2023

TS TECH
Integrated Report

TS TECH Co.,Ltd.

The automobile industry is in the midst of a major transformation.
The conventional concept of an automobile
as a means of transport is changing,
requiring new value for the time spent in the cabin space of vehicles.
What can TS TECH do at such a time?

The value of our existence lies in the TS TECH Philosophy,
which doesn't change over time.
As "A company dedicated to realizing people's potential,
a company sincerely appreciated by all,"
we have always pursued products that
bring a smile to customers' faces by making
the most of the abilities of each and every employee.

The value we create will always keep changing
as we continue to deliver excitement like never before to the world,
but the essence of who we are will never change.
We will continue meeting the challenge of endless possibilities
to make the mobility of the future freer and more enjoyable.

Bringing joy to society through the power of people

TS TECH Philosophy

Vision Statement

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

Mission Statement

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

Operational Directives

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

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Editorial Policy

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

About the Report's Formats

Integrated Report

TS TECH Website

Non-Financial Information
CSR Activities
Provides qualitative and quantitative information related to environmental, social, and governance (ESG) factors.
https://www.tstech.co.jp/english/csr/

Financial Information
IR Information
Provides consolidated financial summaries, results announcements, etc.
https://www.tstech.co.jp/english/ir/

Scope of the Report

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

About the Report's Designations

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

Term Covered

Fiscal 2023 (April 1, 2022–March 31, 2023)
Note: Select activities from before or after this term may be included.

Reference Guidelines

- ISO 26000:2010 standard, International Organization for Standardization (ISO)
- International Integrated Reporting Framework, IFRS Foundation
- Guidance for Collaborative Value Creation 2.0, Ministry of Economy, Trade and Industry (METI) of Japan
- Global Reporting Initiative (GRI) Sustainability Reporting Standards, etc.

Disclaimer

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

About TS TECH

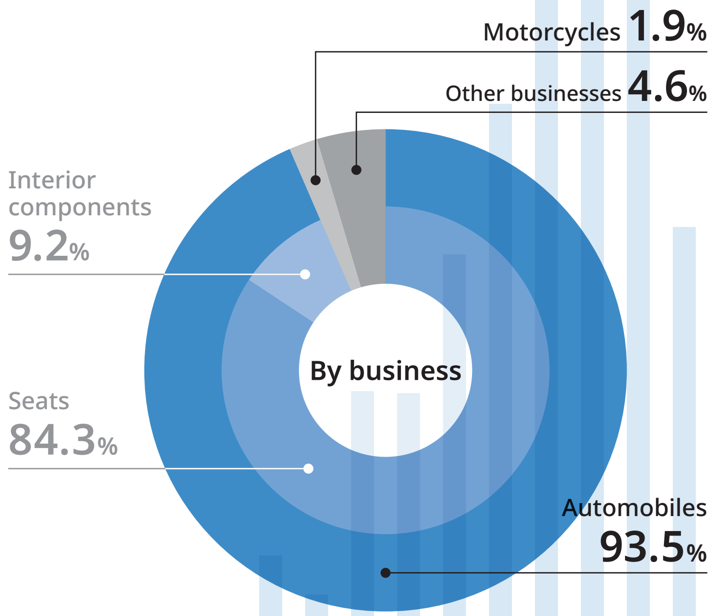
TS TECH has been developing and producing automotive interior components for over 60 years since the company was established in 1960.

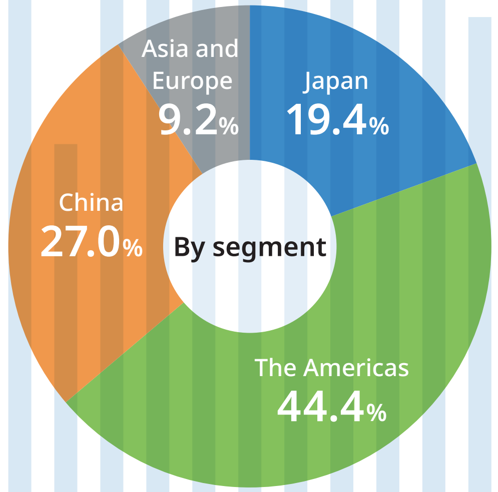
We have continued to grow by leveraging the strength of our technologies and know-how cultivated over many years and our global network spanning 13 countries, supplying a variety of products, mainly automobile seats and door trims.

Major product lines

Revenue (Consolidated)

409.2 billion yen (Fiscal 2023)





Number of Employees (Consolidated)

15,172

Number of Sites

74 sites operated by **45** companies in **13** countries

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

1963
Began producing automobile seats

1977
Expanded operations to North America

1994
Expanded operations to Asia

1996
Expanded operations to South America

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

1999
Expanded operations to Europe

2001
Expanded operations to China

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

2010
TS TECH's 50th anniversary

1960 1970 1980 1990 2000 2010 2020

* Shifted to the Prime Market in April 2022

Assuring Quality

The seats for the original Honda Civic could be considered the starting point for TS TECH's manufacture of automobile seats. There were frequent issues such as tearing of seams in the outer upholstery and deformation of seat frames when sat on by people with very large physiques, as they were designed with Japanese people only in mind at the time. The system we established at that time to facilitate the immediate sharing of quality issues among departments and quick improvements is still in place today. We have turned this rough start into a legacy of a strong commitment to the perfection of quality.

Seat for the original Honda Civic
Launched 1972

Pursuing Comfort

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

Honda Civic Seat
Launched 1995
The first use of a mechanism seat made it possible for smaller drivers to adjust to a more comfortable driving position.

Honda Odyssey Seat
Launched 2013
The seat bottom tilts upward as the backrest is lowered to close in on the perfect posture for maximum comfort.

Establishing a Strong Profit Structure

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

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

Automated welding equipment

Creating New Value

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

Health Care Seat
The seat senses the posture of the occupant and detects the optimal position for each individual.
The built-in air device relaxes the muscles and provides postural support from the pelvis.

Realizing ESG management by providing new value that delivers excitement to all stakeholders worldwide

保田真成
Masanari Yasuda
President and Representative Director

Review of the 14th Medium-Term Management Plan

During the three years of our 14th Medium-Term Management Plan[1] (fiscal 2021–2023), we worked on various measures to drive further business growth and build a strong corporate foundation. We focused on two approaches: "evolution for business growth" from a proactive perspective, and "stronger business operations structure to support evolution" from a protective perspective. The 14th Medium-Term Management Plan played an important role as the first medium-term plan on the road to achieving our 2030 Vision.

We found ourselves in an extremely challenging business environment due to the COVID-19 pandemic, which broke out just before we launched the plan. The resulting parts shortages, along with soaring energy and resource prices, created major profitability issues for us. However, rather than being defeated, we maximized the investment of management resources in areas essential for growth and prepared for further growth. To acquire new customers and new commercial rights, we took various initiatives. These included the establishment of a new car seat production subsidiary in Poland as a key site for expanding sales to European automakers, and the establishment of a new division to oversee all processes from sales to production. These efforts are now leading to steady expansion of commercial rights.

In the next-generation technology field, which will become a future source of earnings for us, we announced "XR Cabin," which will transform vehicle interiors. What has been mainly a space for sitting during transport is being transformed into a next-generation interior space that can generate excitement. XR Cabin is showing more concretely the value that the TS TECH Group is ready to provide for the future of mobility.

At the same time, we have worked to strengthen our business foundation for sustainable growth. This includes governance reforms[2] such as transitioning to "a company with an Audit and Supervisory Committee" structure, and improving the diversity of our Board of Directors. It also includes efforts to identify the Group's material issues,[3] challenges we will give priority attention.

Looking toward 2030 with the 15th Medium-Term Management Plan

Under the 15th Medium-Term Management Plan[4] (fiscal 2024–2026), we seek to turn our preparations into results, and to further address issues of profitability and achieve a rapid recovery. During the process of drafting this medium-term plan, we started by clarifying the 2030 Vision, which is one of our objectives. We have had many discussions about what needs to be accomplished in three years' time in order to achieve this vision, and how we can quickly rebuild profitability, which is the main challenge. As important issues for profitability improvement, we have identified ways to increase not only profits but also capital efficiency.

2030 Vision Statement

Innovative quality company

—Continued creation of new value—

Performance targets for fiscal 2030

Revenue	Operating income	Operating margin	ROE
700 billion yen	68 billion yen	9.7%	10.0%

In order to resolve these issues and solidify the foundation for achieving our growth objectives by 2030, we have established nine priority strategies in the categories of growth, regional, and functional under the 15th Medium-Term Management Plan, which is based on the management policy of realizing ESG management. In order to fully implement all of these priority strategies, we have created the Business Strategy Committee. Comprised of all the company's directors, including outside directors, it will manage and oversee implementation progress for the nine priority strategies. Leveraging thorough discussion and timely decision-making, we will steadily promote various measures despite an increasingly uncertain business environment, striving to deliver greater business growth and improved capital efficiency.

Priority Strategies under the 15th Medium-Term Management Plan

Management policy	Realizing ESG management		
Growth strategies	Priority strategy (1) Securing cabin coordination capacity	Priority strategy (2) Further growth in new businesses	Priority strategy (3) A higher share of major customers' products
Regional strategies	Priority strategy (4) V-shaped recovery in North America	Priority strategy (5) Restructuring the China business strategy	Priority strategy (6) Strategic growth in new businesses in Europe
Functional strategies	Priority strategy (7) Supply chain restructuring	Priority strategy (8) Enhancing efforts to develop environmental technologies	Priority strategy (9) Building high efficiency production structures

1 14th Medium-Term Management Plan ▶ pp. 14–15
2 Governance reforms ▶ pp. 52–59
3 Material issues ▶ pp. 12–13
4 15th Medium-Term Management Plan ▶ pp. 16–17

Promoting further business growth and higher corporate value

Among the priority strategies of the 15th Medium-Term Management Plan, our three growth strategies are particularly important. These are "securing cabin coordination capacity," "further growth in new businesses," and "a higher share of major customers' products."

For the first growth strategy, "securing cabin coordination capacity," we are working on the creation of new technologies[5] by accelerating research into how people will spend their time in next-generation vehicles, a joint development with other industries and start-up companies, and the training of personnel with software expertise who can prepare complex proposals for vehicle interiors. In order to bring our developed technologies to market as quickly as possible, we will work with our customers in the advanced development procedures, so that our technologies can be adopted for new mass-produced vehicles. At the same time, by working on the development of highly efficient mass production technology[6] adapted to new construction and materials, we will build a manufacturing system that can provide our new product technologies at competitive prices.

For the second growth strategy, "further growth in new businesses,"[7] we are working on sales activities with the goal of ensuring new business sales account for 30% of consolidated revenue by 2030. During the 14th Medium-Term Management Plan period, our seats were adopted in August 2022 for the Spacia Base model released by Suzuki Motor Corporation, and we were also able to steadily increase sales to automobile and motorcycle manufacturers in Europe and the United States. In order to increase this momentum under the 15th Medium-Term Management Plan, we will make the most of technologies that have been well received by customers, and aim to acquire commercial rights for variant models of these products. We will also develop strategic sales activities by strengthening cooperation between each segment and functional division, in an effort led by the New Business Management Division.

Seat production plant in Poland for European automakers

Along with these sales expansion measures, we will also pursue the third growth strategy, "a higher share of major customers' products,"[8] with a focus on the Honda Group. Currently, our products are used for approximately 60% of the seats in vehicles sold by Honda, and our goal is to increase this share to over 70% by 2030. To achieve this, we must secure orders for existing commercial rights and expand sales through new commercial rights. We will work to improve customer satisfaction by creating attractive products, create products jointly with customers from the early development stage, and conduct order development activities by ensuring collaboration across our segments and functional divisions and taking advantage of regional characteristics. We will also work to further increase our share of sales by winning more orders for seat components. This will be done by enhancing development of next-generation standard seat frames and other components, and then striving to acquire commercial rights for the seats themselves.

Regional and functional strategies make up the remaining priority strategies. In terms of regional strategies, we will work to improve profitability in North America, China, and Europe to strengthen our corporate competitiveness. With our functional strategies, we will pursue further business growth by working to strengthen the foundations that support our higher-level strategies. These include "supply chain restructuring," "enhancing efforts to develop environmental technologies," and "building high efficiency production structures."

Through proactive growth-related investments based on these priority strategies, we will also address the challenge of improving capital efficiency. In addition to increasing profitability, we will optimize our capital structure through not only growth-related investments but also proactive shareholder returns in order to move to a cash level that is appropriate for our business scale. During the 15th Medium-Term Management Plan period, the shareholder return policy calls for steady distribution of returns regardless of business performance. We plan to return approximately 50 billion yen to shareholders over three years through regular dividend increases and flexible acquisition of treasury stock. The aim is to achieve a dividend on equity ratio (DOE)* of 3.5% or more by the end of the 15th Medium-Term Management Plan period. We aim to enhance corporate value by driving sustainable business growth with growth-related investments, and by optimizing our capital structure[9] based on enhanced shareholder returns, in order to reach a price-to-book ratio (PBR) above 1, as soon as possible.

* Dividend on equity ratio (DOE) = Total dividends / Shareholders' equity (Equity attributable to owners of parent)

Remaining "A company sincerely appreciated by all"

In recent years, it has become increasingly important for companies to address social issues in order to help build a sustainable world. Under the TS TECH Philosophy, which requires us to be a company dedicated to realizing people's potential and one that is sincerely appreciated by all, we have been working to promote growth for both our company and the broader society. Our mission is to engage in corporate activities that also help resolve social issues. Each of the material issues we are addressing is linked to the UN Sustainable Development Goals, and we are accelerating our efforts to help achieve these SDGs.

In particular, as a company that provides components for vehicles that emit CO_2, we see the response to climate change as one of our most important management issues. In order to help achieve carbon neutrality,[10] we are working on a variety of measures in each operational area, including production and product development, with the goal of reducing the Group's CO_2 emissions from business activities to net zero by 2050. Furthermore, in order to further reduce CO_2 emissions going forward, we need to take initiatives not only internally but across the entire supply chain,[11] which means the cooperation of our business partners is essential. While it would be easy to just issue CO_2 emissions reduction requests to suppliers, we believe that this alone would not lead to significant reductions. Instead, it is important for the Group to demonstrate leadership, and to work together with business partners on efforts such as sharing methods for calculating CO_2 emissions along with specific methods for emissions reduction. Accordingly, we will carry out relevant activities that are both effective and appropriate to the size and capabilities of our individual business partners.

To avoid a situation where initiatives to address these social issues become merely token efforts, we understand that employees and executives must fully understand the importance of these initiatives and be able to implement them independently. We believe that the TS TECH Philosophy[12] will be the key to deepening this understanding, as it communicates the fundamental reasons why the Group exists, and its value to society.

One of the principles set out in the TS TECH Philosophy is being "A company dedicated to realizing people's potential." This means we must nurture and value employees, who work hard every day for their own sake and for the sake of the company. They are treated not just as human resources, but as valued human beings. Another principle in our philosophy is being "A company sincerely appreciated by all." This means we must share positive outcomes with employees and all other stakeholders affected by the Group's corporate activities and build relationships of trust with them.

Accordingly, we must ensure that we remain a company that is valued and appreciated by everyone. With more than 15,000 employees worldwide, the TS TECH Group understands that it can only become stronger if every person fully understands this corporate philosophy and puts it into practice, without exception. We ask every employee to carefully consider and understand the TS TECH Philosophy, and then put it into practice, so the Group can grow as a result. To make this a reality, I will share my thoughts and promote a corporate culture that encourages challenge-taking.

In fiscal 2022, we launched an employee engagement survey to serve as an indicator of progress in the effort to further develop individual employee strengths and to encourage challenge-taking. We have set this indicator as a material issue KPI and are working on various measures with the aim of achieving the highest rating of AAA by 2030. I believe that building a relationship of trust between the company and its employees and ensuring that everyone works with a sense of purpose will increase the productivity of the TS TECH Group and become a driving force for creating new value. To achieve this goal, we will create human resource development programs along with the necessary workplace environments. This means striving to create workplaces where the human rights of each individual are respected,[13] and every employee can demonstrate their individual personality and play an active role.[14] This will extend to various areas including personnel evaluation and compensation, employee welfare benefits, training, and workplace environments.

We will remain "A company sincerely appreciated by all," which includes not only employees but also all other stakeholders. In addition to achieving the targets of the 15th Medium-Term Management Plan and the 2030 Vision, the Group will also strive to achieve sustainable growth together with society in the years that follow.

In closing

Given the increasingly uncertain business environment, continuing to operate our business just as we have in the past would mean losing the ability not only to maintain the status quo but also to create new value, even if we still maintained a solid management foundation. Therefore, it is essential to invest the necessary management resources based on timely decision-making, in order to blaze new trails to future business growth. This means departing from established practices and sometimes moving away from the past. During the period of the 15th Medium-Term Management Plan, we will not relax our reform efforts, but instead strive to become a company sincerely appreciated by all our stakeholders. I hope you are looking forward to this bold future, and I appreciate your continued support.

5 Creation of new technologies ▶ pp. 24–27
6 Development of highly efficient mass production technology ▶ p. 33
7 Further growth in new businesses ▶ p. 31
8 A higher share of major customers' products ▶ p. 30
9 Optimizing capital structure ▶ pp. 18–21
10 Achieve carbon neutrality ▶ pp. 39–45
11 Initiatives across the entire supply chain ▶ pp. 47–49
12 TS TECH Philosophy ▶ p. 2
13 Human rights are respected ▶ p. 46
14 Every employee can demonstrate their individual personality and play an active role ▶ pp. 50–51

2030 Vision

The TS TECH Group's Vision Statement—"A company dedicated to realizing people's potential, a company sincerely appreciated by all"—underpins all of its business operations. By providing the world with attractive products even in the evolving mobility society, we will not only achieve our 2030 Vision but also help to build a more sustainable world. In doing so, we will continue to serve as a reassuring presence for all our stakeholders and be a company sincerely appreciated by all.

Business growth

Vision Statement

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

Mission Statement

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

13th Medium-Term Management Plan
Building a foundation for ESG management

Fiscal 2020 results

Revenue:	359.6 billion yen
Operating income:	26.3 billion yen
Operating margin:	7.3%
ROE:	5.9%

14th Medium-Term Management Plan
Corporate evolution through ESG management

Fiscal 2023 results

Revenue:	409.2 billion yen
Operating income:	15.2 billion yen
Operating margin:	3.7%
ROE:	1.8%

15th Medium-Term Management Plan
Realizing ESG management

Fiscal 2026 targets

Revenue:	480 billion yen
Operating income:	44 billion yen
Operating margin:	9.2%
ROE:	8.5%
DOE*:	3.5%

16th Medium-Term Management Plan

2030 Vision
Innovative quality company
—Continued creation of new value—

Providing innovative, attractive products in pursuit of safe, comfortable vehicle interiors in the evolving mobility society

Fiscal 2030 targets

Revenue:	700 billion yen
Operating income:	68 billion yen
Operating margin:	9.7%
ROE:	10.0%

15th Medium-Term Management Plan Fiscal 2024–2026 ▶ pp. 16–17

Growth strategies	Priority strategy (1) Securing cabin coordination capacity	Priority strategy (2) Further growth in new businesses	Priority strategy (3) A higher share of major customers' products
Regional strategies	Priority strategy (4) V-shaped recovery in North America	Priority strategy (5) Restructuring the China business strategy	Priority strategy (6) Strategic growth in new businesses in Europe
Functional strategies	Priority strategy (7) Supply chain restructuring	Priority strategy (8) Enhancing efforts to develop environmental technologies	Priority strategy (9) Building high efficiency production structures

Human resources and financial strategies/Earning a reputation as a quality leader/
Promoting and firmly establishing sustainability

ESG management

Identifying material issues
Setting KPIs and targets for 2030 ▶ pp. 12–13

Achieving KPIs and targets for 2030

2023 2026 2029 2030

* Dividend on equity ratio (DOE) = Total dividends / Shareholders' equity (Equity attributable to owners of parent)

Identified Material Issues and 2030 Targets

The TS TECH Group has established sustainability targets for 2030 with indices indicating the vision the Group aims to achieve for itself by that year. We will address key material issues (materiality) in a priority manner to help build a sustainable world. Under our 15th Medium-Term Management Plan (fiscal 2024–2026), we will execute our management policy of "realizing ESG management," moving forward boldly to achieve our targets.

TS TECH Materiality Identification Policy

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

Procedure for Identifying Material Issues

Surveys	Based on international standards and guidelines such as the GRI Standards and the core subjects of ISO 26000, we studied identification methods.
Identification and organization of issues	We identified the risks and opportunities based on the Group's business environment and ultimately identified and organized the relevant issues.
Prioritizing of issues	Issues were evaluated and prioritized in terms of their importance to stakeholders and their importance to the TS TECH Group.
Consultations with outside experts	We exchanged opinions with outside experts on the issues identified to verify their scope and validity.
Selection of materiality	Out of 24 items, eight material issues were selected to be addressed by the TS TECH Group.
Approval by management	Following approval by the Executive Committee, the eight material issues were submitted to the Board of Directors for discussion and approved.

Category	Related SDGs	Material issues	Vision	Materiality	Materiality KPIs	14th Medium-Term Management Plan results	15th Medium-Term Management Plan targets	2030 targets	Main measures
Society	8, 9, 12	Providing attractive, innovative new products and technologies that exceed society's expectations	• We will create new value that exceeds the expectations of customers and help to build safe, secure, and prosperous societies by providing attractive, high-quality automobile interiors.	Developing attractive, innovative technologies	Innovative technology development expenses as a percentage of R&D expenses	vs. FY2021 +2.6%	vs. FY2021 +3%	vs. FY2021 +10%	• Proactively investing in original technologies, including biosensing and environmental technologies
				Improving product quality	Seat supplier IQS rating[*1]	8.8P	7.0P	2.0P (stable high levels)	• Enhancing product quality with higher-precision verification tools • Constructing a framework enabling ongoing cultivation of quality human resources worldwide
Environment	6, 7, 12, 13, 15	Reducing impact by practicing environmentally friendly manufacturing to build a sustainable world	• Aiming for a decarbonized society, we will work to contribute to reducing our environmental impact by pursuing energy savings and effective use of resources, starting with product design and continuing throughout every stage of the product life cycle. • We will strive to ensure that all of our employees have a high level of environmental awareness, while working to protect the environment and conserve ecosystems based on the concept of "giving greenery back to the earth."	Responding to climate change	CO_2 emissions reduction rate[*2]	vs. FY2020 -16%	vs. FY2020 -25%	vs. FY2020 -50%	• Improving development and manufacturing efficiency • Developing and promoting products that use plant-based raw materials, etc. ▶ pp. 24–27 • Analyzing and responding to risks and opportunities based on the recommendations of the TCFD ▶ pp. 39–41 • Conducting energy management based on ISO 14001/ ISO 50001 • Installing energy-saving and renewable-energy equipment ▶ pp. 42–43
				Recycling and effectively using resources	Waste reduction rate[*3]	vs. FY2020 -16% (Total)	vs. FY2020 -25%	vs. FY2020 -50%	
					Water intake reduction rate and environmental impact from wastewater[*4]	vs. FY2020 -13% (Total)	vs. FY2020 -15%	vs. FY2020 -50% "0" environmental impact	
				Harmoniously co-existing with nature	Establishment of the TS TECH Fund (matching gift program)	Program survey Study of plans	Establishing a TS TECH Group donation program	Establishing a TS TECH Group donation program	• Researching and establishing a matching gift program
Corporate foundation	5, 8, 9, 10, 17	Respecting diversity and developing structures to maximize individual abilities	• We will respect the human rights of all stakeholders and offer rewarding working environments in which each and every employee makes the most of their diverse talents. • We will engage in diversity-positive, highly transparent management to fulfill our corporate social responsibility (CSR), achieve sustainable business growth, and enhance corporate value.	Respecting human rights	Engagement rating[*5]	C	BB	AAA	• Analyzing survey findings individually by department and identifying priority issues • Enhancing the evaluation system and communication opportunities ▶ p. 51
					Supplier Sustainability Guidelines compliance rate[*6]	97% (Subject: 126 domestic suppliers)	100% (Subject: Domestic and international suppliers)	100% (Subject: Domestic and international suppliers)	• Preparing to expand surveys to verify circumstances of compliance to locations outside Japan ▶ pp. 47–49
				Reforming work styles to make the most of diversity	Percentage of management positions held by diverse human resources[*7]	32.5%	33.3%	35%	• Supporting career development with rank-specific training • Helping personnel balance their work and personal lives (childbirth, childcare, nursing care) ▶ p. 50
				Strengthening governance	Corporate Governance Code compliance rate	100%	100%	100%	• Pursuing ongoing efforts to prevent corruption

*1 Rating awarded in the Initial Quality Study (IQS) conducted by J.D. Power Japan, Inc. The study looks at new car buyers and their experiences with any problems and calculates the number of problems indicated per 100 vehicles. The lower the number, the higher the quality.
*2 CO_2 emissions reduction rate (Scope 1 and 2) resulting from the Group's business activities
*3 Rate of reduction of waste (excluding residue, sludge, etc.) resulting from the Group's manufacturing activities
*4 Reduction rate in water intake (amount used) at the Group's production facilities and environmental impact of wastewater resulting from manufacturing activities
*5 The engagement targets look at the company's employees using Link and Motivation Inc.'s Motivation Cloud. The target "AAA" rating is the highest of the 11 ratings.
*6 Rate of compliance with the Supplier Sustainability Guidelines among the Group's suppliers (including overseas suppliers)
*7 Percentage of women, mid-career hires, non-Japanese citizens, older employees, and persons with disabilities in management positions

Review of the 14th Medium-Term Management Plan Fiscal 2021–2023

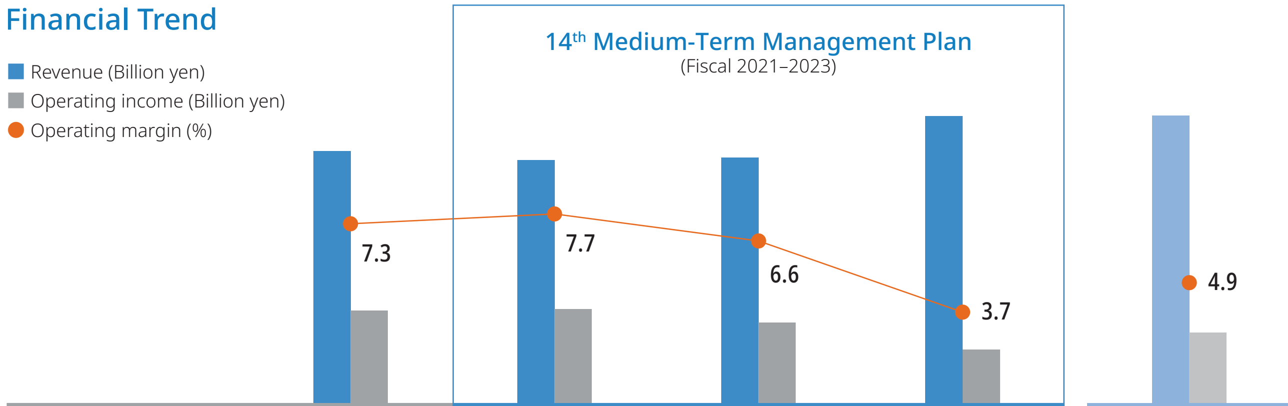
The 14th Medium-Term Management Plan set out a management policy of "Corporate evolution through ESG management," and during those years we moved forward with efforts to strengthen our corporate structure in various ESG-related areas that support business growth. We made progress on priority measures, but the extremely challenging business environment caused by the pandemic and material supply shortages left outstanding issues in terms of profitability. We will implement the 15th Medium-Term Management Plan to ensure that all remaining challenges are addressed, such as achieving as yet unattained commercial rights targets in new business areas and remedying the downturn in capital efficiency.

Progress on Priority Measures

◎: Very good ○: Good △: Average

	Measure	Evaluation	Notable initiatives
Evolution for business growth	Commercialization of original technologies	◎	• Acceleration of development of sensing and other technologies that lead to attractive products Announcement of next-generation vehicle interior XR Cabin • Active incorporation of joint development and other types of open innovation Capital and business partnership with Imasen Electric Industrial Co., Ltd. Business partnership with ALPS ALPINE CO., LTD. Investment in teTra aviation corp. • Application of advanced processing technology in mass production Newly established mold manufacturing and technology development bases
	Expansion of strategic commercial rights	△	• Steady receipt of orders from major customers for target commercial rights through spec proposals that leverage our strengths and enhanced development collaboration • Precise selection of target and strategic order development to acquire new customers and new commercial rights Although the number of new orders increased, the target for final orders received was not achieved
	Optimization of business operations structure	○	• Streamlining and increased efficiency through allocation reviews and restructuring of business operations both in Japan and overseas based on reorganization of production UK and Hungary: Reorganization of production hubs India: Reorganization of automobile and motorcycle businesses Mexico: Establishment of trim cover production company Poland: Establishment of seat production company
	Contribution to a sustainable society	◎	• Establishment of the Sustainability Committee • Identifying material issues and setting KPIs and targets for 2030 • Stronger global CO_2 emissions reduction activities and related management to help achieve a low-carbon society Endorsement of TCFD recommendations and disclosure response • Enhancing resource management to achieve a circular society
Stronger business operations structure to support evolution	Recognition for top quality	△	• Enhanced know-how and support from the first production base during global rollout of new models • Prevention of defects by strengthening verification in the beginning stages of development • Stronger quality control systems at Group and business partner locations Impact on income due to quality-related response costs
	Strengthening of continuous earnings structure	◎	• Establishment of a lowest-cost procurement structure by enhancing our global procurement system • More efficient administrative and indirect operations through active use of IT • Studying and formulating financial strategies aimed at medium- to long-term growth
	Maximization of employee and structural efficiency	◎	• Establishment of a system to promote advancement of diverse human resources Introduction of referral and return of former employees recruitment • Implementation and utilization of employee engagement survey Rating: C Aiming to achieve highest rating of AAA • Evolution of our evaluation system to accommodate various work styles • Review of our training system for next-generation human resource development

Financial Trend



		Fiscal 2020 results	Fiscal 2021 results	Fiscal 2022 results	Fiscal 2023 results	Fiscal 2024 plan
Revenue (Billion yen)		359.6	346.1	349.9	409.2	410
Operating income (Billion yen)		26.3	26.7	22.9	15.2	20
Operating margin		7.3%	7.7%	6.6%	3.7%	4.9%
ROE		5.9%	7.8%	4.3%	1.8%	3.4%
Average exchange rate	[USD]	108.7	106.1	112.4	135.5	130.0
	[CNY]	15.6	15.7	17.5	19.8	19.0

Non-Financial Trend

The TS TECH Group measures its ESG quality using an evaluation method based on the Dow Jones Sustainability Indices (DJSI).[1]

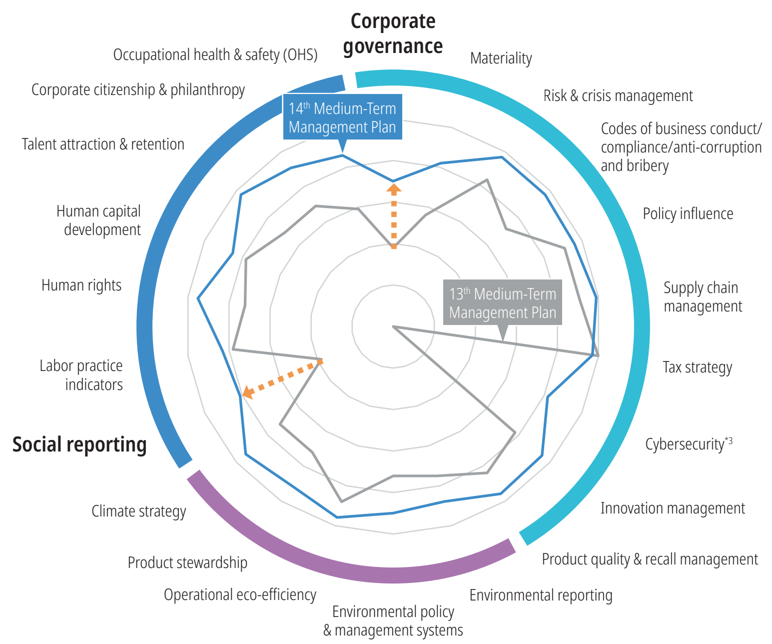
In the 14th Medium-Term Management Plan, our governance reforms, including becoming "a company with an Audit and Supervisory Committee" structure and enhanced disclosure of non-financial items, were all well received. This meant that we significantly improved our scores in the domains of corporate governance and social reporting. We will continue to move forward with advanced ESG management, which we highlighted as a challenge in the 13th Medium-Term Management Plan (fiscal 2018–2020), as we strive to build an industry-leading corporate structure and deliver sustainable corporate growth.

