**	**—**	**288**
Total deferred tax liabilities	**¥15,687**	**¥ 1,025**	**¥(1,454)**	**¥15,258**
Net deferred tax liabilities	**¥ (2,280)**	**¥(1,632)**	**¥ 1,432**	**¥ (2,480)**

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

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

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Deferred tax assets	¥ 5,839	**¥4,825**
Deferred tax liabilities	8,119	**7,305**
Net deferred tax liabilities	¥(2,280)	**¥(2,480)**

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

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Deductible temporary differences	¥526	**¥899**

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

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Within 1 year	¥ 681	**¥1,420**
Between 1 and 2 years	1,373	**1,221**
Between 2 and 3 years	1,200	**1,009**
Between 3 and 4 years	184	**272**
Between 4 and 5 years	182	**322**
More than 5 years	88	**—**
Total	¥3,710	**¥4,247**

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

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

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Taxable temporary differences	¥155,235	**¥159,267**

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Current tax expense:		
Taxable amount for the fiscal year	¥10,618	**¥7,163**
Adjustment for prior years	350	**15**
Total current tax expense	¥10,969	**¥7,179**
Deferred tax expense:		
Accrual and reversal of temporary differences	¥ (3,297)	**¥ 881**
Changes in tax rates	(18)	**72**
Changes in unrecognized temporary differences, etc.	605	**621**
Total deferred tax expense	¥ (2,710)	**¥1,575**
Total income tax expense	¥ 8,258	**¥8,755**

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

(Unit: %)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Effective statutory tax rate	29.9%	**29.9%**
Differences with tax rates applied to foreign subsidiaries	(4.1)	**3.8**
Undistributed earnings of foreign subsidiaries	0.6	**(0.5)**
Permanent differences including dividend income	(21.0)	**(14.0)**
Differences due to factors including elimination of intra-group transactions	29.3	**19.0**
Share of loss (profit) of entities accounted for using the equity method	0.1	**(0.4)**
Tax credits	(2.4)	**(1.6)**
Changes in unrecognized deferred taxes	2.8	**3.1**
Changes in tax rates	—	**0.4**
Expiration of unused foreign tax credit	2.3	**3.2**
Other	0.5	**0.8**
Average actual tax rate	38.0%	**43.7%**

16. PROVISIONS
Changes in the amounts of provisions are as follows.

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

	Provision for product warranties	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	¥ 400	¥129	¥ 259	¥ 789
Increase during the period	169	—	13	183
Decrease during the period (provision used)	(428)	—	(258)	(687)
Decrease during the period (reversal)	(61)	—	—	(61)
Unwinding of discount rate	—	0	—	0
Effects of foreign currency translation	12	—	21	34
Balance at the end of the fiscal year	¥ 92	¥130	¥ 36	¥ 258
Current liabilities	¥ 92	¥ 1	¥ 5	¥ 99
Non-current liabilities	—	128	30	159
Total	¥ 92	¥130	¥ 36	¥ 258

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025

(Unit: Million yen)

	Provision for product warranties	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	**¥ 92**	**¥130**	**¥36**	**¥ 258**
Increase during the period	**851**	**—**	**0**	**851**
Decrease during the period (provision used)	**(52)**	**(20)**	**(2)**	**(75)**
Decrease during the period (reversal)	**—**	**—**	**(7)**	**(7)**
Unwinding of discount rate	**—**	**0**	**—**	**0**
Effects of foreign currency translation	**0**	**—**	**(4)**	**(3)**
Balance at the end of the fiscal year	**¥890**	**¥109**	**¥22**	**¥1,023**
Current liabilities	**¥890**	**¥ —**	**¥ 2**	**¥ 893**
Non-current liabilities	**—**	**109**	**20**	**130**
Total	**¥890**	**¥109**	**¥22**	**¥1,023**

17. POST-EMPLOYMENT BENEFITS
(1) Overview of the post-employment benefit plan adopted by the Group
To prepare for the payment of retirement benefits to its employees, the Company and certain consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans.

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

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

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

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

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Ending balance of defined benefit obligations	¥ 15,974	**¥ 14,261**
Ending balance of plan assets	(22,219)	**(21,701)**
Net amount of defined benefit obligations and assets	(6,245)	**(7,439)**
Net defined benefit liability	2,077	**2,132**
Net defined benefit asset	(8,322)	**(9,572)**
Net amount of liabilities and assets recorded in the consolidated statement of financial position	¥ (6,245)	**¥ (7,439)**

(ii) Reconciliation of present value of defined benefit obligations

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Beginning balance of defined benefit obligations	¥16,763	**¥15,974**
Service cost	1,027	**766**
Interest cost	236	**262**
Prior service cost	(30)	**(13)**
Actuarial differences (due to population statistics)	(7)	**—**
Actuarial differences (due to changes in financial assumptions)	(485)	**(1,067)**
Actuarial differences (due to adjustments)	416	**30**
Benefits paid	(2,063)	**(1,693)**
Effects of foreign currency translation	116	**2**
Ending balance of defined benefit obligations	¥15,974	**¥14,261**

Notes: 1. Service cost, interest cost, and prior service cost are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
2. Actuarial differences are included in "Remeasurements of net defined benefit plans" in the consolidated statement of comprehensive income.

