Integrated Report 2024

TS TECH Integrated Report

TS TECH Co.,Ltd.

Bringing joy to society thr

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

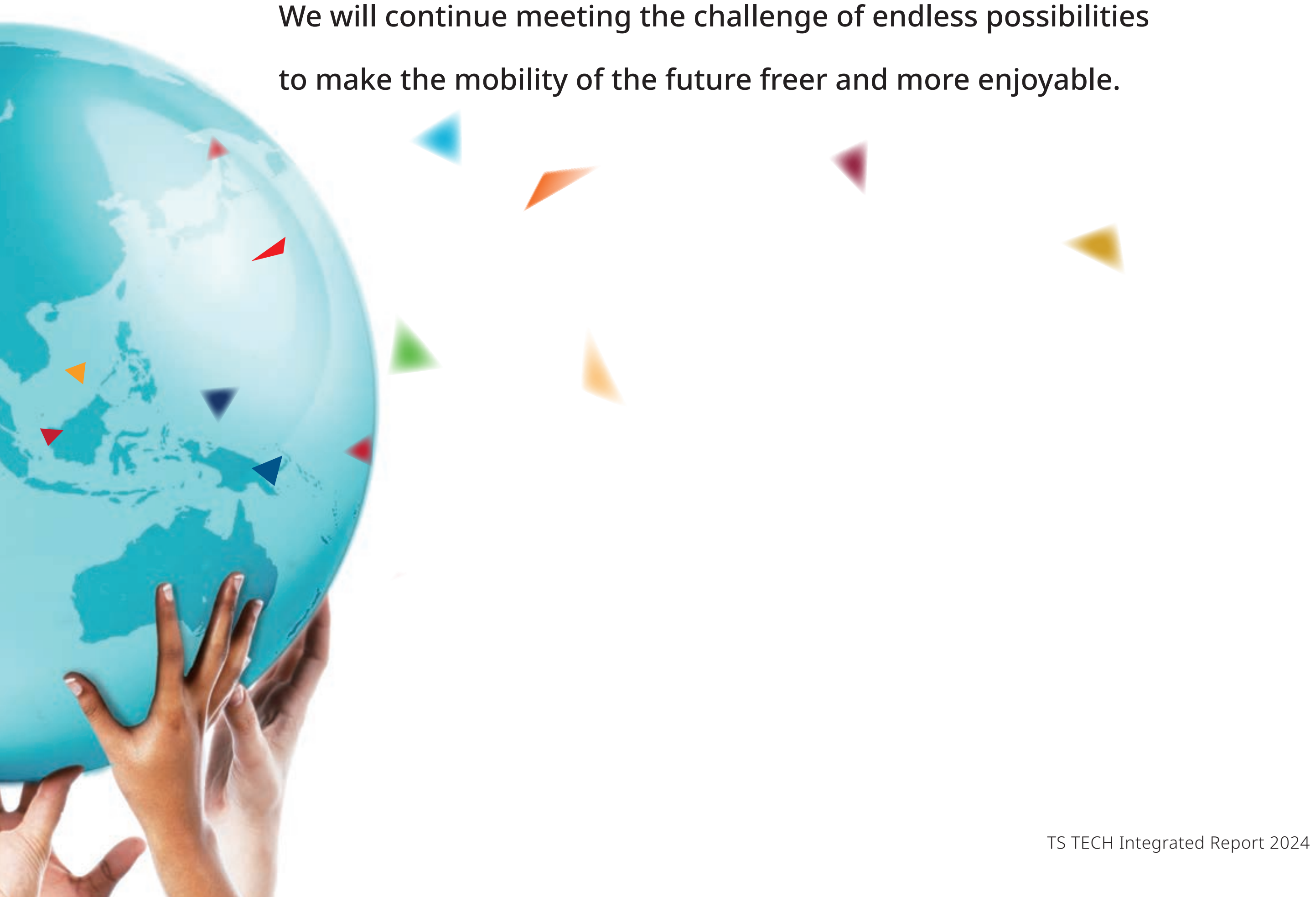
- We should make our workplace a vibrant one, valuing consensus and communication.
- Work should be done in accordance with the circumstances, with importance placed on time and priorities.
- We must always challenge ourselves to create new value by leveraging our passion and know-how.
- Each of us should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

ough the power of people

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.