1 A sustainability-related index that evaluates companies' sustainability from ESG and economic perspectives, published annually by S&P Dow Jones Indices LLC of the United States

2 Indicates the company's position in the industry, with the highest score being 100

3 New item from fiscal 2021, so no score recorded for the 13th Medium-Term Management Plan

DJSI Evaluation (Indicated as a percentile ranking within the auto parts industry[*2])



Major Initiatives

E	• Endorsement of TCFD recommendations and disclosure response • Enhancing environmental management and CDP initiatives	G	• Transition to "a company with an Audit and Supervisory Committee" structure • Establishment of the Nomination and Compensation Committee • Diversification of the Board of Directors (appointment of female directors, etc.) • Establishment of the Sustainability Committee • Formulation of material issues and setting of 2030 targets
S	• Implementation of employee engagement survey • Expanded the deployment of Supplier Sustainability Guidelines and the scope of surveys about the guidelines		

Outline of the 15th Medium-Term Management Plan Fiscal 2024–2026

Under the 15th Medium-Term Management Plan, we are first of all focusing on the challenge of recovering profitability as soon as possible, to achieve further growth and deliver on our 2030 Vision. To do this, the plan sets out nine key strategies, comprising growth, regional and functional strategies. We also aim to help to build a sustainable world, as the ESG management initiatives we have been implementing since the 13th Medium-Term Management Plan culminate, and always seek to be a reassuring presence for our stakeholders and "A company sincerely appreciated by all."

Management policy　Realizing ESG management

	Priority strategies	Notable initiatives
Growth strategies	Securing cabin coordination capacity	• **Creating attractive cabin products and technologies** Active co-creation activities with companies in other industries Research on how people spend time inside a vehicle, focusing on next-generation vehicles • **Enhancing systems and software development capabilities** Development of electronic control device components such as seat-integrated ECUs Training of advanced engineers
Growth strategies	Further growth in new businesses	• **Strategic acceptance of orders for target commercial rights** Securing commercial rights for derivative models that incorporate technologies from existing ordered models Securing orders for advanced development on future models by proposing next-generation technologies in advance • **New customer development** Enhancing joint efforts between individual regions and the head office, centered on the New Business Management Division
Growth strategies	A higher share of major customers' products	• **Receiving orders for seat trading rights through regional coordination** Securing commercial rights in regions where no seat orders have yet been received Building new partnerships and deploying sales activities leveraging them • **Growing orders received for parts commercial rights** Steadily receiving orders for next-generation shared frames Enhancing development to receive orders for light-vehicle frames Growing orders received through enhancing our competitive strengths in parts
Regional strategies	V-shaped recovery in North America	• **Achieving a reformed corporate structure capable of adapting to production fluctuations** Thorough automation of production line to keep up with irregular production and cost increase pressures Strengthening cost competitiveness through optimization of specifications, materials, and processes
Regional strategies	Restructuring the China business strategy	• **New initiatives not bound by existing businesses** Building new partnerships aiming to secure new customers Expanding use of local manufacturers to lower costs and reduce procurement risks
Regional strategies	Strategic growth in new businesses in Europe	• **Further business expansion with European automakers** Sales development with Poland as a key station New establishment of a trim cover production company with a view to expanding adoption of components
Functional strategies	Supply chain restructuring	• **Toward a sustainable supply chain** Balancing stability and profitability through risk visualization and efforts to promote local procurement Working with business partners to reduce supply chain CO_2 emissions volume (Scope 3)
Functional strategies	Enhancing efforts to develop environmental technologies	• **Evolution of environmental technologies for early commercial use** Establishment of technologies for product applications for biomass materials and eco-friendly steel materials Resource recycling accomplished by selecting materials and designing structures with recycling in mind
Functional strategies	Building high efficiency production structures	• **Building a production structure capable of outperforming competitors** Continuous evolution of production lines through introduction of digital transformation and AI, and automation Improvement of production management efficiency through system reviews, etc.
Foundation	Human resources strategies/Financial strategies ▶ pp. 18–21 /Earning a reputation as a quality leader/Promoting and firmly establishing sustainability	

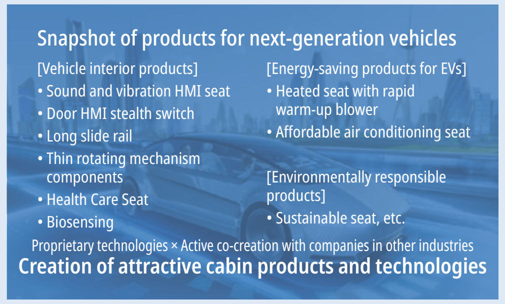
Financial targets	14th Medium-Term Management Plan results	15th Medium-Term Management Plan targets	2030 targets
Revenue (Billion yen)	409.2	480	700
Operating income (Billion yen)	15.2	44	68
Operating margin	3.7%	9.2%	9.7%
ROE	1.8%	8.5%	10.0%

Shareholder returns	
Basic policy	Implementing sustained, stable returns unaffected by business results
Dividends	Stable increase in dividend payments, targeting DOE of 3.5% or more by the end of the 15th Medium-Term Management Plan
Acquisition of treasury stock	Flexible share buyback during the term of the 15th Medium-Term Management Plan amounting to cumulative total of 20 billion yen and appropriate retirement of treasury stock

	Materiality KPIs ▶ pp. 12–13	14th Medium-Term Management Plan results	15th Medium-Term Management Plan targets	2030 targets
Society	Innovative technology development expenses as a percentage of R&D expenses	vs. FY2021 **+2.6%**	vs. FY2021 **+3%**	vs. FY2021 **+10%**
Society	Seat supplier IQS rating	**8.8P**	**7.0P**	**2.0P** (stable high levels)
Environment	CO_2 emissions reduction rate	vs. FY2020 **-16%**	vs. FY2020 **-25%**	vs. FY2020 **-50%**
Environment	Waste reduction rate	vs. FY2020 **-16%** (Total)	vs. FY2020 **-25%**	vs. FY2020 **-50%**
Environment	Water intake reduction rate and environmental impact from wastewater	vs. FY2020 **-13%** (Total)	vs. FY2020 **-15%**	vs. FY2020 **-50%** **"0" environmental impact**
Environment	Establishment of the TS TECH Fund (matching gift program)	Program survey Study of plans	Establishing a TS TECH Group donation program	Establishing a TS TECH Group donation program
Corporate foundation	Engagement rating	**C**	**BB**	**AAA**
Corporate foundation	Supplier Sustainability Guidelines compliance rate	**97%** (Subject: 126 domestic suppliers)	**100%** (Subject: Domestic and international suppliers)	**100%** (Subject: Domestic and international suppliers)
Corporate foundation	Percentage of management positions held by diverse human resources	**32.5%**	**33.3%**	**35%**
Corporate foundation	Corporate Governance Code compliance rate	**100%**	**100%**	**100%**

Securing cabin coordination capacity

Changes in automobiles brought about by technological innovation will transform the value required of vehicle interiors. In order to seize this business opportunity and translate it into further business growth, it is imperative to be able to coordinate not only seats but the entire cabin, proposing new value to customers and users. We will work to create products and technologies that, put together, can deliver attractive cabins, utilizing both our accumulated proprietary technologies and collaboration with companies in other fields.

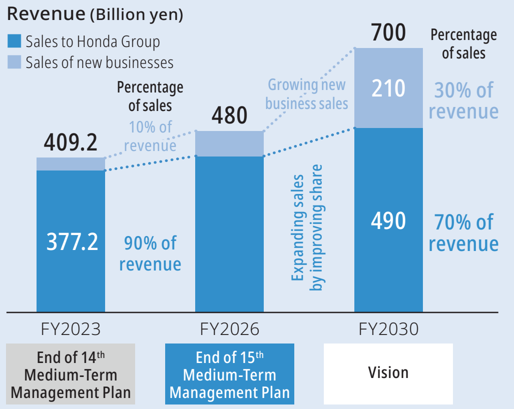


Targeting further business growth

The TS TECH Group has to date achieved steady business growth, serving as a global partner to Honda Motor Co., Ltd. and its affiliates in the Honda Group. In order to achieve further growth, we aim to achieve our 2030 Vision not by securing a higher share of major customers' (Honda Group) business but also by ensuring further growth in new businesses, for instance by acquiring new customers and commercial rights outside the Honda Group.

2030 targets

- Automobile seat share for the Honda Group above 70%
- New business sales accounting for more than 30% of consolidated revenue



Financial Strategies

We will deliver sustainable growth in corporate value by improving capital efficiency.

Atsushi Igaki

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

Remaining issues and the 15th Medium-Term Management Plan

The automobile industry is currently experiencing a once-in-a-century period of major transformation, and the competitive environment that surrounds the TS TECH Group has become even more challenging. In these circumstances, under the 14th Medium-Term Management Plan (fiscal 2021–2023), we steadily promote action for "evolution for business growth," which we set out as a priority measure, based on the management policy of "corporate evolution through ESG management." Measures included: developing our production system and reviewing our organizational structure to win new customers and new commercial rights in a way designed for "expansion of strategic commercial rights"; and restructuring from various perspectives including production, development, and logistics designed for "optimization of business operations structure." However, the challenging business environment has persisted with the impact of COVID-19 and supply chain disruptions. As a result, the issues of profitability and capital efficiency have remained, and ROE is currently at a low level. We recognize that, for the Group to maintain sustainable growth, we must use capital and assets more efficiently than ever before, based on the solid financial foundation we have built so far, and then translate this into business growth and improved profitability.

During the 15th Medium-Term Management Plan (fiscal 2024–2026), we will pursue the sustainable growth of corporate value by carrying out our management policy of "realizing ESG management," seeking to reach the culmination of our efforts to raise ESG performance, which we have been pursuing since the 13th Medium-Term Management Plan. To achieve this, it is essential to improve capital efficiency, which has been an issue. In addition to the KPIs we used previously such as revenue and profit, we have set ROE as one of the most important indicators. We will allocate cash to assets with high profitability by practicing proactive growth investment based on nine priority strategies, consisting of growth strategies, regional strategies, and functional strategies. In addition, we aim to achieve ROE of 8.5% or more, which is the target for the end of the 15th Medium-Term Management Plan period (end of fiscal 2026) by providing and maintaining shareholder returns, based on sustained, stable dividends unaffected by business results, and flexible acquisition of treasury stock.

Performance targets for the 15th Medium-Term Management Plan period

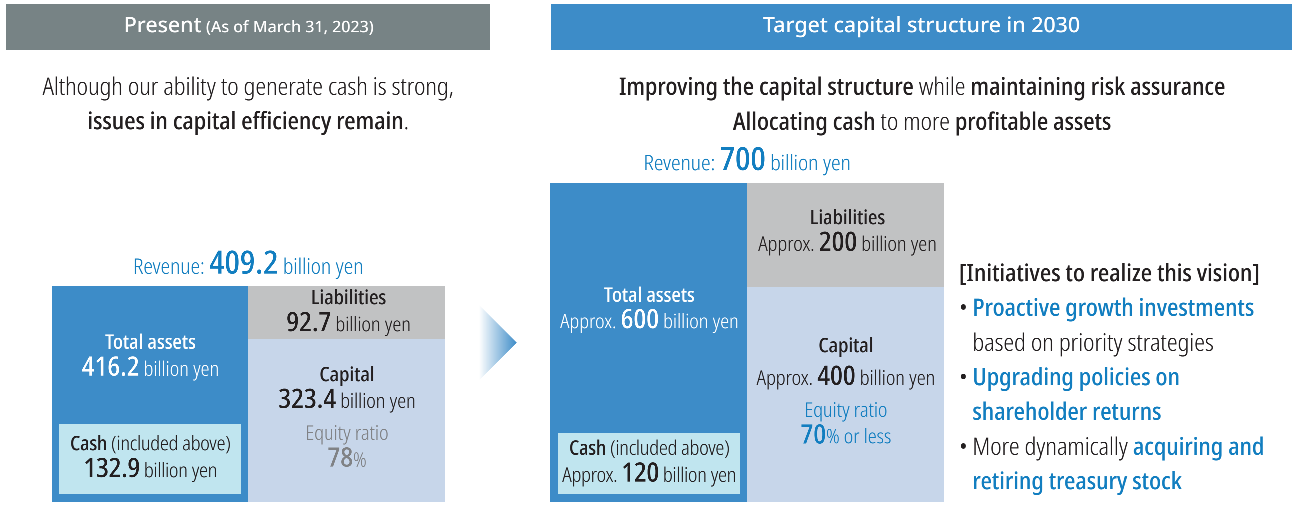
Revenue	Operating income	Operating margin	ROE
480 billion yen	44 billion yen	9.2%	8.5%

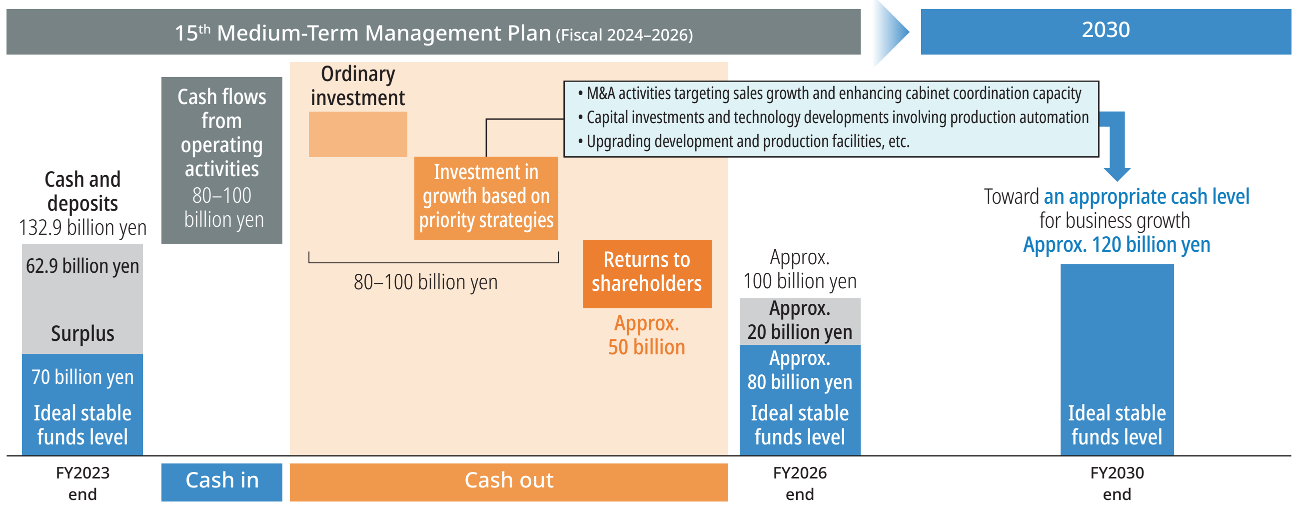
Capital structure looking to 2030

The TS TECH Group has built a profit structure that can steadily generate cash even under challenging business environments such as the global financial crisis, the Great East Japan Earthquake, and the recent COVID-19 pandemic. As a result, as of March 31, 2023, the Group as a whole held 132.9 billion yen in cash with a consolidated equity ratio of 78%, securing a very high level of financial security. However, in order to achieve the 2030 Vision and ensure we remain a company sincerely appreciated by all, we must utilize capital more efficiently than ever before and accelerate the speed of growth.

To improve capital efficiency, we will consider cash flow from the perspective of various risks and opportunities. While ensuring the necessary safe funds for business operations, we will allocate cash in excess of this to investment in growth and shareholder returns, thereby balancing improved capital efficiency with financial security. During the 15th Medium-Term Management Plan period, we will invest funds in the 80–100 billion yen range based on nine priority strategies in order to allocate this excess cash to assets with higher profitability. We aim to achieve a positive cycle of sustainable growth and increased returns by making these proactive investments to achieve further business growth and improved profitability. This includes M&As done with a view to expanding sales in new businesses and strengthening cabin coordination capacity, capital investment and technological development related to automation of production, and renewal of development and production sites, with the transfer of cash generated to subsequent investments and returns.

In addition to boosting profits through investment, we will further reduce shareholders' equity and improve capital efficiency by increasing shareholder returns. The TS TECH Group has always regarded shareholder returns as a key management issue. During the 14th Medium-Term Management Plan period, we provided stable dividends in response to the ongoing support of our shareholders, under the basic policy of maintaining stable dividend payments based on a comprehensive consideration of consolidated business results, payout ratios, and other relevant factors. We also worked to enhance shareholder returns even in the challenging business environment, implementing the first acquisition of treasury stock and other measures.





On commencing the 15th Medium-Term Management Plan period, we revised our policy on shareholder returns to set out a basic policy of "implementing sustained, stable returns unaffected by business results." We also formulated concrete quantitative targets based on consideration of capital structure and cash flows over the medium to long term. In terms of dividends, we plan stable growth in dividends targeting a DOE* of 3.5% or more for the end of the 15th Medium-Term Management Plan period (end of fiscal 2026) by raising the dividend increase rate to a level higher than before. In terms of the acquisition of treasury stock, we plan flexible acquisition of a cumulative total of approximately 20 billion yen in treasury stock during the 15th Medium-Term Management Plan period based on comprehensive consideration of growth investment, the level of dividends, cash on hand, the level of the company's share price, and other relevant factors. During the 15th Medium-Term Management Plan period, we plan to support total shareholder returns of approximately 50 billion yen.

At present, the TS TECH Group's consolidated revenue is around 400 billion yen, but we are aiming to achieve consolidated revenue of 700 billion yen in fiscal 2030. When considering the optimal capital structure, we will not take a short-term perspective looking at the current scale of the company. Under the financial strategy formulated by envisioning the desired capital structure in 2030, we will strive to continuously increase corporate value by achieving further business growth through proactive investment, shifting toward an appropriate cash level in line with such business growth, and streamlining shareholders' equity to improve capital efficiency.

* Dividend on equity ratio (DOE) = Total dividends / Shareholders' equity (Equity attributable to owners of parent)

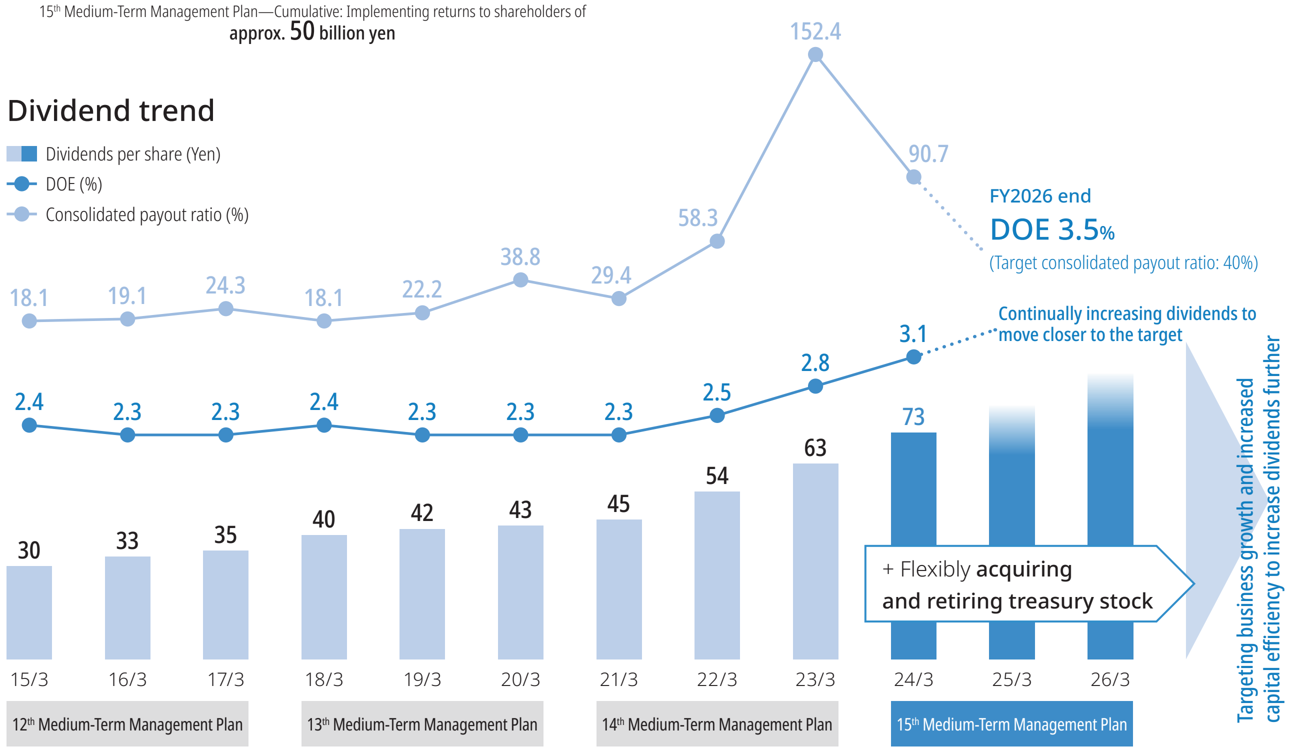
Basic policy for shareholder returns

Implementing sustained, stable returns unaffected by business results

Dividends	End of 15th Medium-Term Management Plan: Stable increase in dividend payments toward a **DOE of 3.5% or more**
+	
Treasury stock	15th Medium-Term Management Plan—Cumulative: Flexible acquisition and appropriate retirement of cumulative total of **approx. 20 billion yen** in treasury stock
ll	

15th Medium-Term Management Plan—Cumulative: Implementing returns to shareholders of **approx. 50 billion yen**

Dividend trend



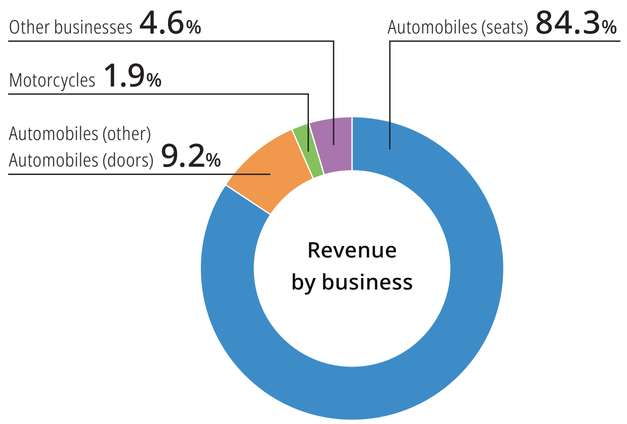
TS TECH implemented a two-for-one stock split of its common shares, effective April 1, 2021.
Cash dividends were calculated on the assumption that the relevant stock split had been implemented at the beginning of fiscal 2015.

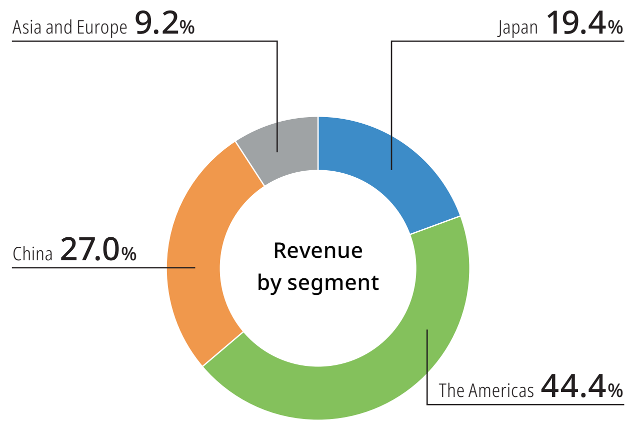
Aiming for sustainable growth in corporate value

The TS TECH Group's P/B ratio remained at 0.72 (share price 1,679 yen) as of March 31, 2023, and we recognize that we are not adequately meeting expectations at present. We think this is due to the fact that we have not been able to recover to our pre-pandemic high profitability, as well as a decline in capital efficiency.

To address this, we will work to solve the issue by creating a positive circle of "growth" and "returns" by investing in growth based on priority strategies and enhancing shareholder returns utilizing the cash generated. At the same time, we will strive for sustainable growth in corporate value by realizing ESG management through training human resources to support priority strategies as well as strengthening the corporate foundation.

Through these efforts, we will not only aim to achieve a P/B ratio of 1 or more as soon as possible, but will also keep striving to be a company that is relied upon and sincerely appreciated by all stakeholders, not just the capital markets.



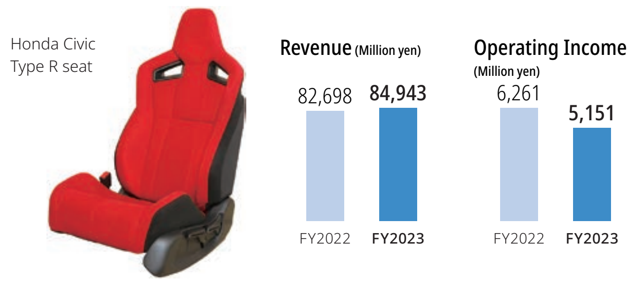


Results by segment for fiscal 2023

Japan

This fiscal year, we commenced production of seats for Honda's new model Civic Type R and new model STEP WGN.

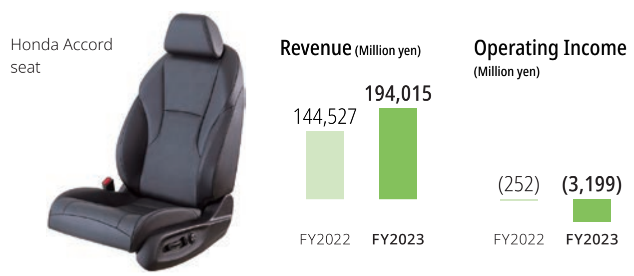
In the Hamamatsu area, a new plant began operations to increase sales. We also worked to expand business and strengthen the competitiveness of components, including our decision to establish a new facility for the manufacture and technical development of molds.



The Americas

This fiscal year, we commenced production of seats for Honda's new model Accord and new model CR-V among others.

We have been working on structural reform to ensure profitability even in a challenging business environment, including the introduction of automated equipment for more advanced and highly efficient production in conjunction with the launch of new models.



China

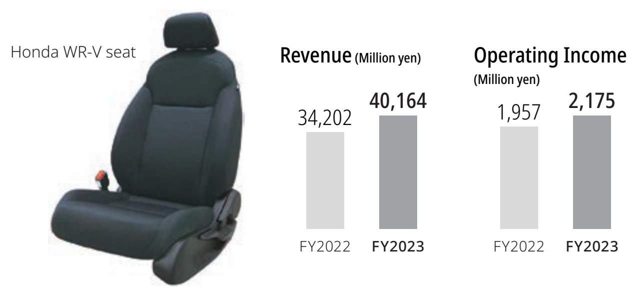
This fiscal year, we commenced production of seats for Honda's new model CR-V and the new model BREEZE.

In the increasingly competitive Chinese market, we have been working to improve profitability by strengthening sales activities to acquire new customers and expanding procurement of components that help to lower costs.

Asia and Europe

This fiscal year, we commenced production of seats for Honda's new model WR-V and new model CR-V in Asia.

We worked to build a cost competitive product supply structure through measures such as restructuring the motorcycle seat business in India and reorganizing production sites in the European region.



Value Creation Process

In order to be a reassuring presence and a company sincerely appreciated by all, the TS TECH Group is working to create new value using a value creation process that makes the most of its diverse management resources. By ensuring this process evolves in response to changing societal needs, we will work to achieve sustainable growth hand in hand with the broader society in the years leading up to 2030 and beyond.

2030 Vision

Innovative quality company
—Continued creation of new value—

Figures are all for fiscal 2023

BUSINESS MODEL

INPUT

Intellectual capital
- Research and development expenses: 14.3 billion yen
- Number of patents held in Japan: 1,565
- Number of patents held outside Japan: 864

Manufactured capital
- Capital expenditures: 14.6 billion yen
- Production sites: Operations in 12 countries, 48 sites

Human capital
- Number of employees (Consolidated): 15,172
- Training expenditures per employee (Non-consolidated): 20,060 yen

Financial capital
- Consolidated total assets: 416.2 billion yen
- Cash flows from operating activities: 30.4 billion yen

Natural capital
- Energy input: 1,514 TJ
- Material input (Non-consolidated): 17,616 t

Social and relationship capital
- Stakeholder engagement

▶ pp. 36–37

BUSINESS ACTIVITIES

Value chain
- Research and development
- Sales
- Purchasing
- Manufacturing
- Quality

Materiality

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

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

Corporate foundation
Respecting diversity and developing structures to maximize individual abilities

OUTPUT

Products for automobiles
- Seats
- Door trims
- Resin-based products

Products for motorcycles
- Seats
- Resin-based products

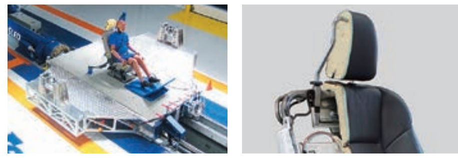
Other products
- Seats for multipurpose off-road vehicles
- Seats for personal watercraft
- Chairs for medical use

OUTCOME

Value created through manufacturing

Delivering reliable safety to protect lives

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



Pursuing structures that protect the human body

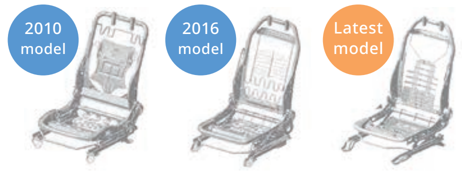
Providing more comfortable automobile interiors

We are working hard to bring even more comfortable seats to market by conducting ongoing ergonomic research and working to design seats that feel comfortable the instant the person sits down while also preventing fatigue when driving for a long time.

Analysis of pressure distribution

Products that reduce environmental impact

We are helping to reduce environmental impact by supporting improving fuel efficiency and power consumption, exhaustively examining materials and processing technologies from the design stage, and pursuing improvements so that we can keep reducing weight and energy consumption of our products.



About 35% lighter in 10 years

Improving convenience with a variety of functions

A diverse range of seat arrangements to match different applications is essential in maximizing the use of the limited space in vehicles. We sensitively identify the needs of users, which can change every day, and deliver on our unique ideas with advanced technical skills.

Seats that can be stored with a pull of a cord

Value created by business activities

- Total dividend payout: 8.1 billion yen (Eligible shareholders: 18,376)
- Number of social contribution activities conducted: 213
- Social contribution activity expenditures (Non-consolidated): 43.44 million yen
- CO_2 emissions*1: -16%*2
- Waste output: -16%*2

*1 Scope 1+2 emissions volume *2 Both are in comparison with fiscal 2020

Corporate Development and Engineering Officer Interview

We are providing new value to the automobile industry by leveraging the capabilities of "people" behind technologies.