(iii) Reconciliation of the fair values of plan assets

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Beginning balance of plan assets	¥19,788	**¥22,219**
Interest income	355	**313**
Return on plan assets other than interest	3,012	**58**
Contributions from the employer	635	**611**
Benefits paid	(1,580)	**(1,499)**
Effects of foreign currency translation	7	**(2)**
Ending balance of plan assets	¥22,219	**¥21,701**

Notes: 1. Interest income is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
2. Return on plan assets other than interest is included in "Remeasurements of net defined benefit plans" in the consolidated statement of comprehensive income.

(iv) Major breakdown of fair values of plan assets

(Unit: Million yen)

	FY2024 (As of March 31, 2024)		**FY2025 (As of March 31, 2025)**	
	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets
Equity instruments	¥12,788	¥ —	**¥7,529**	**¥ —**
Debt instruments	—	5,855	**—**	**9,701**
General accounts	—	2,339	**—**	**3,272**
Other	9	1,226	**13**	**1,184**
Total	¥12,798	¥9,421	**¥7,542**	**¥14,158**

(v) Investment policy of plan assets

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

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

(vi) Significant actuarial assumptions and analysis of sensitivity thereto

Significant actuarial assumptions are as follows.

(Unit: %)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Discount rate	1.5%	**2.3%**

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

(Unit: Million yen)

		Effects on defined benefit obligations	
	Changes in assumptions	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Discount rate	Rise by 0.5%	¥(865)	**¥(697)**
	Fall by 0.5%	959	**756**

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

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

The Company plans to contribute ¥578 million to plan assets in the year ending March 31, 2026 (April 1, 2025 to March 31, 2026).

(viii) Maturity analysis of defined benefit plans

Maturity analysis of defined benefit plans is as follows.

(Unit: Years)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Weighted-average duration	11.6	**11.2**

(3) Defined contribution plans

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

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Amounts recognized as expenses	¥990	**¥1,500**

18. NET ASSETS AND OTHER COMPONENTS OF EQUITY

(1) Management of shareholders' equity

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

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

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Shareholders' equity (Million yen):		
Total equity attributable to owners of parent	¥326,932	**¥306,302**
Total liabilities and equity	446,214	**432,366**
Equity ratio (%)	73.3%	**70.8%**

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

(2) Details of capital surplus

Details of capital surplus are as follows.

(i) Legal capital surplus

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

(ii) Other capital surplus

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

(3) Details of retained earnings

Details of retained earnings are as follows.

(i) Legal retained earnings

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

(ii) Other retained earnings

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

(4) Details of other components of equity

Details of other components of equity are as follows.

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

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

(ii) Remeasurements of net defined benefit plans

Returns on plan assets other than actuarial differences and interest

(iii) Differences on translation from foreign operations

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

(5) Changes in other components of equity

Changes in other components of equity are as follows.

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

	Financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	¥10,132	¥2,056	¥20,846	¥33,035
Other comprehensive income	7,532	2,320	16,680	26,534
Ending balance	¥17,665	¥4,377	¥37,527	¥59,569

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

	Financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	**¥17,665**	**¥4,377**	**¥37,527**	**¥59,569**
Other comprehensive income	**(4,756)**	**800**	**(1,070)**	**(5,026)**
Ending balance	**¥12,908**	**¥5,177**	**¥36,457**	**¥54,543**

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

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

(Unit: Number of shares)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Total number of shares authorized to be issued	272,000,000	**272,000,000**
Total number of shares issued	136,000,000	**136,000,000**

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

(7) Treasury stock

The amount of treasury stock is as follows.

(Unit: Number of shares)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Amount of treasury stock at beginning of the fiscal year	8,495,146	**8,470,554**
Acquisition of treasury stock by resolution of the Board of Directors	—	**8,551,800**
Acquisition of treasury stock due to resignation of Eligible Directors, etc.	25,920	**—**
Purchase of stock less than one unit, etc.	707	**32**
Disposal of treasury stock as restricted stock compensation	(56,960)	**(49,440)**
Treasury stock held by entities accounted for using the equity method (the Company's shares) attributable to the Company	5,741	**(227,510)**
Amount of treasury stock at end of the fiscal year	8,470,554	**16,745,436**

Note: For details on restricted stock delivered, see Note 29 "Share-Based Remuneration."