The TS TECH Group—Carrying Forward the TS TECH Philosophy over Generations

The existential value of our company can only be found by embodying the TS TECH Philosophy, which consists of the Vision Statement, Mission Statement, and Operational Directives. Based on a corporate management belief that people are the decisive factor in a company, and as an automotive interior system supplier, we are committed to continuously enhancing our corporate value, striving for harmonious coexistence with society, and fulfilling our vision of being a company that is sincerely appreciated by all stakeholders.

The Value of Our Existence

Our Vision Statement forms the basis of our corporate activities.

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

Dedicated people who work hard and take on challenges are the driving force of our Group, and as such we view them as "valuable human assets." TS TECH highly values and respects its people and strives to build strong relationships of trust with all stakeholders. In doing so, we aim to become a company whose presence is valued and is sincerely appreciated.

Our Mission Statement expresses the purpose of the Group's corporate activities.

We shall provide comfortable, high-quality products at competitive prices to our customers worldwide, — **First part**

always pursuing the infinite possibilities in manufacturing. — **Second part**

The Mission Statement has two parts. The first represents the "form" to embody one of the vision statements: "A company sincerely appreciated by all." The second represents the "spirit" articulated in the other vision statement: "A company dedicated to realizing people's potential."

Each and every employee is aware of and committed to the four 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.

The people who work for our Group have different types of jobs. They work in development, sales and purchasing, production, or management, for example, and as such their work styles also vary. Each employee incorporates the Operational Directives into their own work as a guide for putting the TS TECH Philosophy into practice and approaches their daily work with the awareness that they are responsible for implementing this philosophy.




Diverse talents from around the world who embody the TS TECH Philosophy are indispensable human assets that contribute significantly to the company's growth.







CONTENTS

To Our Stakeholders

Value Creation Story

Enhancing Corporate Value

Materiality and ESG Management

Special Feature

Social

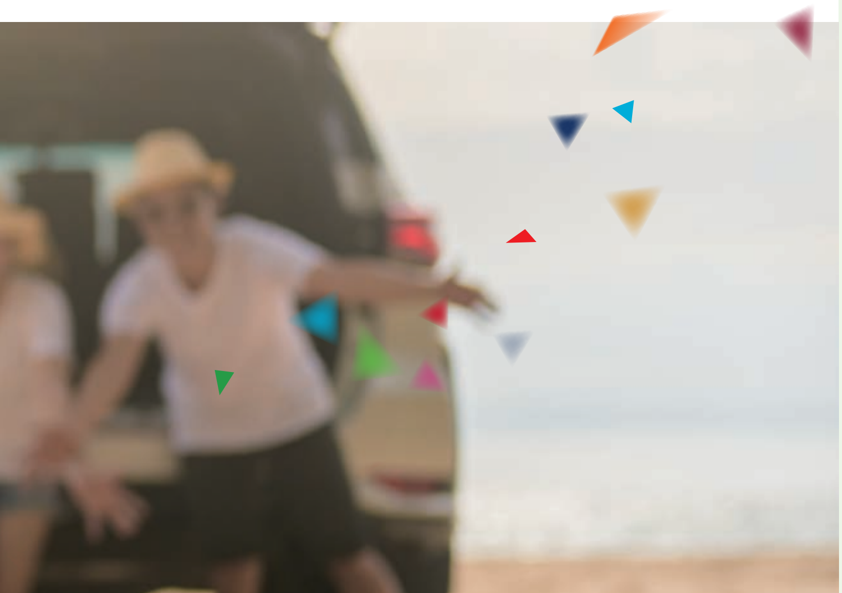
Environment

Governance

Fact Book

Financial Reporting

Financial/Non-Financial Information



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
Sustainability
Provides qualitative and quantitative information related to environmental and social factors.
https://www.tstech.co.jp/english/sustainability/

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 2024 (April 1, 2023–March 31, 2024)