Eiji Toba

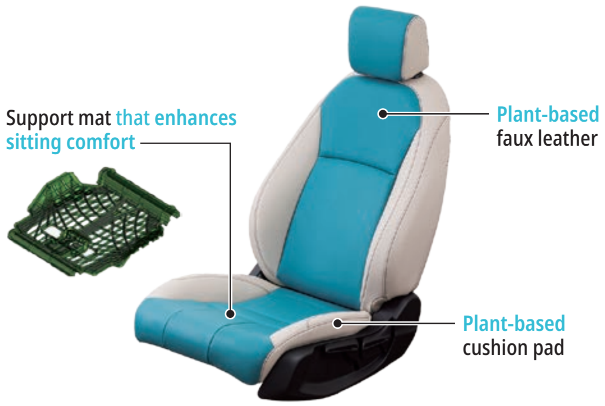
Director, Managing Officer
Corporate Development and Engineering Division
Executive General Manager

What technologies are sources of competitiveness for the TS TECH Group?

At the TS TECH Group, we aim to develop world-leading, advanced technologies with a focus on safety, the environment, and the creation of attractive products. Regarding safety-related technology, we are working with vehicle manufacturers to develop products that will meet the anticipated safety standards several years from now. To do this, we obtain information from relevant organizations in various countries, such as NHTSA[1] and IIHS[2] in North America, and the Ministry of Land, Infrastructure, Transport and Tourism in Japan. When it comes to safety, we have been an industry pioneer. We were the first in Japan to utilize a dynamic sled testing facility that faithfully reproduces the impact of a vehicle collision. By conducting tests that simulate a range of conditions, we have continued to pursue technology that protects the safety of passengers. Looking back at the history of our products and safety, there have been major advancements since the early 2000s. In 2005, we provided an Active Headrest[3] to Honda Motor Co., Ltd., our main customer, to reduce the impact to the neck for vehicle occupants in the event of a collision, thereby improving safety. As a result of accelerating R&D concerning seat frame construction to improve safety performance, our products boast world's top-class safety performance. Currently, all of the vehicle models equipped with our products have received the highest ratings for seat-related safety performance in vehicle assessment worldwide.

As a supplier to the automobile industry, we are required to develop technologies that help protect the environment. Our aim is to promote recycling-oriented manufacturing and help improve vehicle fuel efficiency, as part of efforts to help build a sustainable world. The Group has been investigating the use of sustainable plant-based materials that contain no fossil fuels to make seats. However, the use of such materials can pose challenges such as higher costs and a decrease in seat comfort. Therefore, we have been pursuing further R&D to see if we can solve the drawbacks of such materials by modifying the seat construction, which would allow us to adopt the new materials for practical use. Currently, automakers are also engaged in full-scale efforts to adopt sustainable materials. Therefore, by establishing technologies that can be applied to products before bringing them to market as quickly as possible, we want to help build a sustainable world while enhancing our technological competitiveness.

In the area of new technology for the creation of appealing products, the Group has continued to pursue "comfort" since its founding. Judgments about comfort and resistance to fatigue differ depending on the person. Therefore, we have accumulated unique expertise and technologies that allow us to quantify and evaluate occupant comfort judgments in order to support our manufacturing process. To create seats that properly support the human body with superior comfort, we have been conducting ergonomics-based research using quantitative evaluation. With unique theoretical frameworks established based on this, we are working to bring even more comfortable seats to the market. Moreover, the pursuit of comfort in particular is multifaceted and deep, and over the course of time, this pursuit is subject to an infinite process of evolution. We believe that providing comfort also means making more effective use of the limited space inside the vehicle, increasing convenience, and making time spent in the vehicle more enjoyable. We have worked to improve comfort by creating our Functional Seat that enables a variety of interior arrangements. The third-row seats can be folded flat into the floor with a minimum number of operations, while the second-row seats have a mechanism that allows them to slide forward or backward as well as left or right with the operation of a single lever. This allows the vehicle users to enjoy a variety of seating arrangements. The various seat arrangement technologies that we have devised so far, including those that allow seats to be rotated, moved, and stowed as necessary, have often surprised and delighted our automaker clients. The foundation of the TS TECH Group's competitiveness rests on the core technologies we have developed over the years to support safety, the environment, and the creation of appealing products.



Sustainable seat using plant-based raw materials

Can you tell us about the results of the 14th Medium-Term Management Plan?

Among the seven priority measures indicated in the 14th Medium-Term Management Plan (fiscal 2021–2023), the one directly linked to the technology field is the "commercialization of original technologies." Over the years, we have created original products such as Aisareru Seat[4] and INNOVAGE.[5] By further accelerating these efforts, we aimed to develop appealing products to meet latent customer needs and secure future revenue streams.

With industry trends such as Connected, Autonomous, Shared, and Electric (CASE) vehicles, as well as Mobility as a Service (MaaS), the technology required to develop products is becoming more complex and sophisticated than ever before. Accordingly, we need to develop partnerships with other companies and industries. As one such initiative, we signed a partnership agreement with ALPS ALPINE CO., LTD., in January 2022. By merging our expertise with that of ALPS ALPINE, we were able to create XR Cabin, which brings virtual reality (VR) technology to car seat technology. By considering various situations and ways in which users might want to spend time in vehicles, we have embodied the new value required for each scene as a cabin that allows users to experience the future of vehicle interior space and our future technologies by using seats and VR images linked to them. Moreover, through joint research with other industries and start-up companies, as well as industry–academia collaboration, we are developing technologies and products that go beyond the conventional vehicle seat concepts. By doing this, we hope to expand our commercial rights in the area of next-generation vehicles.

As for the nearer future, we have been conducting R&D seeking to improve the product value of seat frames, our main vehicle seat component. Our next-generation seat frame represents a further advancement of the current mainstay model. The new product is one of the world's lightest and has the scalability to meet the needs of an even wider range of vehicle models. On the production side, the Group has adopted a design approach based on automation using robotics. We are confident we can maintain our competitive advantage over the long term by significantly improving production efficiency.

1 National Highway Traffic Safety Administration (NHTSA): An agency in the U.S. Department of Transportation that ensures safety for vehicles and drivers
2 Insurance Institute for Highway Safety (IIHS): A u.s.-based non-profit organization established by automobile insurance companies to evaluate automobile safety
3 Active Headrest: In the event of a rear-end collision, the headrest automatically moves forward to greatly minimize neck injuries. It is activated by the force applied to the seat by the occupant's body being pushed backward.
4 A seat system that combines automotive seat technology and IoT capabilities to sense occupant movements and turn the seat into a system controller
5 A next-generation vehicle interior space exhibited at Tokyo Motor Show 2019 that showcases the Group's technologies for the future. These include sensing technologies to monitor occupant breathing, heart rate, and driving posture, as well as seat arrangement technology suitable for fully autonomous vehicles.

What kind of technological developments are you working on for the automobile industry, which is undergoing major changes?

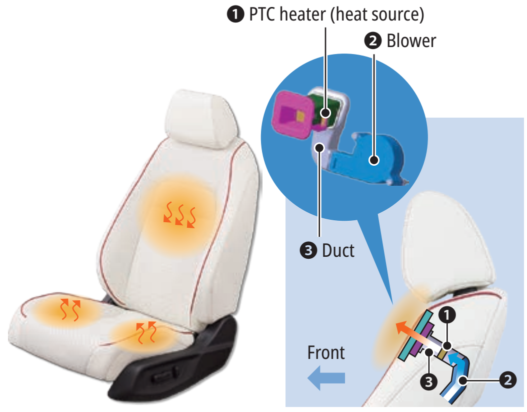
Under our current 15th Medium-Term Management Plan (fiscal 2024–2026), one of the priority strategies is "securing cabin coordination capacity." We are further accelerating R&D to realize future interior spaces like the one demonstrated with XR Cabin. In an era where vehicles are no longer just a means of transportation, and where travel time has become a valuable resource, we aim to become a company that can offer not only car seats but entire vehicle interiors that allow occupants to pass the time with even greater comfort. This does not mean that we are seeking to expand our business into all kinds of vehicle interior components. Instead, we are collaborating with companies in other industries and combining our strengths with theirs to create appealing cabins based on advanced seats.

Automakers and other companies are currently exploring how needs can be met in terms of ways to spend travel time, when next-generation vehicles such as fully autonomous cars become mainstream. Through these cabins, we are proposing new ways for vehicle occupants to spend their travel time. By making automakers and end users think, "Oh, this is a new kind of experience," we hope to uncover their latent needs. Additionally, the numerous advanced technologies installed in the cabin can also be delivered as independent systems. By allowing each technology to be adopted for mass-produced vehicles as needed, we are also aiming for steady business growth at the moment while focusing on the future.

When looking ahead to next-generation automobiles, equipping EVs is also becoming an important R&D focus. While EVs will still need seats, their form and function will need to change from those used in combustion engine vehicles. One necessary change will be to make the seat profile thinner. In EVs, the battery is installed under the vehicle floor, which increases the floor height. Additionally, the height of the roof will need to be lowered in order to reduce air resistance and improve the cruising range. Therefore, EVs' interior height (distance from the floor to the ceiling) will be lower than in conventional vehicles. In order to maintain as much space as possible inside the vehicle, the seats will have to have a thinner profile than before. We are promoting R&D to better meet these needs while maintaining safety and comfort. This is being done from various perspectives, such as changing the seat frame construction, the shape of the cushioning material, and each material itself. Moreover, we are working on developing technologies and products that will help extend the range of EVs. While using the weight reduction technologies that we have developed over the years, we are also devising energy-saving heating technology that balances comfort with lower power consumption. This is done by concentrating heating on the neck and thighs where people can feel warmth most easily.

The Group is also accelerating the development of biosensing seat technology that could become another product strength in the future. Our Health Care Seat, currently under development, automatically detects the posture of the occupant when they sit down, and it massages their muscles accordingly, thereby encouraging ideal posture. The seat can also measure vital signs such as the occupant's pulse and heart rate, from which changes in the physical condition can be predicted. Therefore, it is equipped with functions to support human safety and health just by sitting on it. Someday soon, we hope to bring the Health Care Seat to the market.

Products in Development



Heated seat with rapid warm-up blower that can reduce power consumption of the vehicle by more than 10% by efficiently warming the body

Health Care Seat that encourages ideal posture

As technological innovation advances at ever increasing rates, the need for interior space will continue to change dramatically. In any case, we believe that the human comfort that TS TECH has always worked to deliver will remain in demand. By further refining the core technologies we have developed over the years and by combining them with expertise from other fields, we will carry out R&D with the aim of further improving comfort while also meeting anticipated future needs.

What challenges does the Group face for achieving further business growth?

Currently, we are using XR Cabin to present our next-generation technology concepts to many vehicle manufacturers. While we often get positive feedback such as, "We will definitely consider your products," there are also quite a few comments that indicate a desire for more surprises. We have been told that many proposals from emerging suppliers are much bolder than ours, and that our concepts lack excitement in comparison. I sincerely believe that our ideas have been limited by too many practical considerations, such as ease of mass production, and have remained within the realm of conventional thinking. We need to change our approach in order to revitalize our ideas and create proposals that are not bound by preexisting assumptions of what a vehicle could be.

As part of our efforts to achieve this goal, we have established a development project team made up entirely of younger employees. Normally, the Group develops new products under Large Project Leaders (LPLs), who are very experienced managers. They perform comprehensive project management from planning to mass production. While our LPL system is great for promoting efficient product development, it leaves little room for the innovative ideas of younger employees. In contrast, the new project team's activities are focused on incorporating various forms of external expertise, and creating product proposals that break our existing molds. I am very much looking forward to the proposals they will come up with. Moreover, our various collaborative activities for the purpose of "securing cabin coordination capacity" are another way of bringing in external knowledge. In addition to co-creation related to car seats, we are accelerating open innovation and joint development with various cutting-edge companies, such as teTra aviation corp., which is developing eVTOLs. This should lead to the creation of vehicle interior spaces that go beyond the standard approach of the automobile industry.

The recent rise of Chinese automakers has been remarkable, and these companies have established unprecedented product development speeds. By working around the clock, they are able to develop in six months a product that would usually take several years. This poses a challenge for us, and we expect the speed of development to accelerate across the auto industry going forward, in order to keep up with Chinese automakers. Even under such circumstances, we have to catch up to them and surpass their development speed in order to achieve sustainable business growth by further increasing our competitiveness and licensing new commercial rights not only to existing clients but also to emerging automakers in China and elsewhere. The TS TECH Group has established development sites in each global region and has built a development system that can respond quickly and dynamically to regional needs. However, our core technology development is mostly conducted in Japan. In order to further speed up development operations, it is essential that we train engineers and strengthen development capabilities outside Japan, as well.

To do this, we will accelerate investment in our "people," including the training of engineers, not to mention our efforts to enhance development capabilities in each country, including aggressive investment in automation and efficiency improvement systems utilizing AI and IoT, exchange of technical support between Japan and overseas development sites, and expanding the size of each development site. I believe that a company's competitiveness originates with its people, and that the key to our future business growth lies in practicing TS TECH's corporate philosophy of striving to be "A company dedicated to realizing people's potential" and that is "A company sincerely appreciated by all." As development competition intensifies, the pressure on engineers will inevitably grow. Furthermore, as soon as the development of one model is completed, our engineers must immediately begin work on the next model, as they strive to fulfill their mission of relentlessly achieving ever higher performance. In addition to initiatives that are directly linked to model development, such as developing and securing highly specialized human resources, including expanding specialized training in areas such as digital transformation and actively recruiting mid-career personnel, we will continue to invest generously in "people." This means fostering workplace environments where each individual can feel motivated, and work with enthusiasm, such as creating a system to properly evaluate and compensate engineers.

For suppliers like us, technological strength forms the basis of sustainable business growth and rising corporate value. By nurturing the human resources that support our technological capabilities, and by fully utilizing the seat manufacturing expertise and passion for product creation that TS TECH has developed since its founding, we can achieve even greater business growth. We have the ability to provide even more new value to the automobile industry, which is now undergoing a once-in-a-century transformation.

TS TECH's Value Chain

The TS TECH Group achieves value creation through manufacturing that yields high-quality products and services. We aim to maximize corporate value by leveraging mutual cooperation and synergies among the functions of each value chain. In this effort, we make optimum use of all the management resources we have developed over our 60 years in business with the support of our stakeholders.

Value chain	Basic Policies on Value Creation
Research and development Creating innovative, attractive products and technologies	• Creating and delivering appealing products and technologies • Enhancing our system and software development capabilities beyond the framework normally required for a parts manufacturer • Developing environmentally friendly products and manufacturing technologies that help build a sustainable world • Ensure reliable quality assurance from the outset of development
Sales Proposing competitive products to satisfy customers' demands	• Offer appealing products that exceed customer expectations at competitive prices • Proposing new vehicle interior value to customers using internal collaboration including regional and functional corporate divisions • Proposing products based on existing commercial rights (expanding adoption to derivative models) • Pursuing strategic sales development focusing on target commercial rights to increase the likelihood of securing orders
Purchasing Offering stable provision of components by maintaining a strong supply chain	• Building a supply chain that outperforms those of other companies • Building a supply chain that supports new business expansion • Streamlining and rationalizing procurement routes • Improving QCD capabilities by enhancing supply chain management
Manufacturing Operating highly efficient mass production systems in 13 countries	• Improving our manufacturing for higher efficiency and sustainability • Providing innovative production technology to Group companies and strengthening control functions • Building highly efficient production lines using automation and more advanced equipment and molds
Quality Using a quality control system to ensure stable supply of safe and secure products	• Provision of safety and security to customers • Stable provision of products with the same high level of quality worldwide • Earn top quality rating from customers all around the world and establish TS-Quality brand

Feedback

Research and Development

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

The transformation of mobility brought about by recent technological innovations is completely changing the value that has been demanded of automotive interior products in the past. We are leveraging this change as an opportunity to drive our Group's further business growth. We are focusing on creating new value not only in the seats but also throughout the entire vehicle interior space. In order to achieve sustainable growth together with society, we will conduct research and development from various perspectives, including technological evolution from both the development and manufacturing axes, with the aim of quickly commercializing environmental technologies that are ahead of other companies.

Companies cannot create value simply by accumulating conventional technologies. Based on our corporate philosophy of being "A company dedicated to realizing people's potential," we strive to foster product developers, innovate with the diverse ideas they generate, and create unique technologies that have never existed before.

Basic Policies on Value Creation

- Creating and delivering appealing products and technologies
- Enhancing our system and software development capabilities beyond the framework normally required for a parts manufacturer
- Developing environmentally friendly products and manufacturing technologies that help build a sustainable world
- Ensure reliable quality assurance from the outset of development

Strengths	Weaknesses	Opportunities	Threats
• Wide range of development and technological capabilities for phases from product planning through development and performance evaluation • Group-wide development system based on projects managed by Large Project Leaders (LPLs)*1 • Creating new value through active collaboration with other industries	• Speed of global development aimed at sales expansion • Speed of mass production realization of innovative technologies	• Expansion of the EV market where advanced technology is being actively adopted • Providing the new value required for next-generation vehicle interiors • Growing need for environmentally friendly products	• Intensifying competition in technological development and changes in product development styles driven by the entry of companies from other industries into the automotive industry • Tighter regulations in various areas to promote carbon neutrality

Securing cabin coordination capacity

The Group is working to secure cabin coordination capacity to create the new functions and technologies that will be required in the next-generation vehicle market, characterized by advanced autonomous driving technology and widespread transition to EVs. This will enable us to propose products for the entire vehicle cabin, and go beyond our conventional business areas of seats and doors. We aspire to propose the entire vehicle interior space as an appealing product. Toward this end, we are accelerating basic research related to the needs of people as the riders of next-generation vehicles. We are also promoting R&D aimed at establishing completely new functions and technologies created through collaboration with other industries. Moreover, by working on the development of highly efficient mass production technology that can easily be adapted to new construction and materials, we are building a production system that will allow us to deliver the technologies we develop as competitively priced products.

Ongoing pursuit of environmentally friendly technologies

In order to help reduce the environmental impact of automobiles and help build a more sustainable world, we are working to build EV-compatible technologies that help reduce the weight of vehicles, as well as those that allow non-sustainable materials to be replaced by sustainable ones,*2 such as recycled and biomass materials. To address issues such as a decline in seat cushioning performance caused by sustainable material adoption, we are reexamining vehicle seat construction based on the unique expertise that the Group has accumulated over the years. This approach will enable us to deliver both environmental performance and comfort. The Group is also proposing seats constructed with a low hip point, which helps in the creation of streamlined designs for EVs with lower air resistance and improved power usage efficiency. Our aim is to keep growing along with society by creating new environmental technologies that automakers cannot achieve on their own.

*1 A development system that assigns LPLs to coordinate all departments, including overseas bases, and provides total management from planning to mass production
*2 Raw materials that are derived from continuously available resources and have a low environmental impact throughout their life cycle

Sales (Honda Group)

Takahiro Kobori

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

Approximately 90% of the TS TECH Group's consolidated revenue comes from sales to the Honda Group, consisting of Honda Motor Co., Ltd. and its affiliates. While acquiring new customers remains an important part of our plans for further business growth, the business relationship with Honda will continue to be an important foundation of TS TECH's operations, forming the backbone of the Group.

Currently, our products account for approximately 60% of the seats installed in vehicles sold by Honda. Our goal is to increase this share to 70% by 2030. We aim to further increase our market share with Honda not only by developing products that meet the needs of end users but also by providing a variety of proposals that meet the specific needs of Honda.

Basic Policies on Value Creation

- Offer appealing products that exceed customer expectations at competitive prices
- Permanently secure customers' unwavering trust
- Proposing new vehicle interior value to customers using internal collaboration including regional and functional corporate divisions

S trengths	W eaknesses	O pportunities	T hreats
• Sales proposal capabilities based on close cooperation between global information-gathering systems and QCDDM* • Total coordination capacity for vehicle interiors	• Overemphasis on earnings from the seat business and slow growth of other revenue sources	• Proposing new product value needed for next-generation vehicle interiors • Proposing new products and technologies created through cross-industry collaboration	• Profit structure transformation due to soaring energy costs • Intensifying competition for orders due to the rise of emerging local suppliers

Business development that leverages our strengths

In order to further increase our market share in Honda, in addition to acquiring new commercial rights, we need to ensure that we continue to receive orders for commercial rights for models for which we have already received orders, even after model changes. We will achieve this by creating value that is unique to TS TECH. We do this by further enhancing customer satisfaction through the creation of products that exceed expectations and by co-creating products with the Honda Group from the early stages of development to propose seat products that combine functionality and design in line with customer needs in an unprecedented way.

Moreover, through close cooperation between relevant internal divisions under our Corporate Sales and Purchasing Division, which oversees the Honda-related business, the Group is able to offer high-quality, competitive products in any global region. We aim to acquire further commercial rights by taking full advantage of the geographical advantages provided by our overseas sites, which span 13 countries worldwide.

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

Expansion of parts orders, leading to vehicle seat commercial rights

A vehicle seat is made up of various parts, such as the seat frame and trim cover. The Group has acquired commercial rights not only for the seat itself but also for these parts, and is developing products tailored to each vehicle model. Among the seat components, the frame is closely related to the seat itself, and is an important factor in obtaining orders for a particular seat to be developed later. By quickly and accurately identifying customer needs, and by promoting internal collaboration including the Corporate Development and Engineering Division, the Group is working to create a standard seat frame that can be installed in a wide range of vehicle models. By proposing a competitive standard seat frame, we will expand seat frame orders, leading to future orders related to seat commercial rights.

Sales (New Businesses)

Isao Kawashima

Managing Officer
New Business Management Division
Executive General Manager

In order for the TS TECH Group to achieve further business growth, we will expand sales not only to the Honda Group but also in new business areas beyond that customer, by acquiring new clients and expanding commercial rights. We have long regarded this as an important issue and have undertaken a variety of relevant initiatives, which are steadily delivering results. We are seeing clear signs of future sales expansion, including more commercial rights with Suzuki Motor Corporation and Volkswagen AG, as well as orders from multiple new customers.

The Group's target for 2030 is that 30% of revenue would come from new businesses. This figure is 7.8% as of March 2023. To achieve the goal, we will leverage the leadership of the New Business Management Division to carry out strategic sales activities that reach customers worldwide.

Basic Policies on Value Creation

- Obtaining commercial rights orders with high added value using planning proposals that anticipate customer needs
- Proposing products based on existing commercial rights (expanding adoption to derivative models)
- Pursuing strategic sales development focusing on target commercial rights to increase the likelihood of securing orders
- Strengthening the competitiveness of our European sites to promote commercial rights expansion

S trengths	W eaknesses	O pportunities	T hreats
• Sales activities in cooperation with business partners • Making product proposals before model development, and promoting collaboration activities with customers • Global supply capabilities based on sites in 13 countries worldwide	• Keeping pace with the global acceleration of shorter development cycles • Independence of overseas bases • Information gathering network on needs of new customers	• Expanding opportunities to propose new vehicle interiors toward next-generation mobility • Developing new, appealing products in collaboration with business partners	• Rapidly changing customer needs • Decline in profitability due to stiffer competition and entry of competitors from other industries

Ongoing new business expansion

We will gain the trust of customers worldwide and acquire new commercial rights by carrying out highly strategic sales activities that make the most of the Group's resources. We will quickly expand orders by implementing optimal sales approaches utilizing our Group's geographically advantageous bases according to the customer's location, and by making technical proposals for specific target vehicle models, including horizontal deployment to derivative models of technologies that have been highly rated under existing commercial rights. In addition, through collaboration between the Corporate Sales Division and the Corporate Development and Engineering Division, we will identify latent customer needs, regularly hold presentations on the functions and technologies required of next-generation vehicle interiors, and participate in customers' advanced development that will set the direction for future mass-produced models, thereby ensuring the acquisition of commercial rights.

Strengthening the competitiveness of the Group's new European operations

With sites in Germany and Poland, the TS TECH Group is focusing on further expanding its transactions with European automakers, such as the Volkswagen Group. Thanks to its location, our new vehicle seat production company in Poland, which will begin full-scale operations in fiscal 2024, will be able to supply products at competitive prices to European automakers located in Germany, the Czech Republic, Slovakia, and other countries. Using this as a key site to actively implement sales development in Europe, we will not only expand commercial rights with existing customers but also build relationships with new ones. Not only expanding production capacity, we will also optimize our production system, including the supply chain, to further grow our business and improve profitability.

Purchasing

The TS TECH Group works hard to ensure that its business activities help to address social issues, fulfilling its policy of realizing ESG management. We are helping to build a sustainable world by promoting sustainability initiatives not only internally but across our entire supply chain.

The Group is striving to advance its core procurement functions by practicing supply chain management to enhance price competitiveness and improving its business continuity capabilities to ensure stable product supply even during emergencies. In addition to this, we are further strengthening our sustainability initiatives by addressing issues such as climate change and human rights. We are working to share our objectives not only with our business partners in Japan, but with all partners worldwide, in order to forge a strong, sustainable global supply chain.

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

Basic Policies on Value Creation

- **Building a supply chain that outperforms those of other companies**
- **Building a supply chain that supports new business expansion**
- **Streamlining and rationalizing procurement routes**
- **Improving QCD* capabilities by enhancing supply chain management**

Strengths	Weaknesses	Opportunities	Threats
• Development of activities to strengthen structures together with business partners • Ability to gather and analyze information to maximize purchasing resources across the Group	• Supply chain restricted by traditional frameworks • Supply chain specialized for Honda's needs	• Developing new procurement routes with cross-industry collaboration • Expanding business with emerging local suppliers	• Supply risks for components and raw materials due to climate change, infectious diseases, conflicts, etc. • Impact of procurement costs due to rising costs for energy and labor, etc.

Ensuring the supply chain boosts competitiveness

The technological transformation of mobility is expected to lead to intensified competition among suppliers, including new entrants from other industries. To survive in this environment, the TS TECH Group is working on various measures to increase its competitiveness in the area of purchasing as well. In addition to further enhancing collaboration with business partners, we are completely updating the supply chain we have built over the years. Our aim is to boost competitiveness by increasing the Group's profitability based on a thorough streamlining of procurement routes and an expansion of procurement of parts at sites outside Japan. Moreover, we will establish procurement routes to accommodate the expansion of sales to non-Honda customers and to ensure a stable supply of increasingly diverse and multifunctional products. In this way, we will strive to optimize the supply chain from various perspectives and seek to maximize added value across the Group.

Building a sustainable supply chain

The TS TECH Group works together with business partners to mitigate various risks and build a sustainable supply chain that complies with relevant laws and social norms. Using the TS TECH Supplier Sustainability Guidelines, we ask our business partners worldwide to understand and adopt sustainable practices. In the environmental field, our aim is to achieve carbon neutrality across the supply chain. We are working to improve calculation accuracy for Scope 3 emissions and encourage business partners to further reduce their CO_2 emissions by improving communication with them. The Group updates its supplier guidelines as necessary, while striving to remain a company sincerely appreciated by all across its supply chain.

* Quality, Cost, and Delivery

Manufacturing

Manufacturing is the core activity of the TS TECH Group, so one key to achieving further growth will be to improve our manufacturing capabilities. We must do this in a way that will allow us to effectively respond to an increasingly uncertain business environment, along with changes in raw material and product construction requirements resulting from industry trends such as CASE and MaaS. By building a highly efficient manufacturing system that outperforms those of other companies, for instance by adopting more automation and digital technology, we aim to forge a corporate structure that can respond to any sudden changes that can affect production, such as semiconductor supply shortages.

Meanwhile, we are working to establish new technologies that will undergird the creation and mass production of unprecedented products. To do this, we will develop environmental technologies that prevent or reduce environmental impact, as well as next-generation technologies suitable for EVs and autonomous vehicles. The Group's development and manufacturing areas will work together to create these technologies, thereby promoting further business growth and helping to build a sustainable world.

Yasushi Suzaki
Director, Managing Officer
Corporate Manufacturing Division
Executive General Manager

Basic Policies on Value Creation

- **Improving our manufacturing for higher efficiency and sustainability**
- **Providing innovative production technology to Group companies and strengthening control functions**
- **Building highly efficient production lines using automation and more advanced equipment and molds**

Strengths	Weaknesses	Opportunities	Threats
• Advanced technology development and mass production verification capabilities through in-house production of molds and equipment • Achieving high standardization of each QCD capability within the Group • Employing a flexible production system that supports multi-product production	• Still in the process of reducing environmental impact from production and adopting a resilient manufacturing framework* • Possibilities for reducing human intervention in quality control processes • Collaboration effectiveness between sites in different countries	• Greater need for new production technology to make products with reduced environmental impact • Increased demand for high-value-added products suitable for CASE and next-generation vehicles	• Rise of emerging local suppliers • Greater cost-based competition • Rising costs for labor and raw materials

Ongoing advancement of TS TECH manufacturing

The TS TECH Group is optimizing its manufacturing system to better respond to the diversifying needs of customers, while delivering a stable supply of high-quality competitively priced products to the world. In addition to thorough efficiency improvements using digital transformation, IoT, and other advanced technologies, we are also promoting further quality improvements, such as strengthening assurance of defect-free processes using a quality determination system based on AI analysis. Due to the nature of vehicle seats, which are made up of numerous components with different properties, many processes still need to be completed by hand. It is therefore important not only to adopt more automation but also to provide a good working environment for every employee involved in manufacturing. Accordingly, we will strive to promote employee diversity on production lines. This includes strengthening our ability to develop in-house equipment to reduce workloads, an effort that will be driven by employees with a deep understanding of the front lines.

Sustainable production system

The Group's long-term environmental goal is to achieve carbon neutrality in its business activities, and it is working to reduce its environmental impact by taking measures such as conserving energy. While advancing technologies to increase production efficiency, we are planning to further improve the efficiency of our production equipment by, for example replacing outdated equipment and installing inverters. Additionally, we intend to reduce CO_2 emissions and energy costs from various angles. This includes horizontal deployment of energy conservation diagnoses by facility experts from Japan to other sites around the world. We will also build a production system that is sustainable from a variety of perspectives by, for instance, developing equipment that uses regenerative energy and devising *karakuri* mechanical ways to automate work without using electricity.

* Framework to create a financial structure that generates a certain amount of profit even when earnings drop

Quality

Yoshiaki Kida
Operating Officer
Corporate Quality Assurance Division
Executive General Manager

The TS TECH Group's products are essential vehicle components that help protect human life. This is why we believe that quality is the most important reason that automakers choose TS TECH. It forms the basis of their trust in us as a manufacturer. The mission of the Corporate Quality Assurance Division is to consider all the measures that need to be taken to ensure that the Group never produces or ships defective products. Its mission also includes overseeing the implementation of quality assurance measures, and ensuring that everyone in the Group fully understands the importance of quality. We work not only within the Group but also in cooperation with business partners who supply our parts and raw materials.

By promoting the universal awareness that every individual is responsible for quality, and linking this mindset to quality improvements, we are building a quality control and assurance system that will ensure TS TECH continues to be the choice of customers—an objective the Group cannot achieve without partner cooperation.

Basic Policies on Value Creation

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

Strengths	Weaknesses	Opportunities	Threats
• Quality control and assurance system based on international standards • Initiative for evaluating product appearance quality using AI image diagnosis	• Delay in establishing fully automatic assembly technology to eliminate human error • Now in the process of developing expert human resources for quality assurance	• Improving quality assurance accuracy by automating production lines and utilizing digital technology • Increasingly sophisticated demands for quality assurance accompanying a trend toward multifunctionality in products • Diversification of customer quality requirements as a result of new business expansion	• Greater scope of impact when quality defects occur as a result of part standardization • Advanced software quality verification capabilities are needed to make high-value-added products to be installed in next-generation vehicles

Ensuring quality assurance through defect source management

The Group implements defect prevention in all processes of its value chain, from product planning, design, development, and manufacturing, to procurement, equipment maintenance, and maintenance of quality control systems. By implementing upstream management that requires investigation of issue root causes and then conducting a series of fundamental process improvements, we have built a reliable quality assurance and management system. This system has led to the creation of product specifications that prevent defects and the automation of production and inspection processes that make quality assurance more effective. We also conduct Group-wide continuous quality assurance training and TC Circle activities (improvement activities undertaken by small groups) in order to keep increasing each employee's knowledge and awareness of quality control and business improvement, and strive to improve product quality in each process.