19. REVENUE

(1) Disaggregation of revenue

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

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

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

	Reportable segments				
	Japan	The Americas	China	Asia and Europe	Total
Motorcycle business	¥ 4,637	¥ 304	¥ —	¥ 3,151	¥ 8,093
Automobile business	51,557	230,891	85,254	43,509	411,212
(Seats)	48,436	204,395	82,606	39,454	374,893
(Interior products)	3,121	26,495	2,647	4,054	36,318
Other business	14,144	8,186	—	76	22,407
Total	¥70,340	¥239,381	¥85,254	¥46,737	¥441,713

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

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

	Reportable segments				
	Japan	The Americas	China	Asia and Europe	Total
Motorcycle business	**¥ 4,379**	**¥ 300**	**¥ —**	**¥ 3,523**	**¥ 8,203**
Automobile business	**68,547**	**254,123**	**68,019**	**38,533**	**429,224**
(Seats)	**65,439**	**225,794**	**66,545**	**35,424**	**393,202**
(Interior products)	**3,108**	**28,329**	**1,474**	**3,109**	**36,021**
Other business	**15,069**	**7,921**	**—**	**95**	**23,086**
Total	**¥87,995**	**¥262,345**	**¥68,019**	**¥42,153**	**¥460,514**

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

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

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

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

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

(2) Contract balances

Contract balances are as follows.

(Unit: Million yen)

	As of April 1, 2023	As of March 31, 2024	**As of March 31, 2025**
Receivables from contracts with customers	¥69,954	¥62,883	**¥66,161**
Contract liabilities	2,434	3,801	**3,497**

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

Of the revenues recognized during the previous fiscal year and the current fiscal year, the amounts included in contract liabilities at the beginning of the fiscal years were ¥1,502 million and ¥2,627 million, respectively. In addition, during the previous fiscal year and the current fiscal year, the amount of revenue recognized from performance obligations satisfied in prior periods was not material.

(3) Transaction price allocated to remaining performance obligations

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

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

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

20. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major expense items included in the breakdown of cost of sales and selling, general and administrative expenses according to the nature of the cost are as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Depreciation and amortization	¥12,898	**¥14,312**
Employee benefit expenses	94,486	**99,064**

21. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Land and building rent received	¥ 141	**¥ 202**
Gain on disposal of non-current assets	786	**1,492**
Compensation income	916	**—**
Gain on government grants	89	**153**
Other	1,648	**604**
Total	¥3,581	**¥2,453**

Notes: 1. Compensation income in the previous fiscal year represents primarily a compensation payment of ¥610 million for additional expenses required for the procurement of substitute parts as a result of a fire incident that occurred at a business partner of the Company's North American subsidiary.

2. Other in the previous fiscal year represents primarily a reimbursement of overpaid taxes of ¥896 million by a Brazilian subsidiary in view of the revision of calculation method of social contributions payable by businesses in Brazil ruled by the Brazilian Federal Supreme Court.

The breakdown of other expenses is as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Loss on disposal of non-current assets	¥ 207	**¥ 81**
Impairment losses	115	**1,496**
Loss on disaster	621	**—**
Other	488	**338**
Total	¥1,433	**¥1,916**

Notes: 1. The details of impairment losses recognized in the current fiscal year are stated in Note 12 "Impairment Losses."
2. Loss on disaster in the previous fiscal year represents primarily additional expenses of ¥580 million required for the procurement of substitute parts as a result of a fire incident that occurred at a business partner of the Company's North American subsidiary.

22. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Interest income	¥2,939	**¥2,560**
Dividend income	815	**1,446**
Foreign exchange gains	970	**—**
Other	—	**72**
Total	¥4,725	**¥4,079**

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

The breakdown of finance costs is as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Interest expense	¥437	**¥668**
Foreign exchange losses	—	**63**
Total	¥437	**¥731**

23. EARNINGS PER SHARE

Basic earnings per share and the basis for estimation are outlined below.

Latent common stock that has a dilution effect is not included.

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Income attributable to owners of parent (Million yen)	¥ 10,214	**¥ 8,630**
Average number of common shares for the period (Thousand shares)	127,536	**122,097**
Basic earnings per share (Yen)	¥ 80.09	**¥ 70.69**

24. OTHER COMPREHENSIVE INCOME

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

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of net defined benefit plans:		
Gains (losses) during the year	¥ 3,061	**¥ 1,094**
Income tax benefit (expense)	(915)	**(385)**
Subtotal	2,146	**708**
Equity financial assets measured at fair value through other comprehensive income:		
Gains (losses) during the year	9,908	**(6,641)**
Income tax benefit (expense)	(2,966)	**1,847**
Subtotal	6,941	**(4,793)**
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	761	**139**
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations:		
Gains (losses) during the year	17,475	**(2,065)**
Reclassification adjustment	—	**(5)**
Subtotal	17,475	**2,070**
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	529	**979**
Total other comprehensive income (loss), net of tax	¥27,854	**¥ (5,037)**

25. DIVIDENDS

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 23, 2023	Common shares	¥4,214	¥33.00	March 31, 2023	June 7, 2023
Board of Directors' meeting held on November 10, 2023	Common shares	¥4,472	¥35.00	September 30, 2023	November 27, 2023

Note: Dividends in the consolidated statement of changes in equity are equal to the total amount of dividends minus dividends related to the Company's shares held by entities accounted for using the equity method.