Reference Guidelines

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

Disclaimer

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

The History of 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

▶ 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

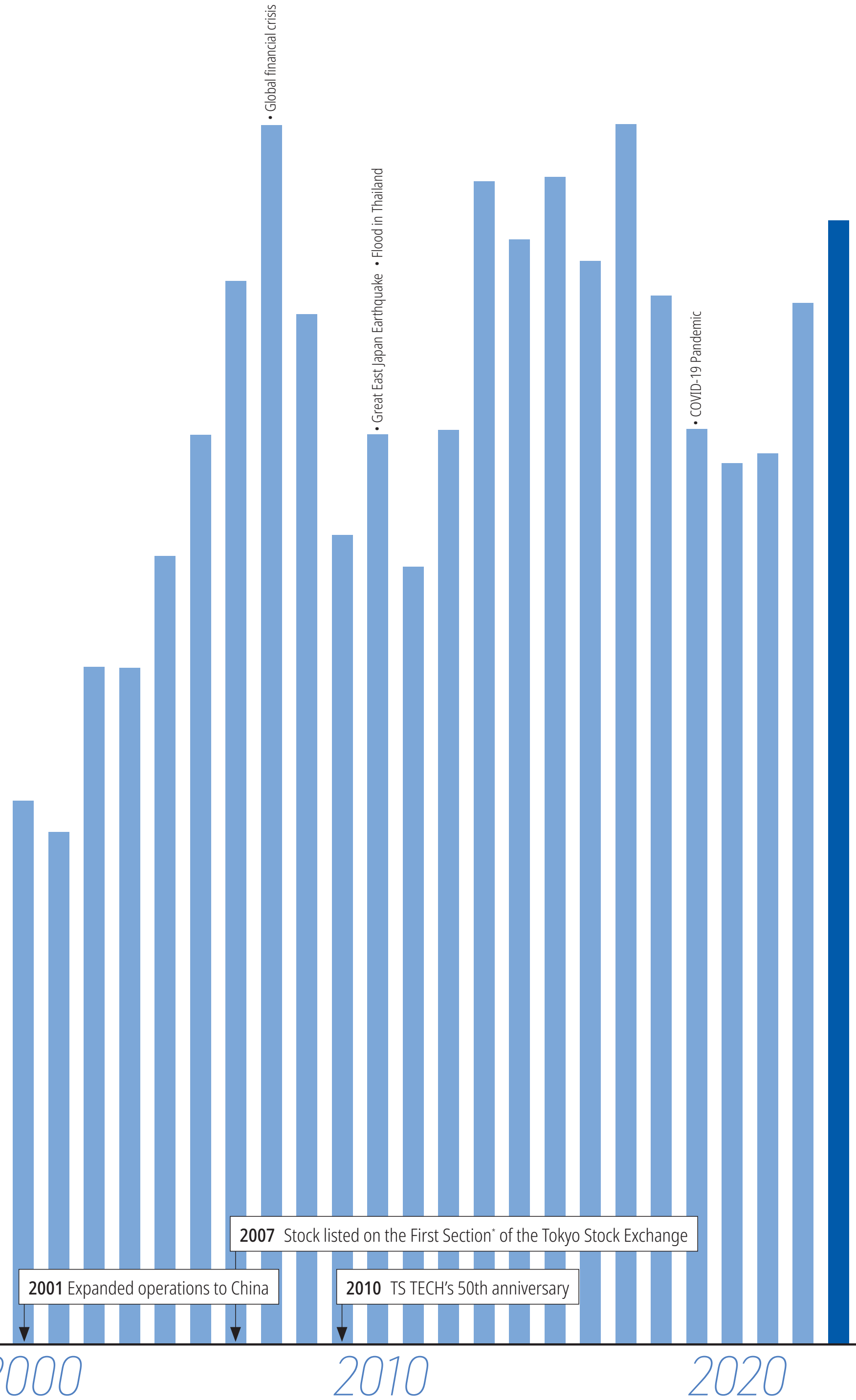
TS TECH continues to pursue comfortable seats that prevent fatigue by translating subjective judgments of comfort and fatigue, which vary by person, into quantifiable figures and conducting repeated research based on ergonomics. This approach is reflected in our unique theory of a comfortable posture.

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.

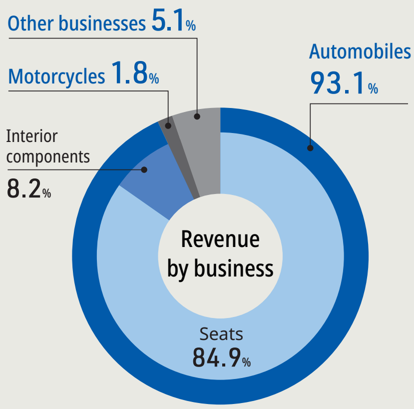


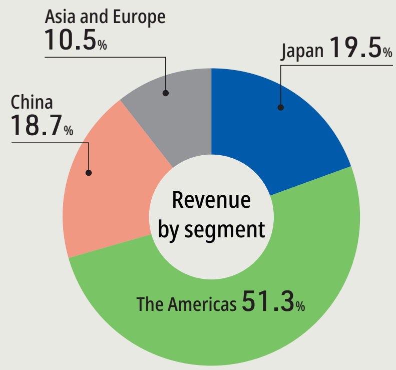
Revenue (Consolidated)

441.7 billion yen

Operating income (Consolidated)

17.5 billion yen





Year ended March, 31 2024

* Shifted to the Prime Market in April 2022

▸ 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.