Enhancing quality management

In April 2023, the Group established a new quality control department with the aim of enhancing quality management. This department will take the lead in improving the Group's quality auditing function by conducting physical inspections at each site, and by thoroughly monitoring and managing operations to ensure that quality assurance is being carried out using the proper processes. The department will also prepare important management points for quality assurance and communicate them throughout the Group. By carrying out quality control in line with these key points at all sites, we will build a system that ensures early resolution of quality issues and keeps the product supply system healthy. By building a quality assurance and management system that enhances corporate value, leveraging close cooperation between the Corporate Quality Assurance Division and Group sites worldwide, TS TECH will continue to be "A company sincerely appreciated by all" for delivering safe and reliable products.

Important Departments That Support the Group's Value Chain

Developing intellectual property strategies using both proactive and protective approaches

One of the important ways for the Group to maintain its long-term competitive advantage is to protect and utilize the results of its R&D operations, which become intellectual property (IP). When it comes to its proprietary technologies that can help build a sustainable world and innovative technologies, the Group works to maximize the value of this intellectual property by implementing a variety of proactive initiatives to build a strong patent network. We also implement protective measures to develop products while minimizing the risk of IP disputes by strategically utilizing patent searches and respecting the intellectual property rights of others, for instance. Our performance on these initiatives has also been recognized by external stakeholders. The Group has been ranked first among all similar suppliers in both Japan and the United States in a third-party survey of the comprehensive patent strength for an entire vehicle seat lineup.* We will continue to support the Group's manufacturing with these proactive and protective intellectual property initiatives, while ensuring that we leverage R&D outcomes to improve corporate value.

Akira Miyoshi
Corporate Development and Engineering Division
Intellectual Property Department General Manager

* Patent Result Co., Ltd. objectively surveys the levels of stakeholder interest in the patents of different companies based on statistics relating to the use of expedited examination processes for individual patents, the number of times rejection reasons are cited, and existence of any objections or appeals.

Fully utilizing IT to maximize the Group's performance

Yoshihisa Masubuchi
Corporate Administration Division
IT Department General Manager

The IT Department collaborates with Group sites and departments worldwide to investigate optimal system specifications. We are working on updating old systems that hinder digital transformation efforts, automating operations, and digitizing business processes including performing electronic approvals. Additionally, as part of work-style reform, we are building a remote work environment, while maximizing the performance of the entire Group in terms of both online applications and infrastructure.

In recent years, information leaks and suspension of business operations due to cyberattacks and system failures have become significant risks for companies. Addressing this, we are providing IT security training for employees using email, eliminating vulnerabilities in internal systems, and conducting external monitoring to detect unauthorized system access and suspicious online behavior. By working to strengthen information security Group-wide through activities such as these, we are protecting our intellectual capital and building a solid business foundation that can maintain the trust of our stakeholders.

Trade management to promote a competitive supply system

We promote the local procurement of parts and materials at sites outside Japan as a priority strategy of the 15th Medium-Term Management Plan. At the same time, we also work to stabilize and improve the efficiency of supply and procurement activities that involve international trade.

In order to facilitate trade procedures and provide the flexibility to respond to changes in the international situation, we have established a system for handling customs procedures internally. By meeting the trade security standards set by the Japanese government, we have obtained Authorized Economic Operator status for customs procedures in Japan. This allows for more efficient customs clearance, including the omission of cargo inspections. In the event of any maritime transport delays, we can quickly obtain export permits for alternative shipping options. These capabilities give the Group's worldwide production network superior reliability and flexibility.

Moreover, when utilizing the Group's trade network, we take into account the complex economic partnership agreements that exist between countries. By making full use of this knowledge, we are reducing customs costs and helping supply Group products at competitive prices.

Ryuto Kusumoto
Corporate Manufacturing Division
Manufacturing Planning Department
Foreign Trade Management Section Manager

Stakeholder Engagement

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

	Relationship with stakeholders	Dialogue method
Customers (auto manufacturers, end users)	Based on daily dialogue, we build long-term trusting relationships by identifying customer needs from the very first stage of product development and proposing and creating products that exceed expectations. We also actively seek feedback from end users so that we can develop even better products.	• Daily sales activities • Collect opinions from end users through the subsidiary company that sells automobiles • Development and engineering roundtable meetings • Roundtable meetings with business partners hosted by customers • Exhibitions including next-generation vehicle interior presentations
Employees	The Group aims to be a company where all employees are motivated and can achieve growth, in line with its twin visions of being "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all." To achieve this, we are developing our work environment to create comfortable workplaces and are also accelerating initiatives designed to improve employee engagement. ▶ pp. 50–51	• Distribution of video of President's Message (worldwide) • Engagement survey • Various education and training sessions • Internal portal site, in-house newsletter • Whistleblower hotline system, consultation service • Consultation with the labor union
Shareholders and investors	The Group strives to rapidly, accurately, and equitably disclose information, based on its disclosure policies. In addition, we proactively engage in dialogue with shareholders and investors to improve our medium- and long-term corporate value.	• General Meeting of Shareholders • Financial results briefings (interim, full year) • Dialogue between senior management and the Group's shareholders and investors • Investor relations (IR) meetings every quarter • Websites (IR information for investors) • Briefings for individual investors
Business partners	Strong partnerships with business partners are essential for the Group to consistently supply high-quality products. We treat all business partners fairly and equitably and hold dialogues in line with the Supplier Sustainability Guidelines in order to build trusting relationships on a global basis. ▶ pp. 47–49	• Daily purchasing activities • Annual conference with major business partners • Supplier awards • Carbon Neutrality Seminars • Deployment of Supplier Sustainability Guidelines • Supply chain surveys
Local communities	Our determination to be a company with deep roots in local communities has inspired us to get involved in various philanthropic programs, such as support for childrearing and environmental conservation (213 programs around the world in fiscal 2023). We will continue to carry out initiatives tailored to the needs of each community, so that we can achieve sustainable growth together with the communities where we do business.	• Participation in and cosponsorship of local events • Offering classes at local schools, donation of goods • Environmental conservation activities such as tree planting and local cleanups • Donation of goods to public facilities • Holding baseball training sessions for kids

<Specific Examples>

Involvement with customers

Proposing new interiors for next-generation vehicles

There have been dramatic changes surrounding the auto industry in recent years. In order to respond to these changes, accurately identify customer needs, and provide products that exceed expectations, it is important for the TS TECH Group to promote dialogue with customers, including on product and technical proposals.

As part of this effort, in November 2022 we held a presentation event to showcase the Group's next-generation vehicle interiors, where we made product proposals to Japanese and other automakers. It provided an opportunity to unveil our new XR Cabin, which uses virtual reality technology and enables customers to experience TS TECH driving support features and high-efficiency seat climate control. The event also showcased a number of our other cutting-edge technologies, and customers provided a range of comments and opinions.

Based on this feedback, we are working to develop products that better meet customer needs, while also further refining our proprietary technologies to offer products that are even more appealing to our customers.


Proposing next-generation technology with XR Cabin

Relationships with shareholders and investors

Opinions received through proactive dialogue are reflected in management

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


Financial results briefing

Relationship with the local community

Social contribution activities rooted in local communities

A major goal in our corporate philosophy is to become "A company sincerely appreciated by all." Under this vision, the TS TECH Group engages in social contribution activities around the globe that are tailored to the situations and needs of each community. In July 2022, Indian subsidiary TS TECH SUN RAJASTHAN PRIVATE LIMITED donated desks and chairs to a local elementary school and renovated the school's restrooms to help improve the learning environment for the students. In Japan, TS LOGISTICS CO., LTD. recovers recyclable waste from its business sites as valuable resources, and donates the proceeds to a children's foster care facility. In this way, the Group has been engaged in activities to support the healthy development of children around the world. The Group also carries out a variety of other activities rooted in local communities. These include the preservation of ecosystems through tree planting activities, and the operation of an in-house cafe to help provide employment for people with disabilities.


Learning environment improvement at an elementary school in India

Working to Build a Sustainable World

The needs of the business environment and society are changing with the emergence of various social issues and environmental problems in recent years.

The TS TECH Group will continue to create new value while helping to build a sustainable world, always striving to remain a company that meets expectations and is sincerely appreciated by all.

Basic Policy on Sustainability

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

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

November 2021 Board Resolution

Promotion Framework

TS TECH established the Sustainability Committee as an advisory body to the Executive Committee, which is responsible for overseeing business operations. The Sustainability Committee discusses issues related to overall sustainability for the Group, including climate change measures, and manages these efforts group-wide.

During the course of its deliberations, important risks are identified and then managed in collaboration with the Global Risk Management Committee, depending on the nature of the risks concerned. Matters deliberated by these two committees are shared with the Executive Committee, which then makes a formal decision on which matters are to be submitted to the Board of Directors for discussion. We strive to achieve sustainable growth for the Group and solve social issues by making decisions on sustainability initiatives at the management level.

Sustainability Committee

Role

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

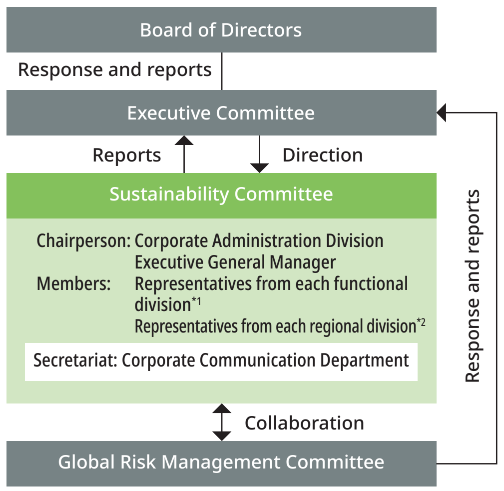
– Confirmation of progress made toward achieving materiality KPIs (more than once a year)
– Discussion of initiatives to achieve carbon neutrality in 2050
– Identification of risks and opportunities related to sustainability and related scenario analysis (TCFD requirement)
– Sharing of social trends and issues related to sustainability
– Establishment and operation of system aiming to foster awareness of sustainability within the company

Composition of the committee

This committee is chaired by the head of the Corporate Administration Division and made up of the heads of each functional and regional division. The Corporate Communication Department serves as the secretariat.

Activity plans

The Committee meets three times a year, in principle, and holds ad hoc meetings also when necessary.



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

*2 The Americas Segment, China Segment, Asia Segment

Committee activities during fiscal 2023	Main agenda items
1st Meeting: May 27, 2022	• Deliberated qualitative assessment of climate-related risks and opportunities for the Group, as well as information disclosure
2nd Meeting: October 26, 2022	• Discussed the creation of a human rights policy and the establishment of a system for recognizing the sustainability-related efforts of employees
3rd Meeting: March 17, 2023	• Deliberated quantitative assessment of climate-related risks and opportunities for the Group, as well as information disclosure • Discussed renewable energy and energy conservation measures • Evaluated progress made on achieving 2030 targets relating to the Group's material issues, and reviewed the medium-term targets

Information Disclosure Based on TCFD Recommendations

As a company involved with the manufacture of automobiles that directly emit CO_2, we recognize our response to climate change as a serious management issue. Accordingly, in August 2021 the Group endorsed the recommendations of the TCFD. We will analyze the risks and opportunities climate change presents to the Group's operations, reflect these in our management strategy and risk management, and appropriately disclose progress in order to contribute to a decarbonized society and aim for further growth.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

We have established the Sustainability Committee, which deliberates on issues related to all domains of sustainability, including our response to climate change, and manages sustainability for the Group as a whole. ▶ p. 38

Risk Management

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

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

Information gathering	▶	Identification of major risks and opportunities	▶	Selection of policies and measures	▶	Incorporation into strategies and implementation
Information gathering regarding risks and opportunities related to climate change led by each functional division and region		Evaluation and analysis based on gathered information, such as the degree of impact on operations and the possibility of occurrence, to identify the Group's major risks and opportunities related to climate change		Creation of policies and measures for risks and opportunities that are deliberated upon by the Sustainability Committee and presented at a Board of Directors' meetings as necessary once measures are passed at meetings of the Executive Committee		Identified major risks and opportunities will be handled as follows: • Each functional division and region will promote measures to address natural disaster risks via the Global Risk Management Committee • Business-related matters will be addressed through incorporation into medium-term management plans and business strategies • Each functional division and region will promote measures to address sustainability via the Sustainability Committee

Metrics and Targets

In March 2021, the Group identified the eight material issues (materiality) it will prioritize to help contribute to the creation of a sustainable world, and it set KPIs and targets for 2030 for each material issue. The Group set long-term environmental targets that include a reduction in CO_2 emissions compared to fiscal 2020 by 50% in 2030 and 100% in 2050, and it is working to achieve them through means such as installing energy-conserving equipment and utilizing renewable energy at each location.
▶ p. 45

		15th Medium-Term Management Plan (FY2024–2026)	Medium-term plan (2030)	Long-term plan (2050)
CO_2 emissions reduction target (Scopes 1&2)		Reduction of 25% compared to FY2020	Reduction of 50% compared to FY2020	Achieving carbon neutrality
Main initiatives	Energy conservation activities	Improving production and business processes, optimizing air conditioning and lighting, upgrading to high-efficiency equipment, and enhancing environmental management, etc.		
	Adoption of renewable energy	Installing solar power systems, purchasing renewable electricity, utilizing green electricity certificates, and utilizing power storage batteries, etc.		
	Raising the electrification rate			Replacing equipment powered by gas or heavy fuel oil, and replacing conventional vehicles with EVs, etc.

Strategy

Measures to achieve carbon neutrality are essential to the realization of a sustainable society. It is expected that governments worldwide will implement energy regulations to reduce CO_2 emissions and stronger laws, and it is also anticipated that various regulations related to automobiles will be strengthened. While tighter regulations could be a risk to the Group, addressing them by focusing our efforts on products and services with outstanding environmental performance, one of the Group's strengths, could be an opportunity to expand business operations.

We believe that moving forward, promotion of Group products and services that comply with changing regulations and laws is not only an effective measure to help control global greenhouse emissions such as CO_2 but also an opportunity for business growth, and we have incorporated this belief into our business strategies.

Analysis of risks and opportunities based on climate change scenarios

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

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

Scenario analysis

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

Assumed scenario	Reference scenarios	Assumed state of society
4°C scenario	• IEA STEPS (Stated Policies Scenario) • IPCC RCP8.5	• Increased risk of flooding due to rising sea levels caused by rising temperatures, stronger hurricanes and typhoons, frequent torrential rains • Increased risk of water shortages due to droughts and the spread of arid regions and desertification • Harsher work environments due to rising temperatures
1.5°C scenario	• IEA NZE (Net Zero Emissions by 2050 Scenario) • IEA SDS (Sustainable Development Scenario) • IPCC RCP2.6	• Stronger measures and regulations aimed at decarbonization (implementation of a carbon tax, energy conservation/saving measures, ZEV regulations, policies to promote EVs, etc.) • Development of decarbonization technologies and a greater range of environmentally friendly products

Risks and opportunities related to climate change and related responses

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

Risk classification		Identified risks	Medium-or long-term	Potential financial impact	Mitigation	Relevant initiatives and indicators
Physical Risks (4°C warming scenario)	Acute	Potential decrease in sales due to suspension of operations at Group sites caused by extreme weather events such as typhoons, torrential rains, and hurricanes	Long	[Impact: Large] The potential decrease in revenue due to a shutdown caused by flooding is estimated to be up to 5 billion yen per affected site.	• Enhancing BCP measures • Taking disaster preparedness measures for production maintenance, including replacement parts production, and coordinating within the Group to enable quick resumption of operations • Site development with disaster risk management in mind • Disaster risk management across the supply chain	• Risk management by the Global Risk Management Committee
Transition risks (1.5°C warming scenario)	Government policies Laws and regulations	Need to adopt renewable energy and increase capital investment due to stricter regulations	Medium	[Impact: Large] An estimated investment of around 7 billion yen will likely be required by 2030 for the transition to renewable energy, including the adoption of solar power technology.	• More efficient energy use • Investing in efficient equipment to optimize cost-effectiveness	• Building high efficiency production structures • Long-term environmental goals
		Higher operating costs due to widespread adoption of carbon taxes	Medium	[Impact: Moderate] By 2030, the Group could be paying around 700 million yen in carbon taxes for its emissions.	• Promoting CO_2 reduction measures (energy conservation, adoption of renewable energy, etc.) • Improving logistics efficiency	
	Technology	Higher R&D costs and greater capital investment to create low-carbon and electrified products	Medium	[Impact: Large] Higher R&D expenses are anticipated to make products with low environmental impact, to improve manufacturing technology, and to develop products for EVs, along with a corresponding increase in capital investment.	• Expanding sales by enhancing sales activities • Improving product development through co-creation with customers	• Enhancing efforts to develop environmental technologies
	Market	Higher raw material procurement costs due to carbon taxes and the need to adopt more eco-friendly materials	Medium	[Impact: Large] By 2030, the Group could be paying carbon taxes of 40 billion yen on transactions with suppliers.	• Enhancing supply chain management • Promoting measures to reduce Scope 3 emissions • Improving logistics efficiency	• Supply chain restructuring
		Potential drop in sales due to a lack of low-carbon and EV products	Medium	[Impact: Large] The market is expected to shift to electric vehicles and the need to reduce the product environmental impact will increase. If the Group is unable to provide products that meet customer needs, it could see a decline in sales of around 150 billion yen by 2030.	• Accelerating development of products for electric vehicles • Developing processing technology for eco-friendly materials • Building high-efficiency production lines compatible with new materials and technologies	• A higher share of major customers' products • Enhancing efforts to develop environmental technologies

Risk classification		Identified opportunities	Medium-or long-term	Potential financial impact	Mitigation	Relevant initiatives and indicators
Opportunities (1.5°C warming scenario)	Resource usage efficiency	Decrease in operating costs due to more efficient production processes	Medium	[Impact: Moderate] By 2030, energy conservation measures could yield a cost reduction effect of approximately 500 million yen.	• Continual promotion of energy-saving measures focused on production equipment • Automation of production processes and development of compatible product specifications • Improvement of production processes by utilizing regenerative energy and self-weight	• Building high efficiency production structures • Material issues • Long-term environmental goals
	Products and services	Due to increased demand for low-carbon products, the Group will likely sell more seats for EVs and interior components made from eco-friendly materials	Medium	[Impact: Large] Enhancing product lines compatible for EVs will likely lead to the acquisition of new customers and the expansion of commercial rights. By 2030, the resulting increase in annual sales could reach 70 billion yen.	• Product development that helps reduce electricity costs • Developing products made using plant-derived raw materials • Adopting recycled materials and designs that make products easy to dismantle for recycling • Developing processing technology for eco-friendly materials • Building high-efficiency production lines compatible with new materials and technologies	• Securing cabin coordination capacity • Further growth in new businesses • Enhancing efforts to develop environmental technologies
		Increased revenues due to sales of new products compatible with next-generation vehicles	Medium	[Impact: Large] By enabling product coordination with the entire vehicle interior, and by developing products that meet new requirements for next-generation vehicles, we will likely acquire new customers and expand our commercial rights. By 2030, this could result in an increase in annual sales of about 35 billion yen.	• Co-creation of technologies and products with companies in other industries for cabin interior coordination • Enhancing system software development	• Securing cabin coordination capacity

Environmental Initiatives

Basic Environmental Policy

Policy

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

Environmental Action Plan

(1) Compliance with Legal and Other Requirements

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

(2) Reduction of Environmental Impact

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

(3) Continuous Improvement of Environmental Management

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

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

Initiatives to Strengthen Environmental Management

The Group is promoting environmental management system ISO 14001 certification at all of its facilities around the world. We are united in our efforts to continuously reduce the burden on the environment. Seeking additional measures to efficiently reduce CO_2 emissions, TS TECH adopted the ISO 50001 energy management system at all of its sites in Japan in fiscal 2019 and obtained certification. Going forward, we will continue with efforts to bolster our environmental and energy management not only to reduce the burden on the environment but also to decrease costs by using resources more efficiently.

Internal Environmental Audits

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

Compliance with Environment-Related Laws and Regulations

Under our environmental and energy management systems, TS TECH has prepared a list of legal and other requirements at each site and reviews the laws and requirements that we must comply with at the beginning of each fiscal year. We also evaluate the status of compliance every six months. Over the period from fiscal 2020 to fiscal 2023, there were no violations of environmental laws and regulations.

Environmental and Energy Management Education

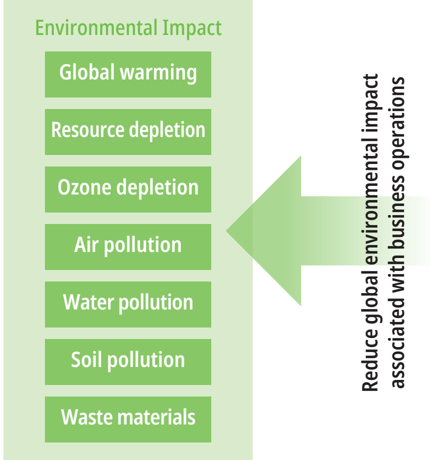
TS TECH provides employees with various educational programs related to environmental and energy management under its ISO management system. Under the ISO 14001 standard, we conduct environmental education with the objectives of reducing environmental impact and preventing pollution. Under ISO 50001, in addition to offering energy conservation training tailored to each production facility provided by the Energy Conservation Center, Japan, we have also introduced our own energy-saving diagnostics focused on improving equipment operation.

Since 2022, we have been acquiring knowledge on effective energy-saving techniques with the benefit of expert insight and input. We have focused on energy conservation using inverters for motors and equipment, seeking to strengthen the development of human resources specialized in this area. We have been rolling this knowledge out horizontally across the entire Group, including sites outside Japan.

To catalyze even more effective measures, these specialists not only learn the basics of energy management but also delve deeply into specific management methods for particular facilities. Going forward, we will continue to develop human resources who can take the lead in promoting energy conservation at each of our sites, Meanwhile, we will keep providing general education, as well, seeking to improve employees' environmental awareness and skills.


Environmental education for facility management

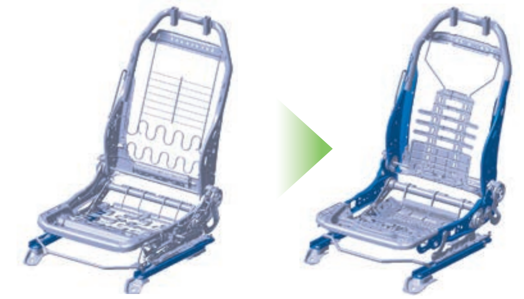
Efforts to Reduce Our Environmental Footprint



Domain	Environmental protection efforts
Product development technology	• Design products with a lighter weight and improved recyclability • Develop technology for replacing materials with sustainable alternatives • Do not use materials containing regulated chemicals • Employ energy- and resource-saving equipment and process design
Manufacturing management	• Employ energy- and resource-saving manufacturing • Control and reduce the amount of volatile organic compound (VOC) emissions into the atmosphere • Promote proper disposal and recycling of industrial waste
Purchasing distribution	• Improve distribution efficiency • Promote CO_2 emissions reduction in collaboration with business partners • Establish a sustainable supply chain

Development-focused measures

We understand that reducing the weight of our products is one of the most effective ways in which we can reduce our impact on the environment. For example, our seat frames account for a large portion of the weight of our products, so we strive to apply a variety of weight-reducing technologies wherever possible, while further improving safety and comfort in line with evolving needs. The seat frame installed in the 2020 Honda Fit is about 28% lighter than our previous core frame. We accomplished this by using more ultra-high tensile strength steel and thin-plate welding technology. It is now being used in many automobile models worldwide.


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

In addition to weight-reducing technologies, we are focusing on reducing CO_2 contained in our products through technologies utilizing cellulose nanofiber (CNF) and other plant-derived biomass materials. Compared to conventional door trims made from petroleum-derived materials, we have succeeded in reducing the amount of CO_2 contained in these products by 60% by using plant-derived biomass materials (for resin/synthetic leather coverings), and we are continuing our research with the goal of applying this technology to mass-produced products.

Looking ahead to the future shift to EVs, we are also pursuing technology development that contributes to carbon neutrality from various perspectives, including developing seat heaters that efficiently heat at low power to help increase electric mileage (cruising range) and climate-control seats that help reduce electricity consumption.

Production-focused measures

Under the policy of "Evolving toward sustainable manufacturing and building a globally efficient production system," our Manufacturing Division works hard to ensure our manufacturing is both competitive and environmentally friendly. The main initiatives include accelerating automation of production lines and reducing electricity usage by standardizing energy-saving technologies, introducing next-generation energy-saving technologies, and utilizing regenerative energy[*1].

An example of electricity reduction utilizes *karakuri*[*2] means to achieve work automation without consuming energy. In November 2022, we exhibited a *karakuri* mechanism that uses equipment exhaust air, at the Karakuri Kaizen Exhibition hosted by the Japan Institute of Plant Maintenance, winning the silver award in the parts feeder contest category. We are currently working to further reduce environmental impact by developing equipment that utilizes regenerative energy, such as a method of generating electricity from a *karakuri* mechanism.

*1 Converting surplus energy generated from equipment into electricity for reuse
*2 Karakuri refers to equipment or mechanisms that improve processes with minimal energy or cost through the use of gravity, gears, the principle of leverage, etc.

Installing environmentally friendly equipment

Initiatives to reduce CO_2 emissions include installing environmentally friendly equipment such as solar power generation systems and rainwater reuse systems when replacing buildings at each site, which helps to reduce CO_2 emissions and groundwater usage. We are also actively working to reduce logistics losses by taking steps such as realigning production with consolidated external warehouse functions. In fiscal 2023, we newly installed solar power systems at the Hamamatsu Plant and Suzuka Plant, and expanded the system at the Saitama Plant.

At the expanded facilities of TS TECH INDIANA, LLC, we installed a solar power system with storage capabilities in June 2022. By combining this solar power generation with green power certificates, we have reduced CO_2 emissions from electricity to zero. In these ways, we are accelerating efforts around the world to reduce our environmental impact.


TS TECH INDIANA, LLC

Environmental Targets and Results

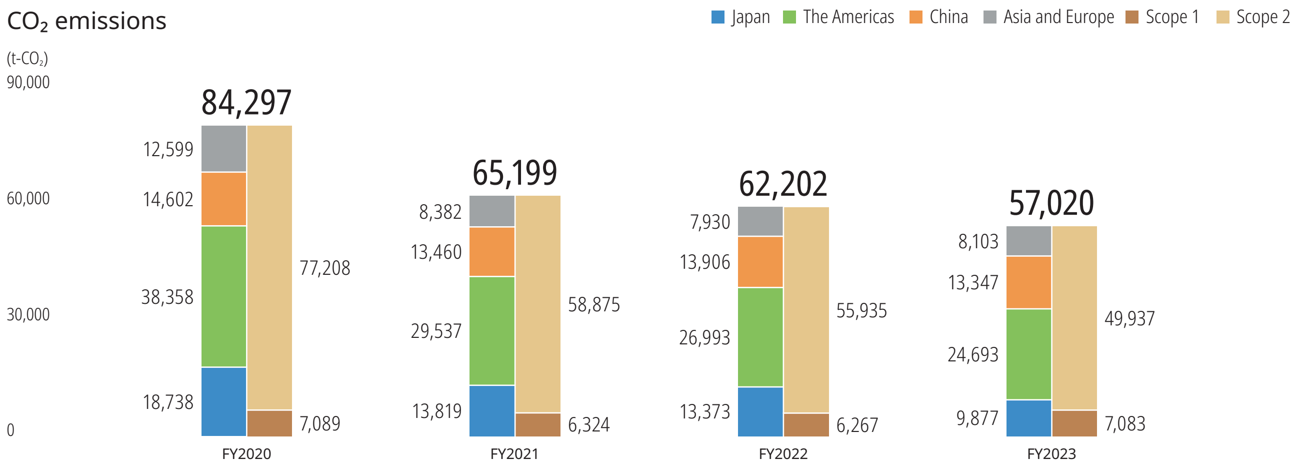
Main environmental targets and results in fiscal 2023*1

Item	Targets	Measures	Results
CO_2	CO_2 emissions reduction 2,805 t-CO_2 lower than FY2020 Basic unit per vehicle*2 3% lower than FY2020 FY2020 performance: 8.3 t-CO_2/thousand vehicles	• Shift to energy-saving production equipment • Switch to LEDs • Shift to energy-saving air conditioning • Introduction of renewable energy	CO_2 emissions reduction 14,844 t-CO_2 lower than FY2020*3 Basic unit per vehicle 1% higher than FY2020 FY2023 performance: 8.4 t-CO_2/thousand vehicles
Waste	Recycling rate 1.5% higher than FY2020	• Promote recycling • Reduce product defect rate • Reduce packaging materials	Recycling rate 4.1% lower than FY2020
Water	Maintain water intake level compared to FY2020	• Conserve water at all worksites • Inspect water supply equipment for leakage	Water intake 12% lower than FY2020

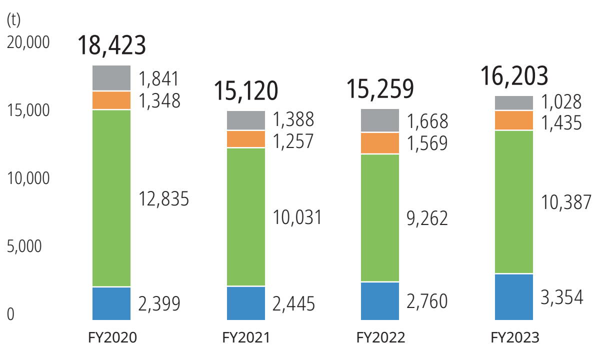
*1 Consolidated subsidiaries are included in the scope of aggregation, but some subsidiaries are excluded on the same standard as "Trends in environmental results."
*2 "Per unit" figures are calculations performed according to TS TECH's standards and indicate CO_2 emissions relative to production volume during business activities
*3 Emission coefficients for the base year are used to maintain consistency in target management. The difference in CO_2 emissions using the coefficients for FY2023 is -27,277 t-CO_2.

Trends in environmental results

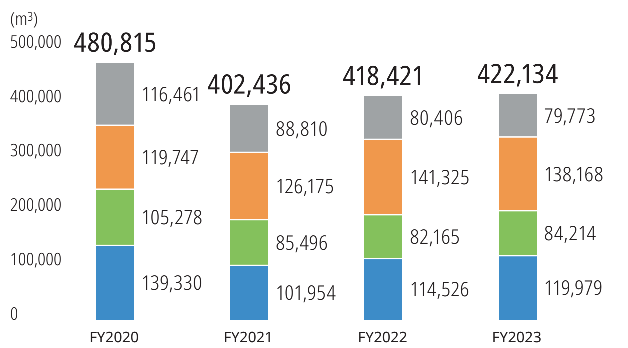
CO_2 emissions



Waste generated



Water intake



* Scope of data: Consolidated sites excluding certain subsidiaries
(Fiscal 2023)
• CO_2 emissions: 33 out of 38 consolidated subsidiaries are included in the data scope (5 companies are excluded)
• Waste generated and water intake: 32 out of 38 consolidated subsidiaries are included in the data scope (6 companies are excluded)
The revenue of the companies within the data scope accounts for 95% or more of the Group's consolidated revenue for each period concerned.