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2024	Common shares	Retained earnings	¥4,854	¥38.00	March 31, 2024	June 5, 2024

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2024	Common shares	**¥4,854**	**¥38.00**	March 31, 2024	June 5, 2024
Board of Directors' meeting held on November 8, 2024	Common shares	**¥4,845**	**¥40.00**	September 30, 2024	November 29, 2024

Note: Dividends in the consolidated statement of changes in equity are equal to the total amount of dividends minus dividends related to the Company's shares held by entities accounted for using the equity method.

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 20, 2025	Common shares	Retained earnings	**¥5,127**	**¥43.00**	March 31, 2025	June 5, 2025

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

	Beginning balance	Cash flows	Non-cash transactions			Ending balance
			Increase	Foreign currency translation	Other	
Lease liabilities	¥4,822	¥(1,412)	¥983	¥263	¥—	¥4,656
Total	¥4,822	¥(1,412)	¥983	¥263	¥—	¥4,656

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

	Beginning balance	Cash flows	Non-cash transactions			Ending balance
			Increase	Foreign currency translation	Other	
Lease liabilities	**¥4,656**	**¥(1,681)**	**¥2,835**	**¥(53)**	**¥—**	**¥5,757**
Total	**¥4,656**	**¥(1,681)**	**¥2,835**	**¥(53)**	**¥—**	**¥5,757**

27. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Acquisition of assets through a lease arrangement	¥983	**¥2,835**

28. SUBSIDIARIES AND AFFILIATES, ETC.

(1) Composition of the corporate group

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

In the current fiscal year, Sowa Sangyo Co., Ltd., the Company's consolidated subsidiary, merged with Tech Toei Co., Ltd. through an absorption-type merger. As a result, Tech Toei Co., Ltd. has been excluded from the scope of consolidation starting from the current fiscal year, and Sowa Sangyo Co., Ltd. was renamed TS Parts and Services Co., Ltd.

Due to its dissolution, TS TECH Hungary Kft., the Company's Hungarian consolidated subsidiary, has been excluded from the scope of consolidation starting from the current fiscal year.

(2) Matters concerning subsidiaries

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

GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Current assets	¥22,729	**¥27,282**
Non-current assets	7,215	**6,457**
Current liabilities	12,629	**18,071**
Non-current liabilities	75	**86**
Equity	17,240	**15,582**
Accumulated non-controlling interests	¥ 8,290	**¥ 7,548**

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Revenue	¥44,372	**¥41,451**
Net income	4,025	**3,555**
Other comprehensive income	943	**(175)**
Comprehensive income	4,968	**3,379**
Income allocated to non-controlling interests	¥ 1,565	**¥ 1,771**

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Cash flows from operating activities	¥ 7,680	**¥ 8,239**
Cash flows from investing activities	(203)	**(273)**
Cash flows from financing activities	(7,514)	**(5,116)**
Effect of exchange rate changes on cash and cash equivalents	557	**(249)**
Net increase (decrease) in cash and cash equivalents	520	**2,600**
Dividends paid to non-controlling interests	¥(3,596)	**¥(2,418)**

WUHAN TS-GSK AUTO PARTS CO., LTD.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Current assets	¥22,176	**¥16,158**
Non-current assets	3,583	**3,463**
Current liabilities	6,477	**4,152**
Non-current liabilities	210	**198**
Equity	19,070	**15,271**
Accumulated non-controlling interests	¥ 7,426	**¥ 6,007**

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Revenue	¥39,323	**¥25,243**
Net income	3,528	**848**
Other comprehensive income	1,081	**(143)**
Comprehensive income	4,610	**704**
Income allocated to non-controlling interests	¥ 1,454	**¥ 440**

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Cash flows from operating activities	¥ 5,708	**¥ 3,423**
Cash flows from investing activities	(515)	**(7,137)**
Cash flows from financing activities	(5,387)	**(4,466)**
Effect of exchange rate changes on cash and cash equivalents	799	**(39)**
Net increase (decrease) in cash and cash equivalents	604	**(8,219)**
Dividends paid to non-controlling interests	¥(2,110)	**¥(1,801)**