Message

Message from the President

Investing in human capital and bolstering partnerships to promote technological innovation and build a more competitive company than ever

保田真成

Masanari Yasuda

Representative Director, President

Introduction

For its 2030 Vision, the TS TECH Group has the stated goal of being an "innovative quality company—continued creation of new value." To achieve this vision, we have launched our new **15th Medium-Term Management Plan**[1] (fiscal 2024–2026), which is focused on a policy of "realizing ESG management." We are also striving to further enhance corporate value by expanding our business and improving capital efficiency based on priority strategies in the categories of growth, regional, and functional.

In fiscal 2024, the first year of the 15th Medium-Term Management Plan, the Group had a number of challenges in terms of profitability, as the automotive industry as a whole has been facing an extremely challenging business environment, including a decline in production volume due to sluggish sales for Japanese automakers in the Chinese market and rising raw material and labor costs. However, we believe that we are moving in the right direction with each of our priority strategies and will allocate all management resources necessary to steadily implement measures in areas essential to growth.

Progress on the 15th Medium-Term Management Plan

For our first growth strategy, "securing cabin coordination capacity," we take a long-term view, as the transition to EVs and the full advent of self-driving vehicles steadily approaches.

1 15th Medium-Term Management Plan ▶ pp. 16–17

We are engaged in **product development with an eye on next-generation vehicles**[2] to accelerate our transformation into a company that can fully coordinate the entire cabin space and provide new value to customers and users. We have been successful in proactively presenting customers with technical proposals, and certain next-generation technologies have in fact been adopted by customers ahead of schedule.

By consistently proposing products that exceed customer expectations, we will achieve our growth strategies of "**further growth in new businesses**"[3] and securing "**a higher share of major customers' products.**"[4]

In terms of progress, we have obtained a steadily increasing number of commercial rights orders, despite delay of planned orders from new customers caused by delayed development schedules at automakers due to the dramatic slowdown in EV demand, among other factors. Specifically, with robust orders for new commercial rights from Maruti Suzuki in India, we are constructing a new plant to build up a robust production system, aiming to further expand our business in the Indian market. In other regions, as well, we are targeting customers worldwide and will continue to implement strategic sales activities tailored to the timing of each model change.

We are also making solid progress on acquiring targeted commercial rights for orders from the Honda Group. We will continue our efforts to increase our share of major customers, creating attractive products jointly with customers and conducting order development activities by ensuring collaboration across our segments and functional divisions and taking advantage of regional characteristics.

Next, with regard to our regional strategy of "V-shaped recovery in North America," a variety of factors, including production losses caused by production fluctuations and increases in raw material and labor costs, have posed challenges to profitability. For this reason, we are taking measures such as making capital investments in **automation of production processes**[5] and building automated vertical warehouse facilities that can flexibly respond to production fluctuations, as well as optimizing production systems and reorganizing procurement structures. Although the situation has improved over certain points in the past, we have not yet fully cleared these hurdles and will continue to work on improving our business structure to ensure our capacity to generate profits commensurate with the number of units produced.

In terms of our approach to "restructuring the China business strategy," we expect the business environment to remain challenging due to the growing strength of emerging EV manufacturer. Despite these circumstances, we are working to create a profit-generating production system by automating the production processes, actively expanding the use of local suppliers, and optimizing the employment structure of our personnel. Moreover, we are renewing our development system to secure new commercial rights from local automakers and have already received orders for seat and door trim commercial rights from new customers. This marks the beginning of expanding our commercial rights, and we will work to further increase them to secure our position in the increasingly competitive Chinese market.

Through these and other priority strategies, we aim to achieve further business growth with a steady flow of new commercial rights and improved profitability.