Scope 3 emissions (Consolidated)

(Unit: t-CO_2)

FY2020	FY2021	FY2022	FY2023
2,749,174	2,381,086	2,658,732	2,583,409

Scope 3 emissions by category breakdown for fiscal 2023

Category	Emissions (t-CO_2)	Ratio (%)
1. Purchased goods and services	2,330,480	90.2%
2. Capital goods	32,466	1.3%
3. Fuel- and energy-related activities not included in Scope 1 or Scope 2	11,864	0.5%
4. Transportation and distribution (upstream)	87,021	3.4%
5. Waste generated in operations	3,562	0.1%
6. Business travel	3,145	0.1%
7. Employee commuting	5,494	0.2%
10. Processing of sold products	75,117	2.9%
12. End-of-life treatment of sold products	34,260	1.3%
Total	2,583,409	100%

Implementing third-party verification

In order to ensure the reliability environmental data disclosure, the Group has obtained third-party verification from SGS Japan Inc. Verification results for fiscal 2023 are as follows.

Verification target	Verification range	Results
Scope 1 and 2 (CO_2 emissions from energy use) and energy consumption	6 sites of the Organization, 5 domestic companies, 27 overseas companies	Scope 1: 7,083 t-CO_2 Scope 2: 49,937 t-CO_2
Scope 3, Category 1 (CO_2 emissions from purchased goods and services)	Products and services extracted from TS production control system	2,330,480 t-CO_2
Waste generated (including valuable waste)	6 sites of the Organization, 5 domestic companies, 26 overseas companies	16,203 t
Water intake		422,134 m^3

Long-term environmental targets

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

Item	KPI	Term for comparison	2030 target	2050 target
CO_2	CO_2 emissions reduction rate*1	Comparison with FY2020	-50%	-100%
Waste	Waste reduction rate*2	Comparison with FY2020	-50%	-100%
Water	Water intake and wastewater reduction rates*3	Comparison with FY2020	Water intake reduction rate -50%	Wastewater reduction rate -100%
	Environmental impact from wastewater*4	—	Zero	Zero

*1 CO_2 emissions reduction rate (Scope 1 and 2) resulting from the Group's business activities
*2 Reduction rate for waste resulting from the Group's manufacturing activities (excluding residue, sludge, etc.)
*3 Reduction rate of water intake (amount used) at the Group's production facilities and reduction of wastewater resulting from manufacturing activities
*4 Environmental impact of wastewater resulting from the Group's manufacturing activities

Initiatives for Respecting Human Rights

The TS TECH Group recognizes that all of its business activities are premised on respect for human rights. We promote initiatives to respect the human rights of all people involved in our business, guided by the TS TECH Human Rights Policy. By working together with our stakeholders to put this policy into practice, we strive to remain a company that meets expectations and is sincerely appreciated by all.

TS TECH Human Rights Policy

(Excerpts from the main text only)

Our Commitment to Respecting Human Rights

TS TECH Group understands that all business activities, ranging from product development, procurement, manufacturing, logistics and sales, have a potential to affect human rights. We recognize the importance of human rights from the perspectives of those who may be impacted by these activities.

We value and respect human rights as expressed in the International Bill of Human Rights which includes The Universal Declaration of Human Rights and the core labor standards from ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work. In addition, with our aim to help contribute to an all-inclusive society where no one is left behind, we strive to adopt these practices in our business activities by endorsing the United Nations Guiding Principles on Business and Human Rights.

Furthermore, we comply with the laws and regulations of respective countries and regions where we conduct our business. If the local laws and regulations have conflicts with the internationally recognized human rights, we will pursue ways to respect the internationally recognized human rights to the greatest extent possible.

Scope of Application

TS TECH Group will enforce the Policy to be applied to all executives and associates (including part-time associates, contractors, temporaries, and such). We also hope and expect that all our business partners will understand the Policy and provide endorsement.

Governance

TS TECH Group positions respect for human rights as one of our key management issues, and we will clearly specify the director responsible for the development and implementation of the Policy, while maintaining an appropriate internal structure. The Policy will be reflected in the necessary business policies and procedures.

Implementation of Human Rights Due Diligence

TS TECH Group evaluates the impact of our business activities on human rights and identifies any adverse impact on human rights. In addition, we establish and continuously implement a system for human rights due diligence to prevent or mitigate such impact.

Remedy and Correction

TS TECH Group commits to take appropriate measures to correct or remedy, if it becomes clear that business activities have caused or contributed to adverse impact on human rights. In addition, we will establish a grievance process that can be used by related parties who may be adversely affected.

Dialogue and Consultation with Stakeholders

TS TECH Group will utilize its internal and external expertise on human rights and engage in dialogue and consultation with concerned stakeholders to improve the quality of human rights initiatives and for the continuous improvement.

Education

TS TECH Group undertakes appropriate education and awareness-raising activities to facilitate an understanding of the Policy and putting it into practice.

Information Disclosure

TS TECH Group discloses information on our efforts to respect human rights through our corporate website and other means appropriately.

The Policy was approved by Board of Directors in June 2023.

Human Rights Due Diligence

We have established systems to prevent or mitigate adverse human rights impacts on society, such as making requests to business partners and conducting risk assessments, in accordance with the TS TECH Human Rights Policy. All group companies participate in the compliance and risk assessments (TSCG self-verification system) conducted periodically by TS TECH, and we are working together as a group to reduce human rights infringement risks.

Fostering a Greater Awareness of Human Rights

In addition to promoting awareness of the TS TECH Human Rights Policy internally, we distribute the Corporate Principles Manual containing TS TECH's Code of Conduct, which includes content on respecting human rights and improving work environments, and we provide awareness-raising education to employees. Our Group companies in and outside Japan base their own manuals on our Corporate Principles Manual, tailoring them to reflect local culture, customs, and laws in each region. All Group employees also receive training to foster a deeper understanding of human rights.

Supply Chain Initiatives

Supply Chain Management Policy

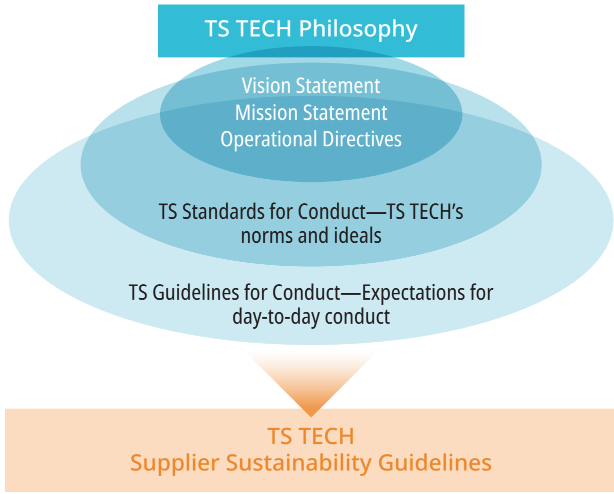
In order to coexist harmoniously with society and be a company sincerely appreciated by all and whose presence is valued by all of its stakeholders, management focused on ESG-related issues, not just the pursuit of profit, is necessary.

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

Application of TS TECH Supplier Sustainability Guidelines

We established the TS TECH Supplier Sustainability Guidelines to share and promote our views on sustainability with our business partners. We ask all business partners to comply with these guidelines in the following six categories: (1) Safety and Quality, (2) Human Rights and Labor, (3) The Environment, (4) Responsible Mineral Sourcing, (5) Compliance, and (6) Information Disclosure. In August 2023, we revised the guidelines, mainly enhancing the two areas of "Human Rights and Labor" and "The Environment" in response to social changes.

The guidelines are posted on the company's website and shared with all suppliers in and outside Japan. We also use a survey to verify compliance with these guidelines by our business partners in Japan. We surveyed a total of 121 partners in fiscal 2023. As a result, we were able to confirm that all partner companies maintain the same understanding of these guidelines as the TS TECH Group. The Group recognizes these initiatives as part of its materiality (key material issues), continues them annually, and since fiscal 2024 will work to roll them out to suppliers outside Japan as part of efforts to build a sustainable supply chain.



Category	Content
1. Safety and Quality	• Provide products and services that meet consumer and customer needs • Provide appropriate information about products and services • Enforce governance over safety and quality of products and services • Guarantee safety and quality of products and services
2. Human Rights and Labor	• No discrimination and respect and acceptance toward diversity • Respect of human rights and no harassment • No child labor • No forced labor • Compliance with laws and regulations regarding wages • Compliance with laws and regulations regarding working hours • Respect to freedom of association and collective bargaining rights • Adherence to occupational health and safety • Respect to the rights of local residents and indigenous people
3. The Environment	• Environmental management • Reduce greenhouse gas emissions • Environmental preservation of air, water, soil, etc. • Efficient use of resources • Chemical substance management • Conservation of biodiversity
4. Responsible Mineral Sourcing	• Conflict minerals
5. Compliance	• Compliance with laws and regulations • Compliance with competition laws • Prevention of corruption • Prohibition of conflicts of interest • Confidential information controls and safeguards • Whistleblower protection • Export trade • Intellectual property protection • Exclusion of antisocial forces
5. Information Disclosure	• Disclosure of information to stakeholders

Basic Policy on Procurement

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

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

Four Principles of TS Procurement

(1) Fair Trade
When selecting a supplier, we offer our business to several candidates irrespective of their nationality, size, or past transactions and finalize our choice in a fair manner by comprehensively evaluating their ability to offer superior quality, expertise, price, delivery, and other elements, as well as competitiveness, rationality, efforts for business security and other relevant matters.

(2) Mutually Beneficial Transactions
We share with our trade partners business challenges such as development and competitive pricing, set goals from a common perspective, and conduct joint efforts to achieve targets. We afford the highest priority to mutually beneficial transactions in terms of results thus obtained and make continuous efforts to strengthen trust as the basis of mutually beneficial relationships.

(3) Environmental Responsibility
In our corporate activities, we attach the greatest importance to global environmental preservation under all circumstances. Accordingly, we practice "green purchasing," granting preference to environmentally responsible products, services, companies, etc.

(4) Legal Compliance and Confidentiality
We respect the principle of legal compliance and thoroughly observe relevant laws and regulations and generally accepted norms. We handle with the greatest care all kinds of information obtained from our customers and trade partners and make the utmost effort to prevent the loss or misuse of such information.

Other Major Initiatives for Supply Chain Management

Annual conference with major business partners

The TS TECH Group facilitates communication with business partners by providing opportunities to share information regarding purchasing strategies and policies. We hold an annual conference with major suppliers to explain our medium-term management plan and operating policies and to exchange information. After switching to video distribution due to the COVID-19 pandemic, in April 2023 we held an in-person meeting for the first time in four years, strengthening unity with each company to promote our 15th Medium-Term Management Plan by working together as one.

Annual conference with major business partners

Supply chain risk management

To address procurement risks, the TS TECH Group works to prevent all "events that impact production," including natural disasters, fires, and financial challenges affecting its business partners. After visualizing information from upstream to downstream in the supply chain, we identify procured parts concentrated on a single supplier as "high-risk parts." We implement initiatives in cooperation with suppliers to prepare for contingencies like natural disasters and secure alternative procurement sources. As an initiative to minimize risk, we are also working to consolidate and streamline supply chains that have become complex in terms of distribution channels and hierarchy.

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

Business partner assessments

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

Promoting environmental activities

CO_2 emissions from Category 1 "Purchased goods and services" in Scope 3 account for 88.3%* of the CO_2 emissions from the TS TECH Group's business activities including the supply chain. We therefore recognize the importance of reducing emissions at our suppliers. Starting in April 2023, we have presented CO_2 emissions reduction targets not only to suppliers in Japan but also to suppliers worldwide, promoting reduced emissions across our entire supply chain. To incorporate more specialized knowledge and increase effectiveness, we held an online Carbon Neutrality Seminar with an external lecturer and rolled out an effective emissions reduction process to our suppliers. In this manner, rather than unilaterally demanding reductions, we work together with suppliers to reduce CO_2 emissions across the entire supply chain.

* Percentage of total Group CO_2 emissions in fiscal 2023


Carbon Neutrality Seminar

We also examine components to ensure they do not contain chemicals prohibited by laws and regulations in each country and region. We do not permit the use of chemicals prohibited by laws and regulations, even in manufacturing processes within supplier companies. Additionally, we have established rules to monitor the emissions of specified chemical substances designated by laws and regulations, and to report any issues that may arise to the relevant government.

Survey on conflict minerals

The TS TECH Group's procurement activities are founded on a basic policy of not using conflict minerals* in order to prevent the flow of funds to armed forces and situations that violate human rights. As part of this process, the Group checks whether conflict minerals originating in or near the Democratic Republic of the Congo, as designated by the Dodd–Frank Wall Street Reform and Consumer Protection Act of the United States, are used in our products. In light of the recent increasing risk of social human rights infringement, we have also expanded our examination to include cobalt.

In this examination, we probe the origin of minerals, and if we identify a mineral of concern, we take appropriate measures in cooperation with the supplier.

* Refers to the four minerals: tin, tantalum, tungsten, and gold.

Compliance with the Antimonopoly Act and prohibition of corruption

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

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

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

Comment

Building Robust Partnerships to Improve Corporate Value Together

As a global supplier to TS TECH, we have supplied products such as the high-precision fastening parts that are used in automobile seat frames for over 30 years.

In recent years, based on the TS TECH Supplier Sustainability Guidelines, we have worked together to improve overall QCDDM and ESG performance. We believe these activities have shifted our partnership toward even more robust cooperation, enabling us to achieve competitive pricing and quality while ensuring stable product supply even in uncertain conditions. We also believe being selected for the Supplier Award four years in a row testifies that these activities have been effective.

Moving forward, we will use our own technology and expertise to create new value, as we strive to balance the pursuit of economic value and the creation of social value via sound business activities emphasizing ESG performance. We will pursue sustainable growth while practicing TS TECH's vision statement of "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all."

Mamoru Shibasaki
President and CEO
Ohashi Technica, Inc.

Human Resources Strategy

The TS TECH Group upholds "A company dedicated to realizing people's potential" as one of its corporate philosophies, believing that "people are the decisive factor in a company."

With this thinking as the foundation of our human resources strategy, we strive to maximize the value creation capabilities of every employee by providing a comfortable working environment, strengthening human resources, and fostering the desire to grow and contribute. This, in turn, helps to increase our corporate value.

Creating employee-friendly workplaces

Efforts to Help Our Diverse Workforce Thrive

We recognize the importance of diversity and promote various initiatives so that diverse human resources can leverage their individual abilities to excel.

Promoting women's participation

After gathering input widely from employees, we have undertaken initiatives including introducing maternity uniforms, publishing childcare support guidebooks, and establishing in-house nurseries, thereby earning various government certifications.

Kurumin Certification (May 2015)
Certified as a company that supports childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children

Eruboshi Certification (October 2016)
Certified as a company with the highest rating of 3 stars for outstanding measures to promote participation by women in the workplace

Transferring skills of veteran employees

We have extended the retirement age to 65 and enabled each employee to choose their own retirement timing after turning 60. By developing an environment where veteran employees can continue working, we have increased options for individual life plans while securing a period for them to pass on their specialized skills and knowledge, thereby enhancing business continuity.

Employment of people with disabilities

We undertake various initiatives to hire and retain people with disabilities. For job seekers, we provide work experience opportunities to deepen understanding of job content so they can join the company with peace of mind. We regularly communicate with Hello Work public employment security offices and vocational support centers to improve workplaces to suit the needs of those with disabilities. Additionally, we conduct employee questionnaires and interviews to identify and improve challenges faced by employees with disabilities

Enhancing Work–Life Balance

We have established various systems to help employees balance work and home life and allow them to select from diverse work styles the one that suits their current life stage.

In terms of paid leave, we are working to put in place a system offering greater convenience for employees, including allowing paid vacations to be taken in half-day increments. As a result of this and other efforts, TS TECH has maintained a high rate of paid leave use among employees, as exemplified by our placing seventh (with a 98.5% 3-year average usage rate) among the 1,702 companies surveyed by Toyo Keizai Inc. in its 2023 ranking of the 200 companies in Japan with the highest rate of paid leave use.

In addition, we are also promoting work-style diversification by enhancing each system, such as by introducing flexible working hours without core time and a telecommuting system to improve labor productivity through efficient time allocation, and by extending the availability of part-time work until a child completes elementary school.

By enabling flexible work styles with these initiatives, we are supporting a balance between work and parenting/family caregiving commitments and enhancing work–life balance.

Promoting Occupational Safety and Health Management

Our Basic Policy on Occupational Safety and Health states, "Based on our philosophy of 'A company dedicated to realizing people's potential,' we position safety and health as fundamental to business activities and aim to continuously improve the workplace environment." Starting in 2023, we have been deploying occupational safety and health management system activities based on ISO 45001. We aim to create safe and healthy workplaces by implementing systematic measures to prevent occupational accidents while also pursuing human resource development, such as improving employees' risk reduction capabilities with training and conducting risk assessments at each site.

In terms of health management, we make various efforts to improve employee health. In addition to implementing stress checks, we have systems in place to allow employees who feel mental or physical distress to receive specialized care early on, using partnerships with various medical specialists. We also regularly hold in-house training to promote proper understanding of mental health.

Outcome	• Active participation of diverse human resources in a workplace environment where everyone can work with peace of mind ▶ pp. 125–126 • Improved operational efficiency and fewer long working hours through diverse work styles

Strengthening human resources

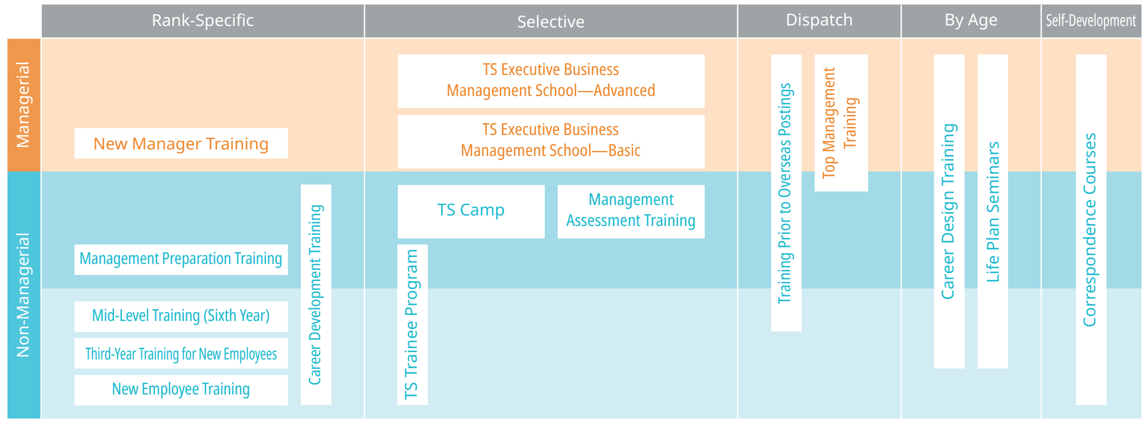
Human Resource Development through Diverse Training Systems

We have incorporated management-related content such as finance, accounting, and marketing into the curricula of each rank-specific training program. Our aim in this is to further enhance the motivation and capabilities of all employees while also fostering managerial talent. We are also working to increase training efficiency, including by offering trainings online, and to expand educational opportunities for employees to proactively build their desire to learn.

Educating Employees about the TS TECH Philosophy and Putting It into Practice

We continuously conduct TS TECH Philosophy Education so that each and every employee understands the concept that "the existential value of TS TECH can only be found by embodying the 'TS TECH Philosophy'" as a shared value and puts this into practice. We are also working to expand efforts to share success stories involving employees who put the TS TECH Philosophy into practice.

Education and training programs



Outcome	• Fostering the next generation responsible for sustaining the TS TECH Group's growth • Maximizing corporate value by ensuring each employee practices the TS Philosophy

Fostering motivation to grow and contribute

Improving Motivation with Fair Evaluations

We enhance employees' willingness to take on challenges and make contributions by properly evaluating actions and results commensurate with each employee's role and rewarding them accordingly with compensation, rank, commendations, etc.

In addition, employees receive feedback from superiors at least twice a year regarding work performance and the acquisition and demonstration of skills in order to make them aware of their performance and encourage growth.

Fostering a Management Participation Mindset

We have introduced an incentive system using an employee stock ownership plan to foster a mindset among employees of participating in management from the same perspective as shareholders.

• Employee stock ownership plan participation rate: 85.0% [Fiscal 2023 (non-consolidated)]

Initiatives to Deepen Mutual Understanding Among Employees

We conduct an annual engagement survey with the aim of building a workplace environment where all of our diverse employees can find meaning in their work. In this survey, we define engagement as "mutual understanding between the company and employees," and measure satisfaction with and expectations of various factors such as job content, organizational culture, systems and benefits, in order to grasp the current situation and identify issues.

Our 2030 target is to achieve the top Engagement Rating among the 11 levels, which is AAA. Efforts to make improvements tailored to each workplace, such as further enhancing the evaluation system and encouraging communication among employees, translate to enhancing employee motivation and strengthening organizational capabilities and labor productivity.

• Engagement rating: C [Fiscal 2023 (non-consolidated)]

Outcome	• Deepening trust with employees with proper evaluation and dialogue • Fostering a sense of unity to improve performance based on a management participation mindset

Corporate Governance

Basic Policies

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

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

(3) Ensuring Appropriate Information Disclosure and Transparency
We shall actively disclose information in order to be a company sincerely welcomed by all of our stakeholders, and we shall manage our business with transparency and good faith.

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

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

November 2015, Resolution of the Board of Directors

Basic Policy on Corporate Governance

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

TS TECH endorses the Tokyo Stock Exchange's Corporate Governance Code and has set the above basic policies accordingly. We will continue to work to strengthen our governance system in line with the intent and spirit of the Code.

The Operation of an Internal Control System

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

Recent governance reforms

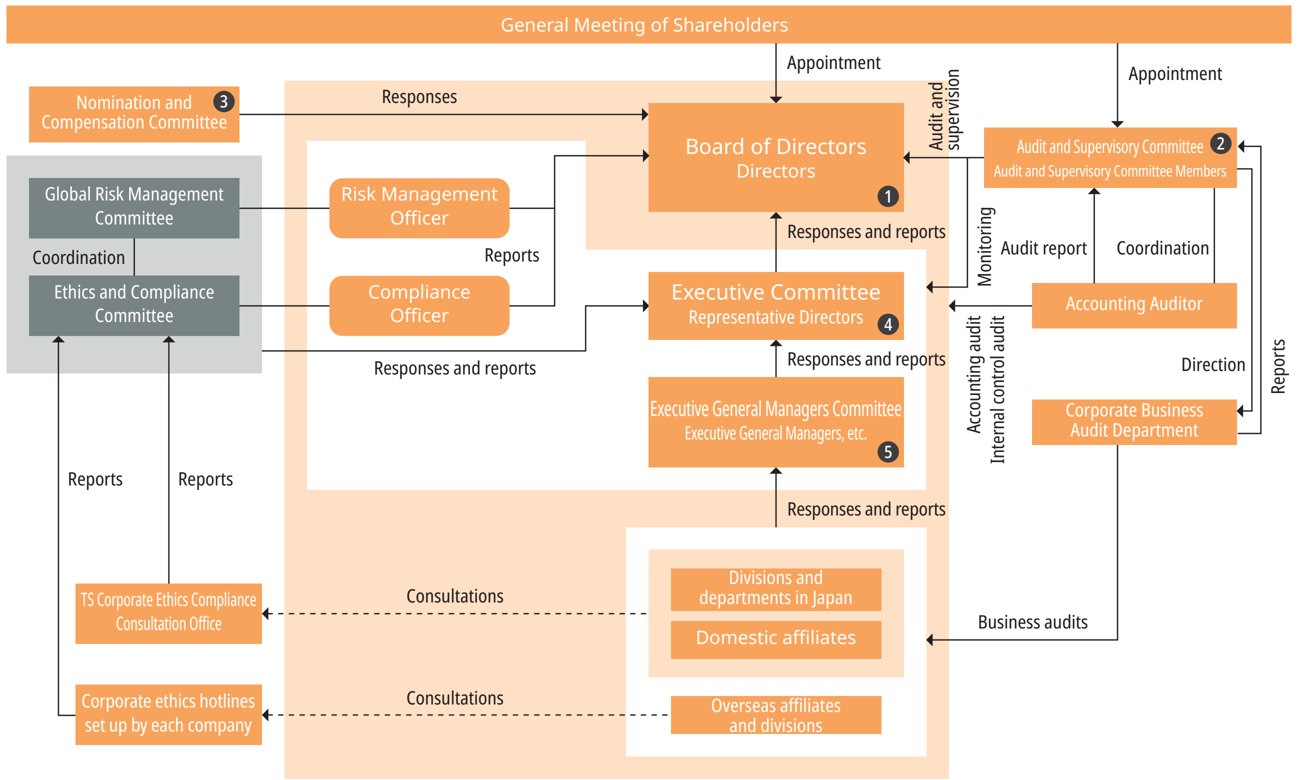
Fiscal 2021
- Appointed an outside director as chairperson of the Board of Directors

Fiscal 2022
- Transitioned from "a company with a Board of Auditors" to "a company with an Audit and Supervisory Committee" structure
- Established the Nomination and Compensation Committee
- Introduced restricted stock compensation scheme for directors
- Appointed first woman to the Board of Directors

Fiscal 2023
- Moved to Prime Market of the Tokyo Stock Exchange
- Appointed second woman to the Board of Directors

14th Medium-Term Management Plan

Governance System Diagram



❶ Board of Directors — The Board of Directors is composed of 10 directors (excluding directors who are Audit and Supervisory Committee members) and four directors who are Audit and Supervisory Committee members. The Board of Directors makes decisions regarding management policies, important management issues, and matters mandated by laws and regulations. It also supervises the execution of business operations.

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

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

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

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

Group Governance Structure

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

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

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

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

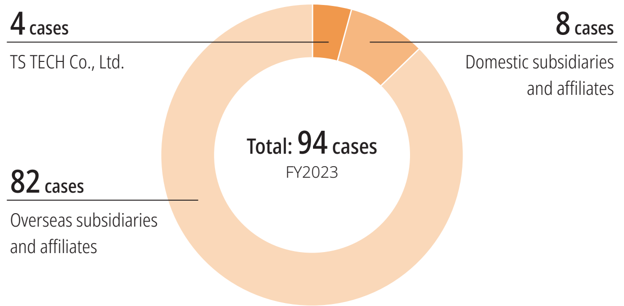
Compliance Framework

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

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

We have established a whistleblower hotline called the TS Corporate Ethics Compliance Consultation Office, which enables employees to bring issues before compliance officers, who respond with rapid, effective investigations and corrective guidance in the event of a problem. Including affiliates in and outside Japan, the Group receives around 100 ethics and compliance inquiries a year, which includes consultations and other cases handled by the TS Corporate Ethics Compliance Consultation Office. In fiscal 2023, the Group had a total of 94 cases. Continuous operation of this framework promotes internal self-improvement.

Ethics and compliance issues
Number of issues recorded (consolidated)



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

Risk Management Framework

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

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

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

Global Risk Management Committee

The Global Risk Management Committee was established as an advisory committee to the Executive Committee to help ensure appropriate identification and control of the various risks affecting global business activities in the 13 countries around the world where TS TECH does business, and to solidify the sustainability and stability of the business.

In addition, by forming regional risk management committees in each region, risks specific to those geographic segments are identified and risk mitigation measures are promptly advanced. TS TECH has also worked to conduct emergency response training that anticipates a range of risks, such as the most frequently occurring natural disasters in each geographic region, or the outbreak of an infectious disease.

In fiscal 2023, TS TECH identified four major risks and pursued the appropriate corresponding risk mitigation measures.

Four Major Risks

1. Crisis Management in Emergencies
[Target]
Communicable & infectious diseases/virus/wind or flood damage/earthquake/conflict/riots or terrorism
[Main measures]
• Preparation and enhancement of initial response task list at place where event occurred
• Continuous implementation of natural disaster response training

2. IT Security
[Target]
Leakage or loss of information and cyberterrorism
[Main measures]
• Review of all companies' critical systems backup methods
• Survey status of compliance with IT policy and guidelines
• Cybersecurity countermeasures
(Enhanced monitoring systems, education about dealing with suspicious emails, etc.)

3. Stoppage of Parts Supply
[Target]
Raw material supply shortages/supplier bankruptcy/trade-related, import-export issues
[Main measures]
• Understand and manage the status of the supply chain for stable procurement of components
• Enhance monitoring of supplier-side financial risks

4. Fires
[Target]
Fire sources:
Welding/electric leakage or current surge/hazardous materials
[Main measures]
• Inspection based on Group-wide integrated items and cross-cutting management by the department responsible
• Formulation of management standards based on past incidents and implementation of on-site education

Tax Policy

The TS TECH Group follows the TS TECH Group Tax Policy based on the TS TECH Philosophy, seeking to minimize tax risks while maintaining transparency and to fulfill appropriate tax obligations and social responsibilities, and in so doing, to contribute to the development of the communities in which the Group operates.

TS TECH Group Tax Policy

1. Tax Governance
The Group values strengthening tax governance and views it as one of the most important management issues. The Policy was approved by TS TECH's Board of Directors, who are ultimately responsible for tax governance.

2. Compliance
By committing to instill and establish awareness of compliance amongst its employees, the Group complies with and strives to always form the correct understanding on both spirit and the letter of tax laws and regulations in each country and region in which it operates to appropriately address its tax declaration and tax obligations.

3. Tax Planning and Tax Havens
The Group will determine investment and business activities according to its business objectives and economic rationality. The Group does not use business entities without commercial substance and tax havens to engage in tax avoidance or carry out activities such as profit shifting to low-tax countries for the sole purpose of avoiding tax.

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

5. Minimal Tax Risk
The Group conducts appropriate accounting and tax measures in accordance with the respective tax systems and tax administrations of each country and region in which it operates. When complex, unclear tax matters arise, the Group minimizes tax risks by consulting with external experts and tax authorities in advance.

6. Relationship with Tax Authorities
The Group sincerely responds to provide timely and accurate information to tax authorities of each country and region in which it operates to mitigate tax risks and to maintain sound relationships built on trust and cooperation.

August 2023, Resolution of the Board of Directors (Revised)

Intellectual Property Management

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

Policy and Action against Antisocial Forces

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

Disclosure Policy

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

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

Information disclosed at meetings with our investors shall be limited to information that has already been disclosed in earnings announcements and other public statements, as well as facts that are already in the public domain, and no undisclosed important facts shall be mentioned in meetings. Furthermore, in order to prevent the leakage of financial information, we shall designate the period from the end of each fiscal period up to announcement of financial results as the "IR restraint period," during which no comments shall be made or questions responded to about the financial information in question.