(3) Matters concerning affiliates

The Group does not have individually significant affiliates. Matters concerning affiliates which are not individually significant are as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Carrying amount of equity interest	¥18,307	**¥19,565**

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
The Group's equity interest in:		
Net income	¥ (48)	**¥ 281**
Other comprehensive income	1,290	**1,118**
Comprehensive income	¥1,241	**1,400**

29. SHARE-BASED REMUNERATION

(1) Restricted stock compensation scheme for directors and executive officers

(i) Overview of the scheme

The Company has introduced a restricted stock compensation scheme (hereinafter the "Scheme") for its directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) (hereinafter the "Eligible Directors") and executive officers who do not concurrently serve as directors of the Company (hereinafter, collectively with the Eligible Directors, the "Eligible Directors, etc."), with the aim of providing incentives to continuously improve the Company's corporate value and to further share value with shareholders.

Under the Scheme, the Eligible Directors, etc., shall pay all of the monetary compensation claims paid by the Company as assets contributed in kind, and shall receive shares of the Company's common stock through issuance or disposal by the Company.

In addition, in the issuing or disposing of shares of common stock (hereinafter "the Stock") of the Company under the Scheme, the Company and the Eligible Directors, etc., enter into a restricted stock allotment agreement under which 1) the transfer, creation of a security interest on, or any other disposition of the Stock to a third party is prohibited during the period until the Eligible Directors, etc., retire or resign due to the expiration of their terms of office, mandatory retirement age, or other justifiable reasons (hereinafter the "transfer restriction period"), and 2) on the condition of the occurrence of certain events, the Company shall acquire the Stock for no consideration and the like.

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

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

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Allotment date	June 23, 2023	**June 21, 2024**
Number of shares allotted	56,960	**49,440**
Fair value (Yen)	¥1,850.5	**¥1,863.0**

Notes: 1. The fair value of the shares is measured based on the closing price of the Company's common stock on the Tokyo Stock Exchange (TSE) Prime Market on the business day preceding the allotment date.
2. The table above includes shares allotted to Eligible Directors, etc., who have left office by resignation.

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

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

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Equity settled type	¥66	**¥96**

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

(2) Restricted stock-based incentive scheme for employee shareholding association

(i) Overview of the scheme

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

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

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

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

No shares were allotted during the previous fiscal year or the current fiscal year.

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

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

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Equity settled type	¥14	**¥—**

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

30. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Financial assets such as trade and other receivables are exposed to the credit risk of customers, etc.

The Group manages these risks in accordance with its credit management regulations by periodically monitoring whether any customer has gone over its credit limit, which is set for each customer, while also making efforts to identify at an early stage concerns for collection due to deterioration of the customer's financial position and mitigate said risks.

The majority of the Group's trade and other receivables, etc., are due from Honda Motor Co., Ltd. and its group companies, whose creditworthiness is high and poses minimal credit risk.

When engaging in derivative transactions, the Group deals exclusively with financial institutions with high credit ratings in order to mitigate credit risk.

The carrying amounts of financial assets after impairment losses presented in the consolidated statement of financial position represent the maximum exposure of the Group to credit risk.

(iii) Market risk

(Foreign currency risk)

As the Group conducts its business globally, it engages in foreign currency-denominated transactions and accordingly its profits and cash flows are exposed to the risk of fluctuating exchange rates.

The Group engages in derivative transactions, namely forward exchange contracts, to mitigate such risks in terms of its foreign currency-denominated trade receivables and payables.

In the execution and administration of derivative transactions, the funding division obtains the approval of the person with the decision-making authority in accordance with the internal rules which set forth transaction authority and other matters.

In terms of the financial instruments held by the Group at the end of the previous fiscal year and the current fiscal year, the impact of a 1% appreciation of Japanese yen against the U.S. dollar and the Chinese yuan on income before income tax is as follows.

(Unit: Million yen)

	Impact on income before income tax	
	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
1% appreciation of Japanese yen against the U.S. dollar	¥(30)	**¥(86)**
1% appreciation of Japanese yen against the Chinese yuan	(5)	**0**

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

(Price fluctuation risks of equity instruments)
The Group holds equity instruments that include the stocks of publicly traded companies with which it maintains business relationships and is thus exposed to the risk of fluctuating market prices of these instruments.
The Group manages such risks by periodically monitoring the fair value of said instruments and the financial condition of its investment targets as well as conducting ongoing reviews of its status of holdings.

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

(Unit: Million yen)

	Impact on other comprehensive income	
	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
1% decline in market prices	¥(275)	**¥(250)**

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

(iv) Liquidity risk (Risk of not being able to execute payment on the payment date)
While the Group basically raises necessary funds with its own financial resources, it is exposed to the risk of not being able to execute payment on payment dates for reasons such as a deteriorated funding environment.
The Group manages said risk by having the Company's accounting division prepare and update fund management plans based on the reports of each division in order to mitigate liquidity risk.