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

2 Product development with an eye on next-generation vehicles ▶ pp. 22–25
3 Further growth in new businesses ▶ p. 29
4 A higher share of major customers' products ▶ p. 28
5 Automation of production processes ▶ p. 31

Further enhancement of corporate value

At the start of our 15th Medium-Term Management Plan, we set **performance targets and a new basic policy for shareholder returns**[6] to quantitatively communicate this part of our 2030 Vision and demonstrate our commitment to achieving it. Since setting these targets, however, the business environment has changed dramatically, and achieving these will be no easy task. We are therefore reviewing additional measures to make improvements and scrutinizing the likelihood of meeting our performance targets. We will announce our findings, as necessary, once our review is complete.

We will, however, continue to implement shareholder returns without wavering from our initial plan. Of course, we will focus on increasing profitability and shift to an appropriate cash level aligned with the scale of our business. To this end, we will invest in growth, actively provide shareholder returns, and steadily and consistently optimize our capital structure.

Based on our basic policy for shareholder returns, we plan to return approximately 50 billion yen to shareholders over three years through stable growth in dividends, targeting a DOE* of 3.5% or more by the end of the 15th Medium-Term Management Plan period. In line with these policies, we expect dividends to continue to increase steadily during this period. In terms of acquisition of treasury stock, as announced in May 2024, we are proceeding with the acquisition of 15 billion yen in treasury stock through a combination of tender offer and market purchases by March 31, 2025. We will focus on delivering sustainable growth in corporate value by reviewing and flexibly implementing acquisition of the remaining treasury stock and further shareholder return measures.

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

Management guided by the TS TECH Philosophy

I believe it is precisely at times when the future of the market is uncertain and corporate management poses challenges that it is most important to put the **TS TECH Philosophy**[7] into practice. This philosophy, the foundation on which the Group operates and the embodiment of our existential value, calls for us to be "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all." These ideas are deeply aligned with the concept of sustainability. Our basic management policy has long been committed to ESG management, and we have undertaken a wide array of initiatives in these areas. We have also **identified material issues**[8] for building a sustainable society, established relevant KPIs for each, and formulated 2030 targets that quantify our ideal state for TS TECH by that year.

As a company that provides components for vehicles that emit CO_2, and because of the significant impact of extreme weather events and other climate risks to our business, we see addressing climate change as one of our most important management issues. In order to help **achieve carbon neutrality**,[9] we have set the goal of reducing the Group's CO_2 emissions from business activities to net zero by 2050. We have also conducted scenario analysis of climate-related risks and opportunities for the Group's core automobile business (seats, interior components), classifying them into the two categories of "physical risks" or "transition risks," and assessing the fiscal impacts using the three levels. Based on the assumed financial impact amount of important risks and opportunities, we have performed quantitative evaluations and disclosed the findings. Building on these results, we will continue to reflect them in our management strategies and risk management framework, and steadily implement measures to achieve sustainable growth.

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 **approx. 20 billion yen** in treasury stock

II

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

Acquisition of treasury stock

STEP 1 May 13, 2024–June 10, 2024	STEP 2 July 8, 2024–March 31, 2025
Implementation of tender offer **8.8 billion yen** This enables us to acquire a substantial amount of shares in a short period of time while minimizing outflow of our assets outside the company.	**Implementation of market purchases** **6.1 billion yen** After completion of tender offer, the acquisition is expected to be completed in about 9 months.

KPI of shareholder returns policy

Acquiring up to 15 billion yen/20 billion yen of treasury stock

6 Performance targets and new basic policy on shareholder returns ▶ p. 17
7 TS TECH Philosophy ▶ pp. 2–3
8 Identified material issues ▶ pp. 40–41
9 Achieve carbon neutrality ▶ pp. 50–57

Although sustainability initiatives are essential for long-term corporate growth, the automotive industry to which we supply components faces changes in the business environment that threaten its very survival. To ride out this massive wave of change, it is crucial that we transform ourselves into a company that remains capable of creating new value. We believe this transformation lies in continuing to take on challenges and that the driving force to do so is the strength of our people. In the current environment, it is our human assets, our employees, who we must value above all else. They are the source of our competitiveness and at the heart of our effort to create sustained value.