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

Board of Directors

REPRESENTATIVE DIRECTOR, PRESIDENT
Masanari Yasuda
Director in Charge of Quality Assurance, and Development
Number of shares of the company held: 75,488 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

REPRESENTATIVE DIRECTOR, VICE PRESIDENT
Yoshitaka Nakajima
Director in Charge of Administration, Business Administration, and Corporate Managerial Planning, Compliance Officer
Number of shares of the company held: 35,037 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

REPRESENTATIVE DIRECTOR, SENIOR MANAGING DIRECTOR
Kenichi Hasegawa
Director in Charge of New Business, Sales, Purchasing, and Manufacturing, Risk Management Officer
Number of shares of the company held: 26,615 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

DIRECTOR, SENIOR MANAGING OFFICER
Akihiko Hayashi
Americas Segment Executive General Manager, President, TS TECH AMERICAS, INC.
Number of shares of the company held: 15,368 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

DIRECTOR, SENIOR MANAGING OFFICER
Atsushi Igaki
Corporate Business Administration Division Executive General Manager, Representative Director, Honda Cars SAITAMAKITA
Number of shares of the company held: 13,129 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

DIRECTOR, MANAGING OFFICER
Eiji Toba
Corporate Development and Engineering Division Executive General Manager
Number of shares of the company held: 11,448 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

DIRECTOR, MANAGING OFFICER
Takahiro Kobori
Corporate Sales and Purchasing Division Executive General Manager
Number of shares of the company held: 12,153 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

DIRECTOR, MANAGING OFFICER
Yasushi Suzaki
Corporate Manufacturing Division Executive General Manager
Number of shares of the company held: 9,947 shares
Meetings of the Board of Directors attended: 100% (13/13 times)

DIRECTOR (Outside Director)
Takeshi Ogita
Chairperson of the Board of Directors, TS TECH Outside Director, Japan Hades Co., Ltd.
Number of shares of the company held: 1,574 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

DIRECTOR (Outside Director)
Kaori Matsushita
CEO, K&L Consulting LLC, Outside Director and Audit & Supervisory Committee Member, Taisei Oncho Co., Ltd., Outside Director, Belc CO., LTD.
Number of shares of the company held: 483 shares
Meetings of the Board of Directors attended: 100% (11/11 times)

DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER
Tatsuo Sekine
Number of shares of the company held: 13,254 shares
Meetings of the Board of Directors attended: 100% (14/14 times)
Meetings of the Audit and Supervisory Committee attended: 100% (15/15 times)

DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Hajime Hayashi
Chairperson of the Nomination and Compensation Committee, TS TECH Representative, Sazanka Law Office
Number of shares of the company held: 693 shares
Meetings of the Board of Directors attended: 100% (14/14 times)
Meetings of the Audit and Supervisory Committee attended: 100% (15/15 times)

DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Tomoko Nakada
Representative, Tokyo Heritage Law Firm
Number of shares of the company held: 1,119 shares
Meetings of the Board of Directors attended: 100% (14/14 times)
Meetings of the Audit and Supervisory Committee attended: 100% (15/15 times)

DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Kenichi Naito
Number of shares of the company held: 0 shares
Meetings of the Board of Directors attended: —%
Meetings of the Audit and Supervisory Committee attended: —%

Note: Career and positions and number of shares of the company held: As of June 23, 2023 (As of the date of submission of the Annual Securities Report)
Attendance of each meeting: April 1, 2022–March 31, 2023

Selection of Directors

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

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

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

■ Nomination and Compensation Committee ■ Outside directors ■ Independent directors

Appointments of Outside Directors

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

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

Reasons for appointments of outside directors

Name	Reasons for appointment
Takeshi Ogita	Mr. Ogita was engaged in the management of a pharmaceuticals company for many years. Based on his extensive experience and broad insight as a corporate manager, he provides beneficial opinions and suggestions on the management of the Company as an Outside Director. We selected him as Outside Director, in the expectation that he can continue to contribute to ensuring the soundness of management, by reflecting his extensive experience and insight in the management of the Company. He serves as Chairman of the Board of Directors from June 2022.
Kaori Matsushita	Ms. Matsushita has extensive experience and insight gained through the planning and promotion of new business and corporate alliance strategy at a comprehensive IT vendor, and diversity management support at a consulting company. We selected her as Outside Director, in the expectation that she will continue to contribute to enhancing diversity and ensuring the soundness of management of the Company.
Hajime Hayashi	Mr. Hayashi has broad insight and extensive experience as an attorney. Since his appointment as Outside Director of the Company, he has appropriately performed audits, such as by giving advice on the management of the Company as necessary. We selected him as Outside Director who is an Audit & Supervisory Committee Member, in the expectation that he can continue to contribute to ensuring the soundness of management, and the audit and supervision of the Company's management.
Tomoko Nakada	Ms. Nakada has extensive overseas experience and broad insight as an attorney. Since her appointment as Outside Director of the Company, she has appropriately performed audits, such as by giving advice on the management of the Company as necessary. We selected her as Outside Director who is an Audit & Supervisory Committee Member, in the expectation that she can continue to contribute to ensuring the soundness of management, and the audit and supervision of the Company's management.
Kenichi Naito	Mr. Naito has extensive experience and insight through financial accounting, domestic and international sales, supervising sales of group companies, corporate management at a major general chemicals manufacturer as well as auditing duties as an auditor. We selected him as Outside Director who is an Audit & Supervisory Committee Member, in the expectation that he can contribute to ensuring the soundness of management, and the audit and supervision of the Company's management.

Remuneration Policy

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

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

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

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

Analysis and Evaluation of the Board of Directors' Effectiveness

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

Fiscal 2023 evaluation process

	Details
1. Each director conducts a questionnaire-based self-evaluation (February–March 2023)	Subjects: All directors Aggregation method: Anonymous questionnaire responses. External organization commissioned to perform aggregation. Evaluation items: (Board of Directors' composition) Board of Directors' composition, level of diversity, number of independent directors, etc. (Deliberations and resolutions) Strategy monitoring, business portfolio optimization, appropriate allocation of management resources, etc. (Operation of the Board of Directors) Number of items for deliberation, frequency of meetings, amount of time spent deliberating and time distribution, the system for providing information necessary for deliberations, etc. (Individual framework evaluations) Executive compensation scheme, management appointment and dismissal process, structural process construction for the risk assessment system, etc.
2. Board of Directors conducts discussions and summarization (May 2023)	The overall effectiveness of the Board of Directors is analyzed and evaluated on the basis of the questionnaire results, as well as comparisons with the previous fiscal year's evaluation results, and trends seen in responses to each of the questions. Deliberations are held on policies to be taken to further increase effectiveness.

Evaluation results and future initiatives

Overall evaluation results

- Our Board of Directors was evaluated as making progress in ensuring diversity in its composition, as holding active discussions in which each director makes use of their respective expertise and experience, and as maintaining its effectiveness.
- Outside directors are provided with advance explanations and information on Board meeting proposals. However, there can still be understanding and perception gaps between outside and internal directors pertaining to such matters as industry and competitor trends. The provision of supplementary information is therefore required.

Future initiatives

- Ongoing consideration of steps to take to address anticipated issues regarding the number of directors and ensuring the Board's diversity
- Provide opportunities for free-flow, unrestrained discussion at Board of Directors' meetings in order to tap the expertise and gain the broad perspectives and opinions of each outside director on themes such as growth and human resources strategies, and manage operations efficiently to ensure sufficient time for such discussions

Development and Selection of Successors

The TS TECH Group has set out the qualities, skills, and experience we seek in the people who will take on responsibility for management as directors and executive officers. We offer selective training and other programs to develop the successors who will drive the company's future success.

In our step-by-step selective training programs for managers and general managers, we aim to nurture human resources with advanced interpersonal skills, dignity, and management capabilities. We do this by enhancing the skills and knowledge required of managers, such as skills in management strategy and financial accounting, as well as broadening perspectives, using various curricula.

At the stage where we select our successors, the Nomination and Compensation Committee, chaired by an outside director, determines director and executive officer candidates' suitability as next-generation management personnel, including their career background, areas of expertise and personality. After a process of careful deliberation the final decision is made by the Board of Directors.

Takeshi Ogita
Independent Outside Director
(Chairperson of the Board of Directors)

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

Increasing the effectiveness of the Board of Directors to achieve our 2030 Vision

Since being appointed as chairperson of the Board of Directors in June 2022, I have been fortunate to benefit from the diverse range of experience and knowledge possessed by my fellow Board members. Our active discussions have enabled decision-making that contributes to the enhancement of corporate value. The move to appoint an outside director as chairperson of the Board of Directors took place in 2020. The following year, we transitioned to "a company with an Audit and Supervisory Committee" structure and established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors. By taking steps like these, we have continued to move toward our aim: constructing a highly objective and transparent corporate governance system. At the same time, appropriate authority is delegated to executive officers, making for a system that enables prompt decision-making by the Board of Directors and serves to deepen discussions on agenda items.

For example, the Board receives monthly reports on consolidated results and business segments. However, these meetings are not just a reporting exercise; they also involve discussions on issues related to deviations from formulated plans and how to respond to those issues. Board decisions on how various matters should be handled are then conveyed to the executive team. Similarly, the Board also receives a monthly report on product quality, with information on the status of delivery defects at each business site shared with directors. Continuously providing high-quality products is one of our strengths, and indeed, the lifeline on which our business depends. Although the work of quality control is not something that may be immediately apparent, for a manufacturer like us, it is a critical cornerstone for protecting our business. It is therefore of the utmost importance to make it clear to people at all worksites that the Board of Directors is constantly appraised of the situation in a regular reporting process. To those who may think this approach is micro-management, I would suggest that "God is in the details." I very much appreciate the Board's commitment to getting involved in the minutiae of business operations.

The 14th Medium-Term Management Plan concluded at the end of March 2023. During the past three years, the Group's operations have been severely impacted by unprecedented changes in the external environment, including the COVID-19 pandemic and global semiconductor supply shortages. In the face of such circumstances, I believe that the company deserves praise for being able to secure a certain level of revenue and profit. This is truly thanks to the efforts of all employees, who helped us deliver stable product supply through strengthened cooperation both inside and outside the Group, implement new work styles, and make thorough cost reductions. In addition, we have made progress on various measures preparing for future business growth, including growing sales in new business areas and announcing our next-generation automotive cabin, "XR Cabin." In the area of ESG performance, we made significant progress by identifying material issues and setting out medium- to long-term targets for these. The 15th Medium-Term Management Plan is formulated with a view to driving even further progress, and it reflects management's determination to achieve our 2030 Vision. A plan is only meaningful, however, if it is duly implemented. The Board of Directors will carefully monitor progress on the achievement of the medium- to long-term targets and provide guidance as necessary.

Three years have passed since I was appointed an outside director, and my abiding sense is that TS TECH is a "diligent company grounded in technology." Looking ahead, it is likely that the pace of change will continue to quicken. I hope that everyone in the company, from young employees to management, will continue to work together to face all challenges, so that we can deliver our advanced technologies to the world, while firmly maintaining the technologies and culture we have built so far.

Diverse human resources as the dynamo for innovation

The year 2022 will be remembered as a time of struggle that was fraught with unforeseen social situations and great challenges, ranging from delayed market recovery following the COVID-19 pandemic to semiconductor supply shortages, and the impact of the conflict in Ukraine. Under these circumstances, the TS TECH Group pressed forward with various initiatives, seeking not only to survive but to achieve further growth, based on our vision statement of being "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all."

First, with regard to "A company dedicated to realizing people's potential," in Japan, where companies are facing labor shortages due to an aging society and falling birthrate, it is people who are the most important management asset for a company's efforts to remain sustainable. Sustainability is underpinned by diversity and inclusion (D&I), and the strength of management commitment is the decisive factor in this area. The TS TECH Group positions fostering D&I as an important management challenge. We aim to build a corporate culture that is accepting of the individual characteristics and background of every employee, including gender, age, nationality, religion, culture, and background, and empowers each individual to make the most of his or her abilities. To achieve this aim, we are following a dual approach of reforming awareness across all organizations and implementing specific measures to respond to challenges that minorities face. Although it will take time for these initiatives to bear tangible results, we have made a solid start in fostering the kind of corporate culture we aspire to.

One of the immediate challenges we face is women's under-representation in management and executive positions. The low proportion of women in the automotive industry's workforce has been a perennial challenge. TS TECH is in a position similar to the rest of the industry, in that there are fewer women than men who have built a career track record. That situation notwithstanding, seeing how women working on our front lines truly shine in their jobs, I believe that in the not-so-distant future the many measures we are implementing now will bear fruit and we will see female executives who were employees.

Next, with regard to being "A company sincerely appreciated by all," in a period of dizzying change for the automotive industry, if we are to continue to provide value that pleases our stakeholders, we must continue to create innovation. The TS TECH Group is actively engaged in various initiatives to boost competitiveness, including focused efforts on digital transformation, such as automation of production processes and AI-enabled data analysis. What is more, in the period of the 15th Medium-Term Management Plan, with an eye on the next generation of vehicles, we are stepping up our efforts to develop new technologies in line with our growth strategy of "securing cabin coordination capacity." In order to continue to provide new value in the future as technological innovation accelerates, it is vitally important that we build strategic alliances with companies that possess technologies that can be applied anywhere in the world, at home or overseas. The key will be whether we can conclude future-oriented technological alliances. In addition, our corporate culture, which values both the diverse ideas that young talent brings in and vigorous discussion, is a true asset for the company. Providing mutual reinforcement by engaging in exchanges with other companies via technological partnerships, coupled with the development of the younger people in our workforce, should ultimately help to further accelerate innovation.

While the period of transformation the automotive industry is currently facing brings with it the risk of major market shifts, it could also provide our company with significant opportunities. As an outside director, I will continue to take part in management discussions with an objective perspective and contribute to promotion of the 15th Medium-Term Management Plan.

Kaori Matsushita
Independent Outside Director

Apr. 1982 Joined FUJITSU LIMITED
Apr. 2007 General Manager of Project Management Department, Alliance Management Division, Global Strategy Headquarters of FUJITSU LIMITED
Sep. 2013 Diversity Mentor of FUJITSU LIMITED
Apr. 2016 Senior Director, Global Marketing Headquarters of FUJITSU LIMITED
May 2019 CEO of K&L Consulting LLC (current)
June 2020 Outside Director and Audit & Supervisory Committee Member of Taisei Oncho Co., Ltd. (current)
May 2022 Outside Director of Belc CO., LTD. (current)
June 2022 Director, TS TECH (current)

Hajime Hayashi
Independent Outside Director, Audit and Supervisory Committee Member (Chairperson of the Nomination and Compensation Committee)

Apr. 1983 Joined Mie Labor Management Center
Apr. 1986 Registered as an attorney
Joined Owaki & Sumi Law Office
Apr. 1989 Joined Meiwa Law Office
May 1996 Representative, Sazanka Law Office (current)
June 2020 Auditor, TS TECH
June 2021 Director, TS TECH (Audit and Supervisory Committee Member) (current)
June 2023 Chairperson of the Nomination and Compensation Committee (current)

Management-led efforts to reform awareness will lead to enhanced corporate value

In June 2021, the company established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors. I have been a member of the committee since its inception. In June 2023, I was appointed chairperson, and in that role I am working to ensure that the committee's activities serve to enhance corporate value by strengthening governance of the nomination and compensation processes.

The primary role of the Nomination and Compensation Committee is to report to the Board of Directors on matters relating to the selection, dismissal, and compensation of directors and executive officers. In order to ensure objective and transparent decision-making, of the five members of the committee, three are outside directors, to ensure that deliberations benefit from external perspectives.

The criteria for the selection of candidates are stipulated in the regulations of the Board of Directors, and the selection of persons is made in accordance with these criteria. For executive officers, it is necessary to select people who possess the foresight and decision-making abilities necessary to lead an organization, who are bright and open-minded and capable of embodying the Group's vision statement of being "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all." As an outside director, I engage in impartial deliberations to determine whether the identified candidates are suitably qualified for the position. As for internal candidates, it is important to take steps such as spending more time with them in order to discern their qualities and personalities in greater depth, not relying only on the written information that is submitted.

With an eye on the next generation, another important agenda item for deliberation is succession planning. While executive officers are required to have general management skills, in order to win in a fast-changing automotive industry, the TS TECH Group needs talent capable of spearheading change and reform. Working together with other committee members and the personnel division, I will focus on leveraging our collective knowledge and taking an out-of-the-box perspective in selecting and developing successors.

Current officer compensation* is comprised of base compensation (60%), performance-linked compensation (25%), and stock-based compensation (15%), although there is room to debate whether this weighting is ideal for further enhancing management awareness. Also, regarding performance-linked compensation, it is necessary to consider indicators linked to the materiality KPIs as part of management's responsibility to ensure sustainability. Without being bound by convention and with the aim of taking the next step forward, I aim to contribute to further enhancement of corporate value by engaging in active discussions in the Nomination and Compensation Committee and other bodies.

* Compensation for Directors and Operating Officers, excluding Outside Directors and Directors who are members of the Audit and Supervisory Committee.

Overview of the compensation system

The company determines the amount of each form of compensation according to a compensation table, in accordance with rank, individual performance, and other factors.

For performance-linked compensation, from the perspective of value sharing with shareholders and employees, average percentages for the past three years for consolidated revenue and consolidated operating income, together with the rate of change over the previous fiscal year in dividend amount and the number of months of employee bonuses have been selected as performance indicators for the index.

Specifically, the company calculates the compensation amounts by multiplying a performance-linked compensation index coefficient calculated using the formula below by the amounts for each rank in the compensation table.

$$\text{Performance-linked compensation coefficient} = \left(\text{Average percentage for the past three terms for consolidated revenue} + \text{Average percentage for the past three terms for consolidated operating income} + \text{Rate of change in dividend amount} + \text{Rate of change in number of months of employee bonuses}\right) \div 4$$

* Each performance indicator is equally weighted. The performance-linked compensation index coefficient is limited to a maximum of 150%, and there is no minimum.

Reference: The performance-linked compensation index coefficient as determined for fiscal 2023 is detailed below.
- Average percentage for the past three terms for consolidated revenue: 132.5%
- Average percentage for the past three terms for consolidated operating income: 20.3%
- Rate of change in dividend amount: 133.3%
- Rate of change in number of months of employee bonuses: 100.0%

Tomoko Nakada
Independent Outside Director, Audit and Supervisory Committee Member

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

Solid governance and being a great place to work are our strengths

In recent years, TS TECH has strengthened its corporate governance framework, including transitioning to "a company with an Audit and Supervisory Committee" structure, as well as increasing the number of outside directors. The Board of Directors is chaired by Takeshi Ogita, an outside director, who ensures that proceedings are conducted appropriately from an objective and independent standpoint. The other outside directors are Kaori Matsushita, a woman who brings her experience and expertise in D&I and computer systems to the Board, and Hajime Hayashi and myself, who bring legal-related knowledge as attorneys. All outside directors engage actively in making recommendations. When I previously raised legal-related questions in response to a report about the initiation of business transaction with a new customer, TS TECH staff responded by engaging in negotiations with the customer and later reported to the Board of Directors that, "We were able to reduce future risks by taking actions in line with your observations." This is just one small example to illustrate how the views of outside directors are thoroughly reflected in management and business execution, and how the various experience and knowledge that outside directors possess is helping to strengthen the effectiveness of the Board of Directors.

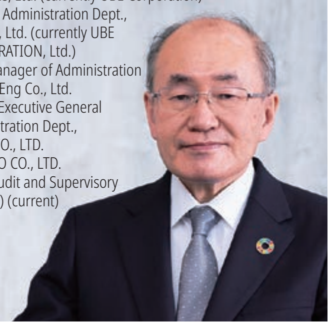
One outstanding governance-related challenge is the aspiration to appoint a non-Japanese director. There are many issues that need to be considered for such an appointment, and it may take some time for this to occur. However, in order to ensure that the Group can make further progress as a global company, the appointment of a non-Japanese director who understands and can put the TS TECH Philosophy into practice would be a significant decision.

One of the material issues identified by the company is to "offer rewarding working environments in which each and every employee makes the most of their diverse talents," and this will be key to enhancing corporate value, going forward. One young man, who has been able to fully utilize flextime work with no core hours, coupled with paid leave, to balance work and child-rearing, said with a smile, "No other company is so easy to work for." Looking across the company it is evident that the number of women in management positions is being steadily addressed. Through efforts to date, I feel that we have all become more accepting of each other's diversity, and that a foundation has been laid that will empower us all to work with enthusiasm. I look forward to seeing efforts continue to enable a diverse group of talented people to give their best in management positions and eventually as executive officers.

Greeting from new outside director

I have built my career to date at the UBE Group, a chemical and machinery manufacturer. With a uniquely manufacturing-oriented mindset that shares similarities with that at TS TECH, yet equipped with insights from a different industry, I believe that it is my responsibility to engage in discussions that contribute to the enhancement of corporate value. In addition, based on my financial and legal knowledge and the knowledge I acquired as a corporate auditor in a previous position, I will work actively to make proposals as a member of the Audit and Supervisory Committee, in order to uphold the soundness and appropriateness of corporate management.

Improving corporate governance is synonymous with making appropriate use of all management resources and increasing corporate value, and it will help the company to embody its vision statement of being "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all." I am committed to do my part in implementing richly diverse and transparent management, and building a solid corporate foundation.



Kenichi Naito
Independent Outside Director, Audit and Supervisory Committee Member

Apr. 1982 Joined Ube Industries, Ltd. (currently UBE Corporation)
May 2002 General Manager of Administration Dept., Ube Techno Eng Co., Ltd. (currently UBE MACHINERY CORPORATION, Ltd.)
June 2008 Director, General Manager of Administration Center, Ube Techno Eng Co., Ltd.
June 2014 Managing Director, Executive General Manager of Administration Dept., T&U ELECTRONICS CO., LTD.
June 2017 Auditor, UBE EXSYMO CO., LTD.
June 2023 Director, TS TECH (Audit and Supervisory Committee Member) (current)

Fact Book

Financial Reporting

Financial/Non-Financial Information

Management's Discussion and Analysis

1. Analysis of Financial Condition

Assets, liabilities, and equity

Assets

Total assets at the end of fiscal 2023 stood at 416,226 million yen, up 241 million yen from the end of fiscal 2022. This change resulted primarily from an overall increase in assets due to the impact of foreign currency translations and other factors, as well as an increase in trade and other receivables due to increased orders from major customers. Cash and cash equivalents declined due to payments of dividends and other factors.

Liabilities

Total liabilities at the end of fiscal 2023 amounted to 92,767 million yen, up 2,365 million yen from the end of fiscal 2022. This change resulted primarily from an overall increase in liabilities attributable to the impact of foreign currency translations and other factors, as well as an increase in trade and other payables attributable to various factors, including increased orders from major customers.

Equity

Total equity at the end of fiscal 2023 totaled 323,458 million yen, down 2,124 million yen from the end of fiscal 2022. This change resulted primarily from reductions in retained earnings and non-controlling interests mainly due to dividend payments despite increases in other components of equity due to increased differences on translation from foreign operations and other factors.

2. Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of fiscal 2023 amounted to 132,914 million yen, down 6,671 million yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities amounted to 30,445 million yen, up 10,427 million yen year on year. Contributing factors included differences in inventory trends (from an increase of 6,339 million yen in the previous fiscal year to a decrease of 14,118 million yen in fiscal 2023) and differences in the performance of trade and other receivables (from a decrease of 4,301 million yen in the previous fiscal year to an increase of 6,223 million yen in fiscal 2023).

Cash flows from investing activities

Net cash used in investing activities stood at 20,970 million yen, up 3,773 million yen year on year. This reflects various factors, including an increase in total change in payments into and proceeds from withdrawal of time deposits from payments of 3,053 million yen to payments of 5,746 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 18,860 million yen, down 4,777 million yen from the previous fiscal year. This was due to factors including differences in deposits for purchase of treasury stock from an increase of 7,870 million yen in the previous fiscal year to a decrease of 7,870 million yen in fiscal 2023, despite increases of 5,694 million yen in expenditures for purchase of treasury stock and 4,959 million yen in cash dividends paid (including to non-controlling interests).

3. Overview of Financial Results

The TS TECH Group faced challenging business conditions in fiscal 2023, including reduced production by automakers due to COVID-19 lockdowns in China and semiconductor shortages. Manufacturing costs continued to increase due to the rising cost of labor, energy, and raw materials.

Within this operating climate, we made steady progress on various measures aimed at future growth, including measures to secure new customers and expand commercial rights, proactive sales efforts to increase market share among major customers, efforts to develop next-generation technologies, looking to the future, and efforts to develop production structures to provide even greater quality and efficiency. We are also accelerating our efforts to transform ourselves into a company that can coordinate the entire cabin and propose new value to our customers and users.

Revenue for the consolidated fiscal year under review was up 59,241 million yen (16.9%) from the previous consolidated fiscal year, to 409,200 million yen, thanks to factors including foreign exchange effects and improvements across the model range, despite the effects of decreased production attributable to COVID-19 lockdowns in China. Regarding income, despite efforts to lower costs through thorough streamlining and other activities, operating income fell 7,741 million yen (33.7%) from the previous fiscal year, to 15,257 million yen, due to factors including lower production, higher expenses, and temporary costs associated with the liquidation of a consolidated subsidiary in the United Kingdom. Income attributable to owners of parent was down 7,073 million yen (57.0%) from the previous fiscal year, to 5,343 million yen.

The Group's consolidated forecasts for fiscal 2024 are as follows:

Revenue	410 billion yen (Up 0.2% year on year)
Operating income	20 billion yen (Up 31.1% year on year)
Income before income tax	20.9 billion yen (Up 11.8% year on year)
Net income	13 billion yen (Up 20.0% year on year)
Income attributable to owners of parent	10 billion yen (Up 87.2% year on year)

Consolidated Statement of Financial Position

(Unit: Million yen)

	Note	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	¥139,585	**¥132,914**
Trade and other receivables	7	65,430	**74,812**
Other financial assets	8	9,700	**17,757**
Inventories	9	43,532	**31,939**
Income taxes receivable		2,340	**2,432**
Other current assets		16,448	**5,813**
Total current assets		277,037	**265,670**
NON-CURRENT ASSETS			
Property, plant and equipment	10	76,860	**83,874**
Intangible assets	11	10,580	**10,688**
Investments accounted for using the equity method	28	17,257	**17,935**
Other financial assets	8	27,097	**29,244**
Net defined benefit asset	16	4,311	**4,941**
Deferred tax assets	14	2,454	**3,550**
Other non-current assets		386	**321**
Total non-current assets		138,947	**150,556**
TOTAL ASSETS		¥415,985	**¥416,226**

See notes to consolidated financial statements.

(Unit: Million yen)

	Note	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	12	¥ 67,024	**¥ 69,710**
Other financial liabilities	13	1,718	**1,166**
Income taxes payable		1,776	**2,318**
Provisions	15	217	**639**
Other current liabilities		6,830	**6,828**
Total current liabilities		77,567	**80,663**
NON-CURRENT LIABILITIES			
Other financial liabilities	13	4,420	**3,662**
Net defined benefit liability	16	1,466	**1,917**
Provisions	15	157	**150**
Deferred tax liabilities	14	5,470	**5,081**
Other non-current liabilities		1,319	**1,292**
Total non-current liabilities		12,834	**12,104**
Total liabilities		90,401	**92,767**
EQUITY			
Common stock	17	4,700	**4,700**
Capital surplus	17	5,150	**5,392**
Treasury stock	17	(4,737)	**(12,508)**
Retained earnings	17	270,031	**268,172**
Other components of equity	17	21,710	**33,035**
Total equity attributable to owners of parent		296,855	**298,791**
Non-controlling interests	28	28,727	**24,666**
Total equity		325,583	**323,458**
TOTAL LIABILITIES AND EQUITY		¥415,985	**¥416,226**

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

(Unit: Million yen)

	Note	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Revenue	5, 18	¥ 349,958	**¥ 409,200**
Cost of sales	19	(295,716)	**(355,790)**
Gross profit		54,242	**53,410**
Selling, general and administrative expenses	19	(33,896)	**(38,471)**
Other income	20	3,240	**2,212**
Other expenses	20	(587)	**(1,893)**
Operating income	5	22,998	**15,257**
Finance income	22	2,367	**3,080**
Finance costs	22	(117)	**(131)**
Share of profit of investments accounted for using the equity method	28	590	**487**
Income before income tax		25,839	**18,692**
Income tax expense	14	(7,035)	**(7,856)**
Net income		18,803	**10,835**
Income attributable to:			
Owners of parent		12,416	**5,343**
Non-controlling interests	28	6,386	**5,492**
Net income		¥ 18,803	**¥ 10,835**
Earnings per share:			
Basic earnings per share (Yen)	23	¥ 92.56	**¥ 41.35**
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	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Net income		¥18,803	**¥10,835**
Other comprehensive income			
Components that will not be reclassified subsequently to net profit or loss:			
Remeasurements of net defined benefit plans	24	864	**10**
Equity financial assets measured at fair value through other comprehensive income	24	564	**542**
Share of other comprehensive income of affiliates accounted for using the equity method	24	73	**37**
Total components that will not be reclassified subsequently to net profit or loss		1,501	**590**
Components that may be reclassified subsequently to net profit or loss:			
Differences on translation from foreign operations	24	16,463	**10,494**
Share of other comprehensive income of affiliates accounted for using the equity method	24	895	**655**
Total components that may be reclassified subsequently to net profit or loss		17,359	**11,149**
Total other comprehensive income, net of tax		18,860	**11,740**
Comprehensive income for the period		37,664	**22,576**
Comprehensive income for the period attributable to:			
Owners of parent		28,388	**16,668**
Non-controlling interests		9,275	**5,907**
Total comprehensive income for the period		¥37,664	**¥22,576**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

(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	¥4,975	¥(2,657)	¥264,261	¥ 5,738	¥277,017	¥24,433	¥301,450
Comprehensive income:									
Net income					12,416		12,416	6,386	18,803
Other comprehensive income	17					15,971	15,971	2,888	18,860
Total comprehensive income		—	—	—	12,416	15,971	28,388	9,275	37,664
Transactions with owners, etc.:									
Dividends	25				(6,646)		(6,646)	(6,028)	(12,675)
Acquisition of treasury stock	17			(2,152)			(2,152)		(2,152)
Disposal of treasury stock	17			73			73		73
Share-based remuneration transactions	29		175				175		175
Changes in ownership interests in subsidiaries							—		—
Establishment of subsidiaries with non-controlling interests							—	1,047	1,047
Other							—		—
Total transactions with owners, etc.		—	175	(2,079)	(6,646)	—	(8,550)	(4,981)	(13,531)
BALANCE AT THE END OF THE FISCAL YEAR		¥4,700	¥5,150	¥(4,737)	¥270,031	¥21,710	¥296,855	¥28,727	¥325,583

See notes to consolidated financial statements.

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	¥5,150	¥ (4,737)	¥270,031	¥21,710	¥296,855	¥ 28,727	¥325,583
Comprehensive income:									
Net income					5,343		5,343	5,492	10,835
Other comprehensive income	17					11,325	11,325	415	11,740
Total comprehensive income		—	—	—	5,343	11,325	16,668	5,907	22,576
Transactions with owners, etc.:									
Dividends	25				(7,588)		(7,588)	(10,156)	(17,745)
Acquisition of treasury stock	17			(7,847)			(7,847)		(7,847)
Disposal of treasury stock	17		(83)	83			—		—
Share-based remuneration transactions	29		142				142		142
Changes in ownership interests in subsidiaries			183				183	187	371
Establishment of subsidiaries with non-controlling interests							—		—
Other				(7)	386	(0)	377		377
Total transactions with owners, etc.		—	242	(7,771)	(7,202)	(0)	(14,732)	(9,968)	(24,701)
BALANCE AT THE END OF THE FISCAL YEAR		¥4,700	¥5,392	¥(12,508)	¥268,172	¥33,035	¥298,791	¥ 24,666	¥323,458

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Unit: Million yen)

	Note	FY2022 (April 1, 2021–March 31, 2022)	FY2023 (April 1, 2022–March 31, 2023)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		¥ 25,839	**¥ 18,692**
Depreciation and amortization		11,033	**11,879**
Impairment losses		143	**23**
Loss (gain) on disposal of non-current assets		(1,393)	**(1,315)**
Finance costs (income)		(1,398)	**(2,381)**
Share of loss (profit) of investments accounted for using the equity method		(590)	**(487)**
Decrease (increase) in trade and other receivables		4,301	**(6,223)**
Decrease (increase) in lease receivables		712	**(1,492)**
Decrease (increase) in inventories		(6,339)	**14,118**
Increase (decrease) in trade and other payables		(3,422)	**(704)**
Increase (decrease) in net defined benefit asset and net defined benefit liability		(1,036)	**(238)**
Increase (decrease) in provisions		(2,566)	**409**
Other		988	**3,390**
Subtotal		26,272	**35,670**
Interest income received		1,011	**1,796**
Dividend income received		1,531	**1,200**
Interest expenses paid		(117)	**(131)**
Income taxes paid		(8,681)	**(8,090)**
Net cash provided by operating activities		20,018	**30,445**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments into time deposits		¥(10,026)	**¥(17,410)**
Proceeds from withdrawal of time deposits		6,972	**11,663**
Purchase of property, plant and equipment		(13,777)	**(13,434)**
Proceeds from sales of property, plant and equipment		2,736	**639**
Purchase of intangible assets		(1,858)	**(2,366)**
Purchase of equity instruments		(1,196)	**(87)**
Proceeds from sales of equity instruments		0	**9**
Payments of loans receivable		(747)	**(98)**
Collection of loans receivable		710	**131**
Other		(9)	**(17)**
Net cash used in investing activities		(17,196)	**(20,970)**

Consolidated Statement of Cash Flows (Continued)

(Unit: Million yen)

	Note	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of lease liabilities	26	¥ (1,435)	**¥ (1,571)**
Capital contribution from non-controlling interests		623	**—**
Proceeds from sale of interest in subsidiaries to non-controlling interests		—	**450**
Purchase of treasury stock		(2,152)	**(7,847)**
Decrease (increase) in deposits for purchase of treasury stock		(7,870)	**7,870**
Cash dividends paid	25	(6,657)	**(7,600)**
Cash dividends paid to non-controlling interests	28	(6,145)	**(10,161)**
Net cash used in financing activities		(23,638)	**(18,860)**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		7,367	**2,492**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(13,449)	**(6,892)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	153,034	**139,585**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS RESULTING FROM NEW CONSOLIDATION		—	**220**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	¥139,585	**¥132,914**

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, 2023 comprise the Company, its subsidiaries (hereinafter "the Group"), and the Group's interests in its affiliates.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The consolidated financial statements were approved by the Board of Directors on June 23, 2023.