(2) Fair value measurement
Fair values are classified into the following three levels according to the extent to which the input information used in the measurement is observable and the materiality of said input.
Level 1: Quoted prices of similar assets and liabilities in active markets
Level 2: Input other than quoted prices included in Level 1 that is observable either directly or indirectly
Level 3: Input including that not based on observable market data
No transfers occurred between Levels 1, 2, and 3 during the current fiscal year.

(i) Method of measuring fair value
(Equity instruments)
Equity instruments mainly consist of stocks of publicly traded companies and its fair values are measured based on the prices quoted by the stock exchanges.
(Derivative financial assets and derivative financial liabilities)
The fair values of derivative financial assets and derivative financial liabilities are measured at the valuation of forward exchange contracts calculated under observable inputs such as currency exchange rates.
(Long-term loans receivable)
The fair values of long-term loans receivable are measured at the present value of future cash flows discounted by an interest rate that reflects an appropriate indicator such as the yield on Japanese government bonds to which a credit spread has been added.
(Financial instruments other than those above)
The fair values of financial instruments other than those above are measured at amortized cost but statement thereof has been omitted as their measured carrying amounts approximate their fair values.

(ii) Carrying amounts and fair values of financial instruments
(Financial instruments measured at fair value on a recurring basis)

For the year ended March 31, 2024 (As of March 31, 2024)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income:					
Equity instruments	¥29,245	¥27,599	¥ —	¥1,645	¥29,245
Financial assets measured at fair value through net profit or loss:					
Derivative assets	0	—	0	—	0
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	26	—	26	—	26

For the year ended March 31, 2025 (As of March 31, 2025)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income:					
Equity instruments	**¥26,795**	**¥25,081**	**¥ —**	**¥1,713**	**¥26,795**
Financial assets measured at fair value through net profit or loss:					
Derivative assets	**1**	**—**	**1**	**—**	**1**
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	**0**	**—**	**0**	**—**	**0**

(Financial instruments measured at amortized cost)
For the year ended March 31, 2024 (As of March 31, 2024)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Long-term loans receivable (including the current portion)	¥690	¥ —	¥650	¥ —	¥650

For the year ended March 31, 2025 (As of March 31, 2025)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Long-term loans receivable (including the current portion)	**¥561**	**¥ —**	**¥540**	**¥ —**	**¥540**

(3) Offsetting of financial assets and financial liabilities

Information on the offsetting of financial assets and financial liabilities recognized for a single counterparty is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Gross amount of financial assets recognized	¥280,276	**¥247,413**
Offset amount	13,169	**8,710**
Amount of financial assets presented in consolidated statement of financial position	¥267,106	**¥238,702**
Gross amount of financial liabilities recognized	¥ 87,306	**¥ 92,953**
Offset amount	13,169	**8,710**
Amount of financial liabilities presented in consolidated statement of financial position	¥ 74,137	**¥ 84,242**

31. LEASES

(1) Lease transactions as a lessee

The Group leases real estate properties, such as land and buildings, and molds under lease contracts. Each of the Group's companies is responsible for managing and negotiating lease contracts on its own, and thus, the terms and conditions of lease contracts can vary substantially from company to company. An option to extend lease periods is included in the leases of real estate properties, especially land and buildings. Many lease contracts for real estate properties provide an option to extend the lease period by one year or the originally agreed-upon lease period, and an option to cancel the contract earlier with a six-month prior notice in writing. Contracting parties who lease properties for business purposes use these options as needed.

(i) Expenses and cash flows associated with lease contracts

Expenses and cash outflows for lease contracts are as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Depreciation of right-of-use assets by asset type:		
Buildings and structures	¥ 440	**¥ 872**
Machinery, equipment and vehicles	46	**48**
Tools, furniture and fixtures	10	**13**
Land	70	**125**
Total depreciation	¥ 567	**¥1,059**
Expenses related to short-term leases or leases of low-value assets	¥ 830	**¥ 825**
Total cash outflow for leases	¥2,359	**¥2,696**

Notes: 1. Depreciation of right-of-use assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
2. Expenses related to short-term leases or leases of low-value assets are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(ii) Right-of-use assets included in the carrying amount of property, plant and equipment

The carrying amount and the amount of increase in right-of-use assets included in the carrying amount of property, plant and equipment are as follows.

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Total
FY2024 (As of March 31, 2024)	¥2,563	¥296	¥ 96	¥2,922	¥5,878
FY2025 (As of March 31, 2025)	**¥4,172**	**¥235**	**¥101**	**¥2,806**	**¥7,316**

Note: During the previous fiscal year and the current fiscal year, the amount of right-of-use assets increased by ¥114 million and ¥2,617 million, respectively.

(iii) Balance of lease liabilities by the period to maturity

Balance of lease liabilities by the period to maturity is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Within 1 year	¥1,121	**¥1,068**
Between 1 and 2 years	990	**530**
Between 2 and 3 years	483	**464**
Between 3 and 4 years	443	**444**
Between 4 and 5 years	425	**449**
More than 5 years	1,192	**2,800**
Total	¥4,656	**¥5,757**

Note: The balance of lease liabilities is included in "Other financial liabilities" in the consolidated statement of financial position.

(2) Lease transactions as lessor

The Group mainly leases molds under finance lease contracts.

(i) Balance of lease receivables by the period to maturity

Balance of lease receivables by the period to maturity is as follows.

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Within 1 year	¥2,563	**¥2,357**
Between 1 and 2 years	1,202	**682**
Between 2 and 3 years	773	**561**
Between 3 and 4 years	768	**561**
Between 4 and 5 years	768	**561**
More than 5 years	—	**—**
Total	¥6,075	**¥4,723**

Note: The balance of lease receivables is included in "Other financial assets" in the consolidated statement of financial position.

32. RELATED-PARTY DISCLOSURES

(1) Transactions between the submitting company and related parties

The balances of transactions and receivables/payables between the submitting company and related parties are as follows. Transaction amounts exclude parts and raw materials purchased from customers.

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Other affiliates	Honda Motor Co., Ltd.	Sale of the Company's products	¥42,799	Accounts receivable – trade	¥8,394
				Lease receivables	¥446

Notes: 1. Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.
2. Lease receivables
For outstanding balances of lease receivables, the prices of molds included in sale of the Company products are processed as finance leases.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Other affiliates	Honda Motor Co., Ltd.	Sale of the Company's products	**¥53,815**	Accounts receivable – trade	**¥10,056**
				Lease receivables	**¥682**
		Acquisition of treasury stock	**¥8,858**	—	**—**

Notes: 1. Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.
2. Lease receivables
For outstanding balances of lease receivables, the prices of molds included in sale of the Company products are processed as finance leases.
3. Acquisition of treasury stock
The Company carried out the acquisition of treasury stock shown above during the period from May 13, 2024 to June 10, 2024 through a tender offer for its treasury stock pursuant to the resolution of the Board of Directors passed at its meeting held on May 10, 2024.

(2) Transactions between the consolidated subsidiaries of the submitting company and related parties

The balances of transactions and receivables/payables between the consolidated subsidiaries of the submitting company and related parties are as follows. Transaction amounts exclude parts and raw materials purchased from customers.

(i) TS TECH USA CORPORATION

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Development and Manufacturing of America, LLC	Sale of the Company's products	¥45,346	Accounts receivable – trade	¥3,618

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Development and Manufacturing of America, LLC	Sale of the Company's products	**¥44,890**	Accounts receivable – trade	**¥4,605**

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

(ii) TS TECH ALABAMA, LLC.

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Development and Manufacturing of America, LLC	Sale of the Company's products	¥40,870	Accounts receivable – trade	¥4,152

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Development and Manufacturing of America, LLC	Sale of the Company's products	**¥49,351**	Accounts receivable – trade	**¥4,556**

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

(iii) TS TECH CANADA INC.

For the year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Canada Inc.	Sale of the Company's products	¥53,787	Accounts receivable – trade	¥5,736

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

For the year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Canada Inc.	Sale of the Company's products	**¥60,780**	Accounts receivable – trade	**¥7,894**

Note: Business terms and conditions, and policy for the determination of business terms and conditions
Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

(3) Remuneration of key management personnel

Remuneration to the directors and Audit and Supervisory Committee members of the Company is as follows.

(Unit: Million yen)

	FY2024 (April 1, 2023–March 31, 2024)	**FY2025 (April 1, 2024–March 31, 2025)**
Basic remuneration and bonuses	¥482	**¥352**
Stock compensation	60	**42**

33. CONTINGENT LIABILITIES

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

(Unit: Million yen)

	FY2024 (As of March 31, 2024)	**FY2025 (As of March 31, 2025)**
Employees (Company housing and mortgage loans)	¥7	**¥6**

34. SUBSEQUENT EVENTS

The Board of Directors of the Company, at its meeting held on May 14, 2025, resolved to acquire its treasury stock pursuant to Article 156 of the Companies Act, as applied mutatis mutandis under Article 165, Paragraph (3) of the same Act, and to cancel treasury stock pursuant to Article 178 of the Companies Act, as follows:

(1) Reason for the acquisition and cancellation of treasury stock

The Company regards shareholder returns as a key management priority. Under its 15th Medium-Term Management Plan (for the fiscal year ended March 31, 2024 through the fiscal year ending March 31, 2026; hereinafter the "15th Medium-Term Plan"), the Company has adopted a basic policy of providing continuous and stable shareholder returns, irrespective of financial performance.