(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)

	FY2023 (As of March 31, 2023)
Property, plant and equipment	¥83,874
Intangible assets	10,688
Total	¥94,562

In principle, the Group considers a company or plant to be the cash-generating unit for its business assets. At the Company's Hamamatsu Plant, operating income declined due to the production status of customers, the mix of car models sold, and other factors, resulting in two consecutive periods of operating loss after allocating of headquarters expenses, etc., and because an indicator of impairment was recognized, a determination was made as to whether an impairment loss should be recognized or not. Consequently, it was determined that, because the recoverable amount of the Hamamatsu Plant exceeded the carrying amount of property, plant and equipment (¥3,770 million), no impairment loss was required to be recognized.

(b) Major assumptions used for the estimate

Estimates of future cash flows in the current fiscal year are expected to recover gradually, although the future outlook remains unpredictable because of reduced production by automakers due to a shortage of semiconductors or increasing manufacturing costs caused by further increases in personnel, material, and energy costs.

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

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

(c) Material impact on the following fiscal year

During the current fiscal year, the Company did not recognize material impairment losses. 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)

	FY2023 (As of March 31, 2023)
Deferred tax assets	¥3,550

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 14 "Income Taxes."

(b) Major assumptions used for the estimate

Future taxable income that constitutes the basis for recoverability could vary significantly depending on trends in the automobile market and changes in customers' production plans.

Estimates of future taxable income in the current fiscal year are expected to recover gradually, although the future outlook remains unpredictable because of reduced production by automakers due to a shortage of semiconductors or increasing manufacturing costs caused by further increases in personnel, material, and energy costs.

(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)

	FY2023 (As of March 31, 2023)
Net defined benefit asset	¥4,941
Net defined benefit liability	1,917

(b) Major assumptions used for the estimate

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

(c) Material impact on the following fiscal year

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

3. IMPORTANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Affiliates

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

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

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

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

(3) Foreign currency translations

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

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

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

(4) Financial instruments

(i) Financial assets

(a) Initial recognition and measurement

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

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

(b) Classification and subsequent measurement

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

(A) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

(c) Impairment of financial assets

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

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

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

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

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

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

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

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

(d) Derecognition of financial assets

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

(ii) Financial liabilities

(a) Initial recognition and measurement

The Group initially recognizes financial liabilities on the transaction date.

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

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

(b) Classification and subsequent measurement

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

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

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

(c) Derecognition of financial liabilities

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

(iii) Offsetting a financial asset and a financial liability

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

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

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Intangible assets

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

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

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

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

(9) Leases

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

(i) Lease as lessee

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

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

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

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

(ii) Leases as lessor

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

(a) Finance lease

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

(b) Operating lease

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

(c) Sublease

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

(10) Impairment of non-financial assets

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

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

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

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

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

(11) Non-current assets held for sale

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

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

(12) Employee benefits

(i) Post-employment benefits

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

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

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

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

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

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

(ii) Short-term employee benefits

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

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

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

(iii) Other long-term employee benefits

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

(13) Provisions

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

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

(14) Government-imposed levies

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

(15) Equity

(i) Common shares

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

(ii) Treasury stock

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

(16) Revenues

(i) Revenue from contracts with customers

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

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

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

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

(ii) Interest income

Interest income is recognized based on the effective interest method.

(iii) Dividend income

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

(17) Government grants

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

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

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

(18) Share-based remuneration

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

(19) Income taxes

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

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

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

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

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

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

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 shares purchased in the year.

4. NEW STANDARDS NOT YET ADOPTED BY THE GROUP

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

5. SEGMENT INFORMATION

(1) Overview of reportable segments

The reportable segments are components of the Company for which separate financial information is available. These segments file monthly reports which the Board of Directors uses for deciding the allocation of management 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 reporting segments based on their location and evaluates their business results by each segment.

The categories of reportable segments are as follows.

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

* With the dissolution of TS TECH UK LTD, a consolidated subsidiary based in the United Kingdom, this company is removed from the scope of consolidation as of the end of 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, assets, liabilities, and other items according to reportable segment

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

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

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

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

(Unit: Million yen)

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

Notes: 1. Adjustments of –¥4,967 million for segment profits included an inter-segment elimination of ¥191 million and operating expenses of –¥5,159 million associated with the administration division of the headquarters of the parent, which could not be allocated.

2. Profits (losses) of reportable segments are figures based on operating income as reported in the consolidated statement of profit and loss .

Other important items

(Unit: Million yen)

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

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Unit: Million yen)

	Reportable segments						
	Japan	The Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Revenue:							
External revenue	¥61,266	¥193,333	¥115,985	¥38,616	¥409,200	¥ —	¥409,200
Inter-segment revenue	23,677	681	1,814	1,547	27,721	(27,721)	—
Total	¥84,943	¥194,015	¥117,800	¥40,164	¥436,922	¥(27,721)	¥409,200
Segment profits (losses)	¥ 5,151	¥ (3,199)	¥ 18,227	¥ 2,175	¥ 22,355	¥ (7,098)	¥ 15,257
Finance income and finance costs	—	—	—	—	—	—	2,948
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	487
Income before income tax	—	—	—	—	—	—	18,692

Notes: 1. Adjustments of –¥7,098 million for segment profits included an inter-segment elimination of ¥278 million; operating expenses of –¥6,102 million associated with the administration division of the headquarters of the parent, which could not be allocated; and loss of –¥1,274 million on reversal of foreign currency translation adjustments arising from the dissolution of TS TECH UK LTD, a consolidated subsidiary based in the United Kingdom.

2. Profits (losses) of reportable segments are figures based on operating income as reported in the consolidated statement of profit and loss.

Other important items

(Unit: Million yen)

	Reportable segments						
	Japan	The Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Depreciation and amortization	¥3,613	¥4,457	¥2,296	¥1,527	¥11,895	¥(16)	¥11,879
Impairment losses	—	—	23	—	23	—	23
Capital expenditures	7,093	3,509	1,125	2,877	14,606	—	14,606

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, 2022 (April 1, 2021 to March 31, 2022)

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Japan	¥ 60,298	**¥ 60,346**
The United States	103,735	**138,645**
Canada	34,233	**44,079**
China	111,600	**116,429**
Other	40,091	**49,700**
Total	¥349,958	**¥409,200**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Japan	¥37,614	**¥41,034**
The United States	18,854	**18,169**
China	11,190	**10,465**
Other	19,781	**24,893**
Total	¥87,440	**¥94,562**

(6) Information according to major customers

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Honda Motor Co., Ltd. Group	¥313,659	**¥364,274**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Cash and cash equivalents	¥139,585	**¥132,914**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Trade receivables	¥60,222	**¥69,501**
Others	5,208	**5,312**
Allowance for doubtful accounts	(1)	**(1)**
Total	¥65,430	**¥74,812**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Deposits with maturities of three months or more	¥ 8,600	**¥15,392**
Short-term loans receivable	2	**2**
Long-term loans receivable	549	**529**
Lease receivables	4,403	**8,599**
Equity instruments	18,411	**19,224**
Derivative financial assets	0	**27**
Others	4,846	**3,239**
Allowance for doubtful accounts	(17)	**(14)**
Total	¥36,797	**¥47,002**
Current assets	¥ 9,700	**¥17,757**
Non-current assets	27,097	**29,244**
Total	¥36,797	**¥47,002**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Honda Motor Co., Ltd.	¥13,496	**¥13,653**
PIOLAX, Inc.	480	**596**
Isuzu Motors Ltd.	482	**501**
OILES CORPORATION	444	**493**
Kurabo Industries Ltd.	305	**437**
Other	3,204	**3,544**
Total	¥18,411	**¥19,224**

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)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Dividends received on investments held at the end of the period	¥532	**¥656**

9. INVENTORIES

The breakdown of inventories is as follows.

(Unit: Million yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Merchandise and finished goods	¥ 4,576	**¥ 3,557**
Work in progress	3,273	**2,287**
Raw materials and supplies	35,681	**26,094**
Total	¥43,532	**¥31,939**

Note: Inventories recognized as expenses during the previous fiscal year and the current fiscal year amount to ¥71 million and ¥1,108 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, 2021	¥67,516	¥72,809	¥34,167	¥13,889	¥ 2,498	¥190,881
Acquisition cost	2,724	1,752	382	513	8,865	14,238
Sales or disposal	(2,409)	(4,553)	(2,146)	(862)	(33)	(10,005)
Reclassification to other account	147	2,822	1,288	12	(5,108)	(837)
Effects of foreign currency translation	4,182	5,746	2,377	535	374	13,216
Other	(565)	(50)	(114)	(16)	14	(731)
Balance as of March 31, 2022	¥71,595	¥78,528	¥35,954	¥14,072	¥ 6,611	¥206,762
Acquisition cost	**1,520**	**1,926**	**1,379**	**767**	**8,557**	**14,149**
Sales or disposal	**(677)**	**(2,283)**	**(2,896)**	**(297)**	**(8)**	**(6,162)**
Reclassification to other account	**4,015**	**5,956**	**750**	**9**	**(11,507)**	**(776)**
Effects of foreign currency translation	**2,869**	**3,832**	**1,431**	**318**	**510**	**8,962**
Other	**400**	**265**	**106**	**64**	**92**	**929**
Balance as of March 31, 2023	**¥79,724**	**¥88,225**	**¥36,725**	**¥14,934**	**¥ 4,255**	**¥223,866**

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, 2021	¥33,714	¥57,112	¥30,556	¥444	¥ —	¥121,827
Depreciation	2,759	4,202	1,715	74	—	8,751
Impairment loss	—	5	1	137	—	143
Sales or disposal	(2,339)	(4,261)	(2,049)	(13)	—	(8,663)
Reclassification to other account	(53)	(96)	(51)	(5)	—	(207)
Effects of foreign currency translation	1,813	4,440	2,154	45	—	8,455
Other	(35)	(4)	(271)	(93)	—	(405)
Balance as of March 31, 2022	¥35,858	¥61,397	¥32,056	¥590	¥ —	¥129,902
Depreciation	**3,151**	**4,466**	**1,851**	**86**	**—**	**9,555**
Impairment loss	**—**	**22**	**0**	**—**	**—**	**23**
Sales or disposal	**(636)**	**(2,152)**	**(2,878)**	**(86)**	**—**	**(5,753)**
Reclassification to other account	**—**	**—**	**—**	**—**	**—**	**—**
Effects of foreign currency translation	**1,364**	**3,126**	**1,313**	**9**	**—**	**5,814**
Other	**239**	**101**	**71**	**37**	**—**	**450**
Balance as of March 31, 2023	**¥39,977**	**¥66,961**	**¥32,416**	**¥636**	**¥ —**	**¥139,992**

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, 2021	¥33,802	¥15,697	¥3,610	¥13,445	¥2,498	¥69,053
Balance as of March 31, 2022	35,737	17,130	3,898	13,482	6,611	76,860
Balance as of March 31, 2023	**39,746**	**21,263**	**4,309**	**14,298**	**4,255**	**83,874**

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, 2021	¥5,943	¥18,518	¥463	¥1,228	¥26,154
Acquisition cost	111	—	—	116	228
Increase due to internal development	—	1,632	—	—	1,632
Disposal	(175)	(3,787)	—	—	(3,962)
Effects of foreign currency translation	117	156	—	9	283
Other	129	—	—	(145)	(16)
Balance as of March 31, 2022	¥6,125	¥16,520	¥463	¥1,209	¥24,319
Acquisition cost	**318**	**—**	**—**	**137**	**456**
Increase due to internal development	**—**	**1,910**	**—**	**—**	**1,910**
Disposal	**(143)**	**(2,817)**	**—**	**(0)**	**(2,960)**
Effects of foreign currency translation	**32**	**157**	**—**	**7**	**197**
Other	**57**	**—**	**—**	**(39)**	**18**
Balance as of March 31, 2023	**¥6,392**	**¥15,770**	**¥463**	**¥1,314**	**¥23,941**

Accumulated amortization and impairment loss

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 2021	¥5,361	¥ 9,743	¥ —	¥136	¥15,242
Amortization	307	1,837	—	136	2,281
Disposal	(173)	(3,787)	—	—	(3,960)
Effects of foreign currency translation	104	148	—	8	261
Other	(10)	—	—	(76)	(86)
Balance as of March 31, 2022	¥5,589	¥ 7,942	¥ —	¥206	¥13,738
Amortization	**271**	**1,956**	**—**	**95**	**2,323**
Disposal	**(142)**	**(2,816)**	**—**	**(0)**	**(2,959)**
Effects of foreign currency translation	**28**	**149**	**—**	**4**	**182**
Other	**1**	**(0)**	**—**	**(32)**	**(31)**
Balance as of March 31, 2023	**¥5,748**	**¥ 7,232**	**¥ —**	**¥272**	**¥13,252**

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, 2021	¥581	¥8,774	¥463	¥1,092	¥10,911
Balance as of March 31, 2022	536	8,577	463	1,003	10,580
Balance as of March 31, 2023	**644**	**8,538**	**463**	**1,042**	**10,688**

(2) Development expenses

The breakdown of development expenses is as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
R&D expenditures incurred during the period	¥11,930	**¥14,344**
Reclassification to capitalized development expenses	(1,632)	**(1,910)**
Amortization of capitalized development expenses	1,837	**1,956**
Total	¥12,136	**¥14,390**

12. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit: Million yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Notes and accounts payable – trade	¥47,588	**¥50,300**
Other	19,436	**19,409**
Total	¥67,024	**¥69,710**

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

13. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows.

(Unit: Million yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Lease obligations	¥6,030	**¥4,822**
Derivative financial liabilities	108	**7**
Total	¥6,138	**¥4,829**
Current liabilities	¥1,718	**¥1,166**
Non-current liabilities	4,420	**3,662**
Total	¥6,138	**¥4,829**

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

14. 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, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

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

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	**¥ 2,232**	**¥ (28)**	**¥ —**	**¥ 2,203**
Property, plant and equipment	**1,128**	**161**	**—**	**1,289**
Intangible assets	**98**	**848**	**—**	**947**
Accrued expenses and provisions	**1,636**	**122**	**—**	**1,759**
Net defined benefit liability	**266**	**(68)**	**209**	**407**
Unused tax losses	**995**	**(82)**	**—**	**913**
Other	**2,392**	**828**	**(110)**	**3,110**
Total deferred tax assets	**¥ 8,750**	**¥1,781**	**¥ 98**	**¥10,630**
Deferred tax liabilities:				
Property, plant and equipment	**¥ 1,635**	**¥ 583**	**¥ —**	**¥ 2,219**
Intangible assets	**2,229**	**115**	**—**	**2,344**
Investments in equity instruments	**3,947**	**—**	**190**	**4,138**
Net defined benefit asset	**1,285**	**(72)**	**232**	**1,445**
Undistributed earnings of foreign subsidiaries	**1,198**	**(55)**	**—**	**1,142**
Other	**1,470**	**(599)**	**—**	**870**
Total deferred tax liabilities	**¥11,766**	**¥ (27)**	**¥ 423**	**¥12,162**
Net deferred tax liabilities	**¥ (3,016)**	**¥1,809**	**¥(324)**	**¥ (1,531)**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Deferred tax assets	¥ 2,454	**¥ 3,550**
Deferred tax liabilities	5,470	**5,081**
Net deferred tax liabilities	¥(3,016)	**¥(1,531)**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Deductible temporary differences	¥851	**¥498**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Within 1 year	¥ 224	**¥ 569**
Between 1 and 2 years	569	**702**
Between 2 and 3 years	664	**1,527**
Between 3 and 4 years	7	**22**
Between 4 and 5 years	—	**175**
More than 5 years	57	**89**
Total	¥1,524	**¥3,087**

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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Taxable temporary differences	¥139,312	**¥139,930**

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Current tax expense:		
Taxable amount for the fiscal year	¥ 8,146	**¥ 9,604**
Adjustment for prior years	60	**42**
Total current tax expense	¥ 8,207	**¥ 9,647**
Deferred tax expense:		
Accrual and reversal of temporary differences	¥(1,525)	**¥(3,009)**
Changes in tax rates	—	**15**
Changes in unrecognized temporary differences, etc.	354	**1,203**
Total deferred tax expense	¥(1,171)	**¥(1,790)**
Total income tax expense	¥ 7,035	**¥ 7,856**

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: %)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Effective statutory tax rate	29.9%	**29.9%**
Differences with tax rates applied to foreign subsidiaries	(6.1)	**(1.2)**
Undistributed earnings of foreign subsidiaries	(1.9)	**0.3**
Permanent differences including dividend income	(19.1)	**(19.1)**
Differences due to factors including elimination of intra-group transactions	24.2	**28.5**
Share of loss (profit) of entities accounted for using the equity method	(0.7)	**(0.8)**
Tax credits	(2.1)	**(4.2)**
Changes in unrecognized deferred taxes	1.4	**6.4**
Other	1.6	**2.2**
Average actual tax rate	27.2%	**42.0%**

15. PROVISIONS

Changes in the amounts of provisions are as follows.

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

(Unit: Million yen)

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Unit: Million yen)

	Provision for product warranties	Provision for severance charges	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	**¥ 39**	**¥ 127**	**¥ 84**	**¥123**	**¥ 375**
Increase during the period	**625**	**—**	**72**	**164**	**862**
Decrease during the period (provision used)	**(268)**	**(129)**	**(27)**	**(39)**	**(465)**
Decrease during the period (reversal)	**—**	**—**	**—**	**—**	**—**
Effects of foreign currency translation	**4**	**1**	**—**	**10**	**17**
Balance at the end of the fiscal year	**¥ 400**	**¥ —**	**¥129**	**¥259**	**¥ 789**
Current liabilities	**¥ 400**	**¥ —**	**¥ —**	**¥239**	**¥ 639**
Non-current liabilities	**—**	**—**	**129**	**20**	**150**
Total	**¥ 400**	**¥ —**	**¥129**	**¥259**	**¥ 789**

16. 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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Ending balance of defined benefit obligations	¥ 17,561	**¥ 16,763**
Ending balance of plan assets	(20,406)	**(19,788)**
Net amount of defined benefit obligations and assets	(2,845)	**(3,024)**
Net defined benefit liability	1,466	**1,917**
Net defined benefit asset	(4,311)	**(4,941)**
Net amount of liabilities and assets recorded in the consolidated statement of financial position	¥ (2,845)	**¥ (3,024)**

(ii) Reconciliation of present value of defined benefit obligations

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Beginning balance of defined benefit obligations	¥17,370	**¥17,561**
Service cost	1,089	**999**
Interest cost	162	**152**
Prior service cost	(218)	**13**
Actuarial differences (due to population statistics)	—	**105**
Actuarial differences (due to changes in financial assumptions)	(382)	**(540)**
Actuarial differences (due to adjustments)	(73)	**455**
Benefits paid	(503)	**(2,053)**
Effects of foreign currency translation	116	**70**
Ending balance of defined benefit obligations	¥17,561	**¥16,763**

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.
3. During the current fiscal year, the Company expanded post-retirement support programs and established supplements for early retirement. As a result, the number of retirees increased, leading to an increase in benefit payments in comparison with the previous fiscal year.

(iii) Reconciliation of the fair values of plan assets

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Beginning balance of plan assets	¥19,297	**¥20,406**
Interest income	142	**126**
Return on plan assets other than interest	751	**54**
Contributions from the employer	643	**654**
Benefits paid	(430)	**(1,457)**
Effects of foreign currency translation	2	**2**
Ending balance of plan assets	¥20,406	**¥19,788**

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.
3. During the current fiscal year, the Company expanded post-retirement support programs and established supplements for early retirement. As a result, the number of retirees increased, leading to an increase in benefit payments in comparison with the previous fiscal year.

(iv) Major breakdown of fair values of plan assets

(Unit: Million yen)

	FY2022 (As of March 31, 2022)		**FY2023 (As of March 31, 2023)**	
	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	¥9,807	¥ —	**¥10,266**	**¥ —**
Debt instruments	—	6,906	**—**	**6,026**
General accounts	—	2,401	**—**	**2,372**
Other	2	1,288	**6**	**1,116**
Total	¥9,810	¥10,596	**¥10,272**	**¥9,515**

(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: %)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Discount rate	0.8%	**1.2%**

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	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Discount rate	Rise by 0.5%	¥(1,042)	**¥(1,070)**
	Fall by 0.5%	1,154	**957**

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 ¥679 million to plan assets in the year ending March 31, 2024 (April 1, 2023 to March 31, 2024).

(viii) Maturity analysis of defined benefit plans

Maturity analysis of defined benefit plans is as follows.

(Unit: Years)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Weighted-average duration	13.5	**11.9**

(3) Defined contribution plans

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

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Amounts recognized as expenses	¥626	**¥832**

17. NET ASSETS AND OTHER COMPONENTS OF EQUITY

(1) Management of shareholders' equity

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

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

(Unit: Million yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Shareholders' equity:		
Total equity attributable to owners of parent	¥296,855	**¥298,791**
Total liabilities and equity	415,985	**416,226**
Equity ratio (%)	71.4%	**71.8%**

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, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	**¥ 9,545**	**¥2,061**	**¥10,103**	**¥21,710**
Other comprehensive income	**587**	**(5)**	**10,743**	**11,325**
Other	**(0)**	**—**	**—**	**(0)**
Ending balance	**¥10,132**	**¥2,056**	**¥20,846**	**¥33,035**

(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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
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)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Amount of treasury stock at beginning of the fiscal year	875,754	**3,162,967**
Increase by stock split	875,754	**—**
Purchase of treasury stock by resolution of the Board of Directors	1,461,100	**5,383,600**
Purchase of stock less than one unit, etc.	1,809	**2,280**
Disposal of treasury stock as restricted stock compensation	(51,200)	**(58,880)**
Treasury stock held by entities accounted for using the equity method (the Company's shares) attributable to the Company	(250)	**5,179**
Amount of treasury stock at end of the fiscal year	3,162,967	**8,495,146**

Notes: 1. The Company conducted a two-for-one stock split of common shares as of April 1, 2021. For the previous fiscal year, the number of treasury stock at the beginning of the fiscal year represents the number of treasury stock before the stock split.

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

18. 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, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

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

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Unit: Million yen)

	Reportable segments				
	Japan	The Americas	China	Asia and Europe	Total
Motorcycle business	**¥ 4,425**	**¥ 328**	**¥ —**	**¥ 3,033**	**¥ 7,786**
Automobile business	**45,025**	**186,152**	**115,985**	**35,494**	**382,656**
(Seats)	**41,758**	**159,556**	**110,618**	**32,901**	**344,835**
(Interior products)	**3,266**	**26,595**	**5,366**	**2,592**	**37,820**
Other business	**11,815**	**6,852**	**—**	**88**	**18,757**
Total	**¥61,266**	**¥193,333**	**¥115,985**	**¥38,616**	**¥409,200**

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, 2021	As of March 31, 2022	**As of March 31, 2023**
Receivables from contracts with customers	¥58,692	¥60,635	**¥69,954**
Contract liabilities	2,053	1,939	**2,434**

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 ¥1,408 million and ¥1,368 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.

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

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

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Depreciation and amortization	¥11,033	**¥11,879**
Employee benefit expenses	72,369	**83,316**

20. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Land and building rent received	¥ 135	**¥ 133**
Gain on disposal of non-current assets	1,448	**1,325**
Gain on government grants	644	**159**
Other	1,012	**593**
Total	¥3,240	**¥2,212**

Note: The content of the gain on government grants are stated in Note 21 "Government Grants."

The breakdown of other expenses is as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Loss on disposal of non-current assets	¥ 55	**¥ 10**
Impairment losses	143	**23**
Other	388	**1,860**
Total	¥587	**¥1,893**

Note: "Other" in the current fiscal year represents primarily the loss on reversal of foreign currency translation adjustments arising from the dissolution of a subsidiary in the United Kingdom.

21. GOVERNMENT GRANTS

The breakdown of government grants is as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Deferred income relating to government grants	¥219	**¥172**
Gain on government grants	644	**159**

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

22. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Interest income	¥ 966	**¥1,841**
Dividend income	626	**697**
Foreign exchange gains	774	**541**
Other	—	**0**
Total	¥2,367	**¥3,080**

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

The breakdown of finance costs is as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Interest expense	¥117	**¥131**
Total	¥117	**¥131**

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.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Income attributable to owners of parent	¥ 12,416	**¥ 5,343**
Average number of common shares for the period (Thousand shares)	134,150	**129,217**
Basic earnings per share (Yen)	¥ 92.56	**¥ 41.35**

24. OTHER COMPREHENSIVE INCOME

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

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of net defined benefit plans:		
Gains (losses) during the year	¥ 1,206	**¥ 44**
Income tax benefit (expense)	(342)	**(33)**
Subtotal	864	**10**
Equity financial assets measured at fair value through other comprehensive income:		
Gains (losses) during the year	771	**754**
Income tax benefit (expense)	(206)	**(212)**
Subtotal	564	**542**
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	73	**37**
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations:		
Gains (losses) during the year	16,353	**9,329**
Reclassification adjustment	—	**1,274**
Income taxes	110	**(110)**
Subtotal	16,463	**10,494**
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	895	**655**
Total other comprehensive income (loss), net of tax	¥18,860	**¥11,740**

25. DIVIDENDS

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

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 25, 2021	Common shares	¥3,159	¥47.00	March 31, 2021	June 28, 2021
Board of Directors' meeting held on November 4, 2021	Common shares	¥3,497	¥26.00	September 30, 2021	November 29, 2021

Notes: 1. Dividends in the consolidated statement of changes in equity are 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. The Company conducted a two-for-one stock split of common shares as of April 1, 2021.
The amount of dividend per share resolved at the Annual General Meeting of Shareholders held on June 25, 2021 is the amount before the stock split, and the amount of dividend per share resolved at the Board of Directors' meeting held on November 4, 2021 is the amount after the stock split.

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2022	Common shares	Retained earnings	¥3,725	¥28.00	March 31, 2022	June 27, 2022

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2022	Common shares	**¥3,725**	**¥28.00**	March 31, 2022	June 27, 2022
Board of Directors' meeting held on November 11, 2022	Common shares	**¥3,875**	**¥30.00**	September 30, 2022	November 28, 2022

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 23, 2023	Common shares	Retained earnings	**¥4,214**	**¥33.00**	March 31, 2023	June 7, 2023

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, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

	Beginning balance	Cash flows	Non-cash transactions			Ending balance
			Increase	Foreign currency translation	Other	
Lease liabilities	¥5,228	¥(1,435)	¥1,943	¥293	¥ —	¥6,030
Total	¥5,228	¥(1,435)	¥1,943	¥293	¥ —	¥6,030

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Unit: Million yen)

	Beginning balance	Cash flows	Non-cash transactions			Ending balance
			Increase	Foreign currency translation	Other	
Lease liabilities	**¥6,030**	**¥(1,571)**	**¥204**	**¥324**	**¥(165)**	**¥4,822**
Total	**¥6,030**	**¥(1,571)**	**¥204**	**¥324**	**¥(165)**	**¥4,822**

27. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Acquisition of assets through a lease arrangement	¥1,943	**¥204**

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).

From the beginning of the current fiscal year, TS TECH (MANDAL) PRIVATE LIMITED, formerly a non-consolidated subsidiary, was included in the scope of consolidation.

During the current fiscal year, NA SERVICE, S. DE R.L. DE C.V., formerly a consolidated subsidiary, was eliminated through an absorption merger, with TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V. as the surviving company, and as such was removed from the scope of consolidation.

From the end of the current fiscal year, TS TECH UK LTD, formerly a consolidated subsidiary, was dissolved, and as such was removed from the scope of consolidation. As a result, a loss of ¥1,274 million on reversal of foreign currency translation adjustments was recorded in the consolidated statement of profit or loss under "Other expenses."

(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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Current assets	¥42,014	**¥32,354**
Non-current assets	7,896	**7,530**
Current liabilities	21,246	**20,014**
Non-current liabilities	146	**105**
Equity	28,518	**19,764**
Accumulated non-controlling interests	¥13,791	**¥ 9,846**

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Revenue	¥64,683	**¥64,175**
Net income	8,320	**5,566**
Other comprehensive income	3,102	**6**
Comprehensive income	11,423	**5,572**
Income allocated to non-controlling interests	¥ 4,013	**¥ 2,944**

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Cash flows from operating activities	¥ 9,090	**¥ 6,809**
Cash flows from investing activities	(413)	**(441)**
Cash flows from financing activities	(6,784)	**(14,411)**
Effect of exchange rate changes on cash and cash equivalents	1,932	**(364)**
Net increase (decrease) in cash and cash equivalents	3,825	**(8,408)**
Dividends paid to non-controlling interests	¥(3,203)	**¥ (6,876)**

WUHAN TS-GSK AUTO PARTS CO., LTD.

(Unit: Million yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Current assets	¥27,430	**¥24,645**
Non-current assets	3,952	**4,053**
Current liabilities	10,382	**8,598**
Non-current liabilities	140	**363**
Equity	20,860	**19,736**
Accumulated non-controlling interests	¥ 8,326	**¥ 7,669**

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Revenue	¥46,528	**¥50,802**
Net income	5,570	**5,155**
Other comprehensive income	2,388	**108**
Comprehensive income	7,959	**5,264**
Income allocated to non-controlling interests	¥ 2,049	**¥ 1,849**

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Cash flows from operating activities	¥ 5,907	**¥ 5,473**
Cash flows from investing activities	(558)	**(572)**
Cash flows from financing activities	(5,827)	**(6,223)**
Effect of exchange rate changes on cash and cash equivalents	1,579	**78**
Net increase (decrease) in cash and cash equivalents	1,101	**(1,243)**
Dividends paid to non-controlling interests	¥(2,300)	**¥(2,529)**

(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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Carrying amount of equity interest	¥17,257	**¥17,935**

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
The Group's equity interest in:		
Net income	¥ 590	**¥ 487**
Other comprehensive income	968	**693**
Comprehensive income	1,559	**1,180**

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.

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Allotment date	June 25, 2021	**June 24, 2022**
Number of shares allotted	51,200	**58,880**
Fair value (Yen)	¥1,686	**¥1,399**

Note: The fair value of the shares is measured based on the closing price of the Company's common stock on the Prime Market (in the previous fiscal year, the First Section) of the Tokyo Stock Exchange on the business day preceding the allotment date.

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

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

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Equity settled type	¥74	**¥81**

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

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

(i) Overview of the scheme

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

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

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

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

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)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Equity settled type	¥174	**¥61**

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."