In line with this policy, and as part of its initiative to enhance shareholder returns, the Company has decided to implement a flexible acquisition of treasury stock totaling approximately ¥20 billion during the 15th Medium-Term Plan period, along with cancellation of such shares as deemed appropriate.

(2) Details of the acquisition

Class of shares to be acquired	Common stock
Total number of shares that can be acquired	4,140,000 shares (upper limit) (Equivalent to 3.47% of the total number of issued shares as of March 31, 2025 (excluding treasury stock))
Total acquisition cost of shares	¥5,000,000,000 (upper limit)
Acquisition period	From June 9, 2025 to March 24, 2026
Acquisition methods	Market purchase on the Tokyo Stock Exchange.

(3) Details of the cancellation of treasury stock

Class of shares to be canceled	Common stock
Total number of shares to be canceled	12,000,000 shares (Equivalent to 8.82% of the total number of issued shares before cancellation as of March 31, 2025)
Cancellation date	May 30, 2025

OTHER

Semi-annual information for the current fiscal year is as follows.

(Unit: Million yen)

Cumulative period	1st half	Full year
Revenue	**¥222,705**	**¥460,514**
Income before income tax	**8,041**	**20,058**
Income attributable to owners of parent	**4,532**	**8,630**
Earnings per share (Yen)	**36.36**	**70.69**

(TRANSLATION)

Independent Auditor's Report

June 18, 2025

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

KPMG AZSA LLC
Tokyo Office, Japan

Shingo Iwamiya
Designated Engagement Partner
Certified Public Accountant

Kengo Udagawa
Designated Engagement Partner
Certified Public Accountant

Opinion

We have audited the accompanying consolidated financial statements of TS TECH Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Report, which comprise the consolidated statement of financial position as at March 31, 2025 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Reasonableness of the estimated fair value less costs of disposal used for the impairment testing on property, plant and equipment, and intangible assets of TS TECH Poland sp. z o.o.	
The key audit matter	**How the matter was addressed in our audit**
Property, plant and equipment of 93,780 million yen and intangible assets of 14,240 million yen were recognized in the consolidated statement of financial position of TS TECH Co., Ltd. (hereinafter referred to as the "Company") and its consolidated subsidiaries as of March 31, 2025. Of this amount, 1,771 million yen was the carrying amount of property, plant and equipment and intangible assets held by TS TECH Poland sp. z o.o. (hereinafter referred to as "TSPL"), a Polish consolidated subsidiary, as described in Note 2, "Basis of preparation of the consolidated financial statements, (4) Important accounting judgments, estimates, and assumptions, (i) Impairment of non-financial assets (Property, plant and equipment, and Intangible assets)" to the consolidated financial statements. The amount represents the figure after recognizing an impairment loss of 1,487 million yen in the current fiscal year. The Company and its consolidated subsidiaries assess each asset or cash-generating unit for any indications of impairment during each reporting period, and if such indication exists, perform impairment testing. If the recoverable amount of the asset or cash-generating unit is less than the carrying amount, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss. An impairment indicator for TSPL was identified due to the significant deterioration in operating performance compared to the business plan formulated at the time of its establishment, which was attributed primarily to changes in customer production conditions. Since the recoverable amount using the fair value less costs of disposal was less than the carrying amount as a result of impairment testing in the current fiscal year, TSPL recognized an impairment loss. The primary asset among property, plant and equipment, and intangible assets held by TSPL is real estate. Accordingly, TSPL used the real estate appraisal value obtained from external experts as the fair value of these assets. Selecting appropriate valuation methods, prerequisites, and basic data for real estate appraisal requires a high degree of expertise and has a significant effect on the estimate of fair value. We, therefore, determined that our assessment of the reasonableness of the estimated fair value less costs of disposal used for the impairment testing	To assess the reasonableness of the estimated fair value less costs of disposal used for the impairment testing on property, plant and equipment and intangible assets of TSPL, we involved the component auditor of TSPL and performed the audit procedures set out below, including the direction and supervision of the component auditor and the review of its work, among others. (1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to measuring an impairment loss on property, plant and equipment and intangible assets. (2) Assessment of the reasonableness of the estimated fair value less costs of disposal ● We assessed the competence, capabilities, and objectivity of external experts used by TSPL. ● We involved valuation experts within the network firms of TSPL's component auditor to assess the appropriateness of the valuation methods, prerequisites and basic data for calculating the real estate appraisal value, which formed the basis for estimating the fair value less costs of disposal.

on property, plant and equipment and intangible assets of TSPL was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Audit Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Financial Instruments and Exchange Act of Japan, excluding the part of Report on the Audit of the Internal Control Report and Fee related Information.