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	
	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
1% appreciation of Japanese yen against the U.S. dollar	¥(18)	**¥(30)**
1% appreciation of Japanese yen against the Chinese yuan	(15)	**(4)**

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	
	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
1% decline in market prices	¥(168)	**¥(175)**

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, 2022 (As of March 31, 2022)

(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	¥18,411	¥16,857	¥ —	¥1,554	¥18,411
Financial assets measured at fair value through net profit or loss:					
Derivative assets	0	—	0	—	0
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	108	—	108	—	108

For the year ended March 31, 2023 (As of March 31, 2023)

(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	**¥19,224**	**¥17,530**	**¥ —**	**¥1,694**	**¥19,224**
Financial assets measured at fair value through net profit or loss:					
Derivative assets	**27**	**—**	**27**	**—**	**27**
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	**7**	**—**	**7**	**—**	**7**

(Financial instruments measured at amortized cost)
For the year ended March 31, 2022 (As of March 31, 2022)

(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)	¥549	¥ —	¥547	¥ —	¥547

For the year ended March 31, 2023 (As of March 31, 2023)

(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)	**¥529**	**¥ —**	**¥519**	**¥ —**	**¥519**

(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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Gross amount of financial assets recognized	¥251,781	**¥264,137**
Offset amount	9,968	**9,407**
Amount of financial assets presented in consolidated statement of financial position	¥241,813	**¥254,729**
Gross amount of financial liabilities recognized	¥ 83,131	**¥ 83,947**
Offset amount	9,968	**9,407**
Amount of financial liabilities presented in consolidated statement of financial position	¥ 73,163	**¥ 74,539**

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)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Depreciation of right-of-use assets by asset type:		
Buildings and structures	¥ 434	**¥ 432**
Machinery, equipment and vehicles	30	**60**
Tools, furniture and fixtures	12	**9**
Land	68	**54**
Total depreciation	¥ 546	**¥ 555**
Expenses related to short-term leases or leases of low-value assets	¥ 897	**¥ 760**
Total cash outflow for leases	¥2,446	**¥2,458**

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
FY2022 (As of March 31, 2022)	¥3,368	¥311	¥31	¥2,575	¥6,286
FY2023 (As of March 31, 2023)	**¥2,931**	**¥302**	**¥100**	**¥2,545**	**¥5,879**

Note: During the previous fiscal year and the current fiscal year, the amount of right-of-use assets increased by ¥750 million and ¥235 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)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Within 1 year	¥1,610	**¥1,159**
Between 1 and 2 years	1,037	**703**
Between 2 and 3 years	560	**503**
Between 3 and 4 years	454	**403**
Between 4 and 5 years	354	**394**
More than 5 years	2,013	**1,657**
Total	¥6,030	**¥4,822**

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) Income from lease contracts

Income from lease contracts is as follows.

(Unit: Million yen)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Finance leases		
Income (loss) from sales	175	**1,315**

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

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

(Unit: Million yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Within 1 year	¥2,009	**¥3,608**
Between 1 and 2 years	661	**1,336**
Between 2 and 3 years	600	**1,218**
Between 3 and 4 years	566	**1,217**
Between 4 and 5 years	565	**1,217**
More than 5 years	—	**—**
Total	¥4,403	**¥8,599**

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, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Other affiliates	Honda Motor Co., Ltd.	Sale of the Company's products	¥38,515	Accounts receivable – trade	¥5,742
				Lease receivables	¥ 342

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 sales of Company products are processed as finance leases.

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	**¥39,351**	Accounts receivable – trade	**¥7,274**
				Lease receivables	**¥1,351**

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 sales of Company products are processed as finance leases.

(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, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Development and Manufacturing of America, LLC	Sale of the Company's products	¥38,459	Accounts receivable – trade	¥4,342

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	**¥41,710**	Accounts receivable – trade	**¥3,762**

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, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Development and Manufacturing of America, LLC	Sale of the Company's products	¥22,952	Accounts receivable – trade	¥1,572

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	**¥34,765**	Accounts receivable – trade	**¥3,163**

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, 2022 (April 1, 2021 to March 31, 2022)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Canada Inc.	Sale of the Company's products	¥28,007	Accounts receivable – trade	¥2,941

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

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(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	**¥37,885**	Accounts receivable – trade	**¥4,854**

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

(iv) TS TECH THAILAND

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

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Automobile (Thailand) Co., Ltd.	Sale of the Company's products	¥13,575	Accounts receivable – trade	¥2,454
				Lease receivables	¥3,682

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 sales of Company products are processed as finance leases.

For the year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Automobile (Thailand) Co., Ltd.	Sale of the Company's products	**¥14,259**	Accounts receivable – trade	**¥3,148**
				Lease receivables	**¥6,994**

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 sales of Company products are processed as finance leases.

(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)

	FY2022 (April 1, 2021–March 31, 2022)	**FY2023 (April 1, 2022–March 31, 2023)**
Basic remuneration and bonuses	¥406	**¥488**
Stock compensation	35	**50**

33. CONTINGENT LIABILITIES

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

(Unit: Million yen)

	FY2022 (As of March 31, 2022)	**FY2023 (As of March 31, 2023)**
Employees (Company housing and mortgage loans)	¥26	**¥21**

34. SUBSEQUENT EVENTS

Not applicable

OTHER

Quarterly information for the current fiscal year is as follows.

(Unit: Million yen)

Cumulative period	1st quarter	2nd quarter	3rd quarter	4th quarter
Revenue	**¥82,045**	**¥196,978**	**¥302,473**	**¥409,200**
Income before income tax	**909**	**7,460**	**13,147**	**18,692**
Income (loss) attributable to owners of parent	**(1,203)**	**1,364**	**3,467**	**5,343**
Earnings (loss) per share (Yen)	**(9.15)**	**10.45**	**26.72**	**41.35**

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings (loss) per share (Yen)	**¥(9.15)**	**¥19.80**	**¥16.41**	**¥14.71**

(TRANSLATION)

Independent Auditor's Report

June 23, 2023

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

KPMG AZSA LLC
Tokyo Office, Japan

Shingo Iwamiya
Designated Engagement Partner
Certified Public Accountant

Yukio Kurihara
Designated Engagement Partner
Certified Public Accountant

Opinion

We have audited the accompanying consolidated financial statements of TS TECH Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the company's Annual Report, which comprise the consolidated statement of financial position as at March 31, 2023, 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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on property, plant and equipment in Hamamatsu Plant of TS TECH Co., Ltd.

The key audit matter	How the matter was addressed in our audit
Property, plant and equipment of 83,874 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, 2023, accounting for approximately 20% of total assets in the consolidated financial statements. Of this amount, property, plant, and equipment related to Hamamatsu Plant of the Company accounted for 3,770 million yen as described in Note 2, "Basis of preparation of the consolidated financial statements, (4) Important accounting judgments, estimates and assumptions" to the consolidated financial statements. As discussed in Note 3, "Important accounting policies, (10) Impairment of non-financial assets" to the consolidated financial statements, the Company assesses each asset or cash-generating unit for any indications of impairment during each reporting period, and if any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit. The recoverable amount is calculated at the higher of the fair value less costs of disposal and the value in use of the asset or cash-generating unit. If the recoverable amount of the asset or cash-generating unit is less than the carrying amount, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss. Regarding Hamamatsu Plant, the Company has identified an impairment indicator for the property, plant, and equipment since operating income or loss after allocating headquarters expenses decreased due to the production status of customers, the mix of car models sold, and so forth. Therefore, the Company assessed whether the recoverable amount of property, plant, and equipment related to Hamamatsu Plant was less than the carrying amount, and determined not to recognize an impairment loss since the recoverable amount exceeded the carrying amount.	The primary procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss for property, plant and equipment related to Hamamatsu Plant was appropriate, included the following: (1) Assessment of Internal control We assessed the design and operating effectiveness of certain of the Company's internal controls relevant to determining an impairment loss to be recognized. (2) Assessment of the reasonableness of the estimated value in use • In order to assess whether key assumptions for the mid-term management plan, which were used as the basis for the future cash flows, such as the forecast of incoming orders from customers, were appropriate, we: • inquired of management and compared key assumptions with the past records; • compared key assumptions with the available external data such as notification of expected order volume from customers and forecast of vehicle production volume from external organizations; and • compared the ratio of raw materials cost to revenue and the estimated expenses excluding raw materials cost with the past records. • We assessed the competence, ability, and objectivity of external experts used by management for estimating the fair value of the land at the end of the useful life of machinery and equipment which are main assets of the plant. In addition, we inquired of real-estate appraisers used by the Company and assessed the appropriateness of the assumptions and the valuation methods applied, involving valuation specialists within our domestic network firms. • We involved valuation specialists within our domestic network firms to assess the appropriateness of the models and input data for estimating the discount rate.

The Company used the value in use as the recoverable amount. The future cash flows used for measuring the value in use were estimated based on the mid-term management plan prepared by management. Therefore, there was a high degree of estimation uncertainty since the plan included key assumptions involving management's judgement, such as the forecast of incoming orders. In addition, a high degree of expertise in valuation was required to select appropriate models and others for estimating the fair value of the land at the end of the useful life of machinery and equipment which are main assets of the plant, and the discount rate. We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on property, plant, and equipment related to Hamamatsu Plant was of most significance in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.	

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

<u>Notes to the Reader of Audit Report:</u>

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

Financial Highlights

10-Year Financial Summary

(Unit: Million yen)

	Japanese GAAP	IFRS								
Fiscal Year under Review on a Consolidated Basis	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	457,053	422,317	458,732	425,794	479,490	412,072	359,682	346,149	349,958	409,200
Cost of sales	385,939	352,716	381,258	355,176	399,329	338,031	300,307	288,671	295,716	355,790
Selling, general and administrative expenses	31,979	33,768	39,414	35,755	37,418	36,521	33,531	32,581	33,896	38,471
Operating income	39,133	36,047	39,279	34,557	47,346	38,793	26,326	26,742	22,998	15,257
Income attributable to owners of parent	23,900	22,585	23,528	19,622	30,115	25,750	15,064	20,741	12,416	5,343
Basic earnings per share (Yen)*	175.75	166.08	173.01	144.29	221.45	189.35	110.77	152.89	92.56	41.35
Operating margin (%)	8.6	8.5	8.6	8.1	9.9	9.4	7.3	7.7	6.6	3.7
Return on equity attributable to owners of parent (ROE) (%)	13.1	12.8	12.1	9.6	13.4	10.5	5.9	7.8	4.3	1.8
Return on assets (ROA) (%)	18.2	14.3	13.6	11.4	14.7	11.7	8.2	9.9	6.4	4.5
Effective statutory tax rate (%)	37.2	34.8	32.3	30.1	30.1	29.9	29.9	29.9	29.9	29.9
Average actual tax rate (%)	28.7	31.2	27.8	29.9	22.7	25.0	29.7	22.5	27.2	42.0
Average exchange rate (USD to Yen)	100.2	109.9	120.1	108.4	110.8	110.9	108.7	106.1	112.4	135.5
Average exchange rate (USD to Yuan)	15.9	17.7	18.9	16.1	16.7	16.5	15.6	15.7	17.5	19.8
Capital expenditures	19,960	19,754	17,064	11,199	8,640	7,412	7,619	6,686	14,466	14,606
Depreciation	8,628	7,860	9,314	9,036	9,676	9,778	10,225	9,616	9,204	10,005
R&D expenses	11,635	12,900	13,168	12,382	11,986	12,709	12,374	12,533	11,930	14,344
Total at End of Fiscal Year										
Total assets	264,635	296,858	303,948	322,202	351,944	358,265	341,820	390,478	415,985	416,226
Property, plant and equipment	62,253	74,349	76,338	76,576	73,532	71,515	68,530	69,053	76,860	83,874
Interest-bearing liabilities	2,106	3,960	4,335	3,506	4,187	1,742	4,014	5,228	6,030	4,822
Total equity	170,714	216,502	219,092	230,989	259,924	277,424	274,552	301,450	325,583	323,458
Shareholders' equity	143,718	170,545	189,497	204,800	229,866	249,904	259,233	271,278	275,144	265,756
Cash Flows										
Cash flows from operating activities	43,600	35,056	47,531	34,045	48,406	43,806	44,193	25,151	20,018	30,445
Cash flows from investing activities	(18,233)	(22,771)	(25,299)	(12,409)	(12,742)	(18,321)	(5,366)	(11,709)	(17,196)	(20,970)
Cash flows from financing activities	(8,898)	(11,231)	(12,319)	(14,214)	(11,858)	(16,390)	(12,917)	(14,647)	(23,638)	(18,860)
Free cash flows	25,367	12,285	22,232	21,636	35,664	25,485	38,827	13,442	2,822	9,475
Revenue per Consolidated Segment										
Japan	104,895	85,899	92,071	91,830	93,552	92,856	75,134	78,866	82,698	84,943
The Americas	214,628	219,534	247,087	213,008	224,867	195,604	176,346	141,924	144,527	194,015
China	104,063	91,057	96,513	94,990	121,266	89,187	82,729	117,652	115,236	117,800
Asia and Europe	67,811	58,727	59,257	59,825	76,041	66,822	51,967	34,021	34,202	40,164
Overseas revenue	379,382	362,463	395,571	361,980	412,252	342,496	303,544	288,303	289,660	348,854
Overseas revenue ratio (%)	83.0	85.8	86.2	85.0	86.0	83.1	84.4	83.3	82.8	85.3
Stock Information										
Cash dividends per share* (Yen)	27	30	33	35	40	42	43	45	54	63
Consolidated price to earnings ratio (PER) (Times)	8.9	9.8	7.6	10.4	9.5	8.4	11.5	10.8	14.9	40.6
Consolidated dividends payout ratio (%)	15.4	18.1	19.1	24.3	18.1	22.2	38.8	29.4	58.3	152.4

ROE: Income attributable to owners of parent/Total equity attributable to owners of parent (Average)
ROA: Income before income tax/Total assets (Average)
*1 The company implemented a two-for-one stock split of its common shares, effective April 1, 2021.

Non-Financial Highlights

Environmental

Environmental Accounting

Environmental Conservation Cost (Non-consolidated)

(Unit: Million yen)

		Main Efforts	FY2019		FY2020		FY2021		FY2022		FY2023	
			Investment	Cost	Investment	Cost	Investment	Cost	Investment	Cost	Investment	Cost
Business area cost	Pollution prevention cost	Prevention of air, water, and soil pollution, etc.	46	10	6	11	12	10	21	15	22	27
	Global environmental conservation cost*	Prevention of global warming and ozone depletion and other environmental preservation efforts	*1 615	95	208	62	176	43	*2 561	71	*3 596	32
	Resource circulation cost	Recycling, waste treatment and disposal, and water-saving efforts	11	173	7	56	25	71	13	59	1	67
Upstream/downstream cost		Costs generated from purchasing low environmental impact products and raw materials	38	13	48	3	5	1	7	3	3	1
Administration cost		Environmental management system (EMS) development & operation costs, environmental measurement costs, and office interior "greening" and development costs	24	63	62	82	15	60	48	46	46	74
R&D cost		Research and development of new technology with a high positive environmental impact, such as reducing the weight of products, reducing VOCs (not using paints), and developing recyclable materials	—	3,630	9	4,184	10	4,000	2	4,447	14	4,215
Social activity cost		Environmental measures such as nature protection, "greening," and scenery preservation	4	4	—	2	—	1	1	1	—	2
Environmental remediation cost		Remediation of soil pollution, etc.	—	—	—	—	—	—	—	—	—	—
Total			738	3,988	339	4,399	243	4,186	652	4,642	682	4,418

Notes
1. The above figures include portions ascertained by estimation, such as apportionment.
2. Materials related to environmental accounting, such as guidelines and guidebooks published by the Ministry of the Environment of Japan, were referenced when preparing the table.
3. Costs do not include depreciation costs.

*1 Expenses related to construction of the new Head Office building
*2 Expenses related to construction of the new building at the Hamamatsu Plant
*3 Expenses related to solar power generation equipment at the Saitama, Hamamatsu, and Suzuka plants

Economic Effects (Non-consolidated)

(Unit: Thousand yen)

	FY2019	FY2020	FY2021	FY2022	FY2023
Gain on sale of valuables	8,143	4,613	5,073	9,654	13,645
Cost saved by energy conservation	26,690	16,073	4,169	3,448	3,975
Total	34,833	20,686	9,242	13,102	17,620

Material Effects (Non-consolidated)

	(Unit)	FY2019	FY2020	FY2021	FY2022	FY2023
Energy consumption	GJ	205,251	166,002	154,488	161,867	164,634
Water consumption	1,000 m^3	77	81	62	51	54
CO_2 emissions	t-CO_2	10,361	8,394	6,671	4,903	2,581
CO_2 emissions due to transportation	t-CO_2	2,108	1,845	1,449	1,467	1,431
Total waste output	t	1,075	1,062	1,120	1,384	1,495
VOC emissions	t	50	28	16	18	27
PRTR emissions	t	0	0	0	0	0

Social

In-House Training Sessions and Related Data (Non-consolidated)

	FY2019	FY2020	FY2021	FY2022	FY2023
Human rights/diversity training (Number of times)	8	8	7	8	8
Training time per employee (Hours)	7.6	8.8	11.1	9.8	9.3
Training expenditures (Million yen)	70.0	84.4	21.6*	34.6*	34.3*
Training expenditures per employee (Yen)	40,814	49,252	12,456*	19,634*	20,060*

* Training expenditures have decreased significantly due to postponement and revised modalities for training sessions as part of efforts to prevent the spread of COVID-19.

In-House Training Sessions: Number of Attendees (Non-consolidated)

(Unit: Persons)

	FY2019	FY2020	FY2021	FY2022	FY2023
Practical training sessions for risk assessment*1	42	28	0*2	0*2	0*2
Mental health seminars	80	108	70*2	61*2	73*2

*1 Seminars held for company employees. We have also held "Risk Assessment Training Regarding Specified Chemical Substances" since fiscal 2017.
*2 Practical training sessions for risk assessment have been canceled in order to prevent the spread of COVID-19. For the same reason, mental health seminars have been held less often, canceled, or held using a different method, depending on the risk of infection in each workplace.

Employment-Related Data (Non-consolidated)

	FY2019	FY2020	FY2021	FY2022	FY2023
Percentage of managers who are women (%)	1.9	2.3	2.6	2.9	2.7
Percentage of employees with a disability (%)	2.4	2.6	2.7	2.7	3.0
Percentage of employees who are non-Japanese (%)	0.7	0.5	0.6	0.6	0.6
Number of new graduates hired (Persons)	50	54	47	48	46
Number of employees who leave within three years of hiring (Persons)	0	5	5	2	5
Turnover rate within three years of hiring (%)	0.0	8.9	9.6	4.0	9.3
Percentage of employees hired mid-career*1 (%)	10.7	18.2	6.0	12.7	22.6
Engagement score*2	(31.7)	(29.8)	(30.4)	42.1	40.9

*1 The percentage of employees hired mid-career among employees hired for regular employment
*2 Parenthetical values for fiscal 2019 to fiscal 2021 show satisfaction survey-based DI values. As of fiscal 2022, scores are based on Link and Motivation Inc.'s Motivation Cloud.

Major Personnel Data (Non-consolidated)

		FY2019	FY2020	FY2021	FY2022	FY2023
Number of employees by gender*1 (Persons)	Male	1,531	1,524	1,551	1,573	1,526
	Female	185	191	187	190	184
	Total	1,716	1,715	1,738	1,763	1,710
Average years of service*1 (Years)	Male	16.3	16.6	17.2	17.8	18.0
	Female	15.1	15.0	15.8	16.2	16.2
	Overall	16.2	16.5	17.1	17.6	17.9
Gender wage gap for workers*2 (%)	All employees	70	71.4	72.3	72.4	71.9
	Regular workers	78.3	79.2	78.6	77.7	76.5
	Part-time and fixed-term contract workers	60.2	57.4	60.2	64.6	77.3

*1 Only for regular workers
*2 Ratio of average annual wages of female employees to average annual wages of male employees

Non-Financial Highlights

Maternity, Childcare, and Nursing Care Leave Data (Non-consolidated)

		FY2019	FY2020	FY2021	FY2022	FY2023
Percentage of employees taking paid leave (%)		98.3	99.6	96.6	99.4	104.1
Percentage of employees using half-day vacations (%)		56.7	58.4	58.4	65.7	66.4
Number of employees using maternity leave (Persons)		8	3	6	11	9
Number of employees using childcare leave (Persons)	Male	3	4	8	13	27
	Female	8	6	6	10	9
	Total	11	10	14	23	36
Percentage of employees using childcare leave (%)	Male	4	5	11	19	43
	Female	100	100	100	100	90
	Total	14	13	18	29	58
Rate of return to work after childcare leave (%)	Male	100	100	100	100	100
	Female	100	100	100	100	88
	Total	100	100	100	100	97
Number of employees using shorter working hours system for children (Persons)	Male	1	2	2	2	6
	Female	8	17	15	15	18
	Total	9	19	17	17	24
Number of employees using nursing care leave (Persons)	Male	0	0	1	1	0
	Female	0	0	0	0	0
	Total	0	0	1	1	0

Labor Union Data (Non-consolidated)

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of employees affiliated with the labor union (Persons)	1,491	1,491	1,504	1,504	1,457
Percentage of employees affiliated with the labor union (%)	98	98	98	96	96

* Calculations exclude managers

Industrial Accident Circumstances (Non-consolidated) [Consolidated]

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of industrial accident deaths (Persons)	0 [0]	0 [0]	0 [0]	0 [0]	0 [0]
Number of industrial accident injuries (lost worktime accidents) (Persons)	1 [59]	2 [36]	0 [36]	1 [25]	0 [11]
Frequency rate*1 [Industry average] (%)	0.25 [1.49]	0.52 [0.99]	0.00 [1.03]	0.27 [0.75]	0.00 [0.31]
Severity rate*2 [Industry average] (%)	0.00 [0.02]	0.01 [0.02]	0.00 [0.03]	0.01 [0.01]	0.00 [0.01]

*1 Expresses the frequency of accident occurrences as the number of fatalities and injuries due to industrial accidents per million hours worked
*2 Expresses the degree of severity of an accident as the number of working days lost per thousand hours worked. However, this is limited to industrial accidents causing one or more lost working days.

Non-Financial Highlights

Number of Patents Held

(Unit: Activities)

	FY2019	FY2020	FY2021	FY2022	FY2023
Domestic	968	1,180	1,260	1,401	1,565
Overseas	543	644	704	800	864

Number of Social Contribution Activities Conducted (Consolidated)

(Unit: Activities)

FY2019	FY2020	FY2021	FY2022	FY2023
277	285	188*	155*	213*

* Some social contribution activities have been canceled or postponed as part of efforts to prevent the spread of COVID-19.

Number of Social Contribution Activities Conducted in Fiscal 2023

(Unit: Activities)

	Japan	The Americas	China	Asia and Europe	Total
Economic assistance	15	56	7	19	97
Social contribution activities	41	53	10	12	116

Social Contribution Activity Expenditures (Non-consolidated)

(Unit: Thousand yen)

FY2019	FY2020	FY2021	FY2022	FY2023
50,019	41,824	17,303*1	282,063*2	43,440

*1 Some social contribution activities have been canceled or postponed as part of efforts to prevent the spread of COVID-19.
*2 Includes facility repair expenses for Konosu Flower Stadium (Saitama Prefecture), the base venue for the activities of the baseball club.

Improvement Initiatives (Consolidated)

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of participating teams*1	489	483	—*2	334	367

*1 Improvement activities undertaken by small groups. Generally referred to as a "QC (Quality Control) Circle," the activities are aimed at developing human resources who can use the QC method to solve problems and manage and improve operations.
*2 Activities were not implemented to prevent the spread of COVID-19.

Dialogue with Stockholders and Investors

	FY2019	FY2020	FY2021	FY2022	FY2023
General Meeting of Shareholders: Number of attendees	441	12*1	9*1	7*1	18
Events for individual investors: Number of attendees	88	264	0*2	0*2	0*2
IR/SR interviews: Number of companies (Including small meetings and conference calls)	229	168	355	269	290

*1 To prevent the spread of COVID-19, shareholders were asked to refrain from attending the venue.
*2 Events for individual investors were canceled to prevent the spread of COVID-19.

Governance-Related Data

(Unit: Cases)

	FY2019	FY2020	FY2021	FY2022	FY2023
Fines and penalties for anti-competitive practices (Consolidated)	0	0	0	0	0
Cases recognized as corruption or bribery (Consolidated)	0	0	0	0	0
Number of political donations (Non-consolidated)	0	0	0	0	0

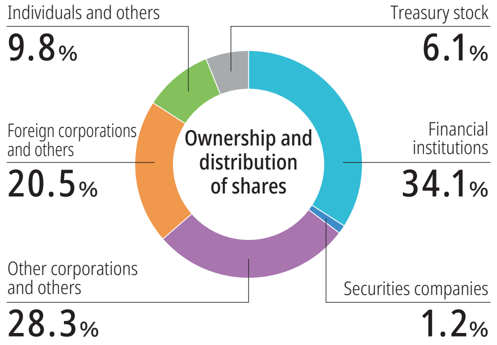
Corporate Data

Corporate Data As of March 31, 2023

Company Name	TS TECH Co., Ltd.
Establishment	December 5, 1960
Head Office	3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan
Common Stock	4,700,000,000 yen
Corporate Representative	President and Representative Director, Masanari Yasuda
Lines of Business	Manufacture and sale of seats for automobiles; interior trim and interior components for automobiles; motorcycle seats; and motorcycle parts and accessories
Number of Employees	15,172 (Consolidated), 1,710 (Non-consolidated)
Closing of Accounts	March 31
Securities Traded	Tokyo Stock Exchange (Prime Market)
Main Banks	MUFG Bank, Ltd./Sumitomo Mitsui Banking Corporation/Saitama Resona Bank, Limited
Main Customers	Honda Motor Co., Ltd./Honda Trading Corporation/Honda Access Corp./Suzuki Motor Corporation/Yamaha Motor Co., Ltd./Kawasaki Motors, Ltd./Volkswagen AG/SEAT S.A./Harley-Davidson, Inc./PARAMOUNT BED CO., LTD.
Member Organization	Japan Auto Parts Industries Association

Stock Information As of March 31, 2023

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Issued	136,000,000
Number of Shareholders	18,376

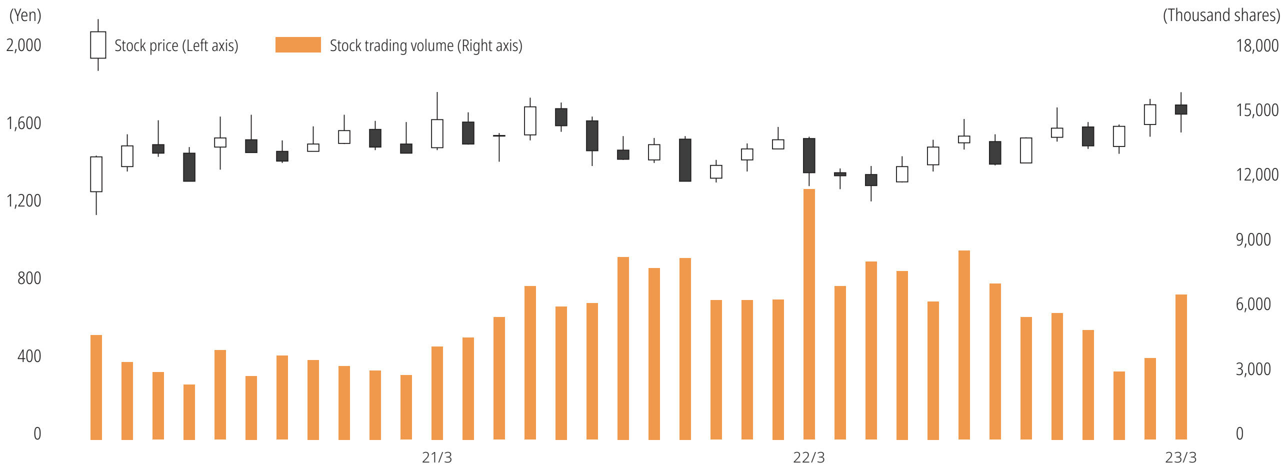


Major Shareholders (As of March 31, 2023)

	Investment in the company	
	Number of shares held (Thousands)	Shareholding ratio (%)
Honda Motor Co., Ltd.	30,720	24.1
The Master Trust Bank of Japan, Ltd. (Trust account)	15,358	12.0
Custody Bank of Japan, Ltd. (Trust account)	6,466	5.1
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust Account)	4,398	3.4
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	3,880	3.0
Taiyo Life Insurance Company	2,800	2.2
Okamoto Industries, Inc.	2,752	2.2
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,720	2.1
MUFG Bank, Ltd.	2,638	2.1
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,580	2.0

Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. The company, which owns 8,273,377 treasury shares, is excluded from the above list of major shareholders.
Also, treasury stock is excluded in calculating the shareholding ratio.

Trend in Stock Price and Trading Volume (April 2020–March 2023)



Note: The company implemented a two-for-one stock split of its common shares, effective April 1, 2021.
This graph was created on the assumption that the relevant stock split had been implemented at the beginning of fiscal 2021.

External Recognition and Selection as a Constituent in Indices As of March 31, 2023

CDP DISCLOSER 2022
CDP Climate Change Report 2022, Japan edition
Selected as a company with a "Management level" score of B

CSR Companies Ranking by Toyo Keizai Inc.
233 / 1,702 firms

ESG Companies Ranking by Toyo Keizai Inc.
170 / 1,702 firms

S&P/JPX Carbon Efficient Index
Selected as a constituent stock for an index in which weighting is determined by evaluating the levels of environmental information disclosure and carbon efficiency (carbon emissions per unit of sales)

FTSE Blossom Japan Sector Relative Index
Selected as a constituent of the Index, which was designed to measure the performance of Japanese companies with high ESG scores

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
Selected as a constituent stock for the MSCI Japan Empowering Women (WIN)* Select Index which selects Japanese companies with outstanding gender diversity from each industry

Note: The inclusion of TS TECH Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names herein do not constitute a sponsorship, endorsement, or promotion of TS TECH Co., Ltd. by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

On the Publication of TS TECH Integrated Report 2023

We have been publishing an integrated report since fiscal 2012 to allow shareholders, investors, and other stakeholders to gain a deeper understanding of how the TS TECH Group creates value over the medium to long term.

In this integrated report, our twelfth, we have provided an introduction to our value creation process for achieving sustainable growth together with society based on our corporate philosophy, "A company dedicated to realizing people's potential, a company sincerely appreciated by all," which we have consistently communicated throughout each of our previous reports. We have also introduced our initiatives aimed at achieving the 15th Medium-Term Management Plan, which started in April 2023, and our 2030 Vision.

To continue creating new value and achieve further corporate growth in the automobile industry, which is experiencing a major transformation, we must not only pursue the technologies we have cultivated over the years in areas such as safety, comfort, and attractiveness. Also essential are the power of our people to advance these technologies and deliver them to society, business operations conducted in harmony with the environment and society, and a solid corporate foundation with thorough governance. To realize ESG management, the TS TECH Group is moving forward with various measures while incorporating the opinions of stakeholders, including shareholders, customers, outside directors, employees, and others.

As the Executive General Manager of the Corporate Administration Division with overall responsibility for the production of the integrated report, I hereby state that the process used to prepare the report is reasonable and that the information it contains is accurate. We hope that in addition to dialogue with stakeholders in the course of our business activities, the report will help you to better understand the TS TECH Group. Going forward, we will continue to value dialogue with stakeholders. We are committed to enhancing the disclosure of information in terms of both quantity and quality, so please feel free to give us your candid opinions.

Shigenobu Ono
Operating Officer
Corporate Administration Division Executive General Manager,
Officer in Charge of Public Relations

VEGETABLE OIL INK
November 2023
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