While **human capital management**[10] has recently become a buzzword, TS TECH has long been dedicated to realizing people's potential as part of our corporate philosophy. Investing in people is the foundation of our corporate management. We strive to provide a positive working environment and opportunities for employees to upskill, as well as encourage personal growth, so that **every one of our employees can work with enthusiasm**[11] and realize their full potential. One indicator by which we measure these efforts is our employee engagement survey. We have set this indicator as a **materiality KPI**[12] to achieve the highest rating of AAA by 2030. We use the results of these surveys to help us determine how to bridge any gaps that may arise between the company's ideas and thoughts and those of our employees in today's increasingly diverse society and develop Group-wide measures to strengthen employee engagement. At the same time, I believe that, while we may expect the simple fulfillment of each individual's wishes to boost the appearance of engagement, this will not lead to corporate growth. It is important that our employees share the ideas set out in the TS TECH Philosophy, which convey the Group's values. This, however, is no simple matter, and forcing a corporate philosophy on employees does not necessarily mean they will manifest the philosophy in their actions.

Whenever I speak to Group employees, I advise them, "Do not think about your work as something to be done for the company. Make your best effort for yourself and for your family." By no means am I saying that employees should take a selfish approach to their work, but the fact is that people work harder and are more persistent when they are making the effort for themselves. If the company and employees are working toward the same goals, and a supportive environment that accommodates diverse work styles is in place, I believe that working hard for oneself will lead to company growth. This in turn benefits the community in which the company operates and, by extension, society as a whole. It is therefore my mission to create an environment in which every employee is able to play an active role, and I have asked the other members of our management team to do the same within their respective areas of responsibility.

Remaining "A company sincerely appreciated by all"

We strongly believe that being sincerely appreciated by all is not merely a matter of being appreciated by customers and suppliers. Beyond that, it means being a company where the employees feel happy and fulfilled in their work and experience personal growth. We are committed to achieving sustainable corporate growth by respecting the values of all employees from diverse backgrounds and providing an environment in which every employee can play an active role.

As the market environment is expected to become increasingly challenging, we find ourselves in an era in which it will be difficult for companies that simply rely on conventional methods and past successes to grow. The TS TECH Group will therefore focus on becoming more competitive than ever before by investing in human capital and strengthening collaboration with partners in order to accelerate technological innovation. We will move forward with bold, rapid change without being constrained by conventional ways of doing things.

To remain "A company sincerely appreciated by all" stakeholders, we are committed to fulfilling our Group responsibilities and striving to enhance our corporate value. I look forward to your continued support.

10 Human capital management ▶ pp. 38–39
11 Every one of our employees can work with enthusiasm ▶ pp. 42–45
12 Materiality KPI ▶ pp. 40–41

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.

Figures are all for fiscal 2024

INPUT

Intellectual capital

- Research and development expenses: 15.5 billion yen
- Number of patents held in Japan: 1,747
- Number of patents held outside Japan: 879

Manufactured capital

- Capital expenditures: 13.5 billion yen
- Production sites: Operations in 12 countries, 47 sites

Human capital

- Number of employees (Consolidated): 14,719

Financial capital

- Consolidated total assets: 446.2 billion yen
- Cash flows from operating activities: 37.6 billion yen

Natural capital

- Energy input: 1,381 TJ
- Material input (Non-consolidated): 19,699 t

Social and relationship capital

■ Stakeholder engagement ▶ p. 36

BUSINESS PROCESS

Products for automobiles and motorcycles

- Seats
- Door trims
- Resin-based products

Other products

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

2030 Vision

Innovative quality

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

OUTPUT

Performance targets for the 15th Medium-Term Management Plan

Revenue **480** billion yen Operating income **44** billion yen

Materiality KPIs

Society	Developing attractive, innovative technologies	Innovative technology development expenses as a percentage of R&D expenses	vs. FY2021 +3%
	Improving product quality	Seat supplier IQS rating*1	7.0P
Environment	Responding to climate change	CO_2 emissions reduction rate*2	vs. FY2020 -25%
	Recycling and effectively using resources	Waste reduction rate*3	vs. FY2020 -25%
		Water intake reduction rate and environmental impact from wastewater*4	vs. FY2020 -15%
	Harmoniously co-existing with nature	Establishment of the TS TECH Fund (matching gift program)	
Corporate foundation	Respecting human rights	Engagement rating*5	BB
		Supplier Sustainability Guidelines compliance rate*6	100%
	Reforming work styles to make the most of diversity	Percentage of management positions held by diverse human resources*7	33.3%
	Strengthening governance	Corporate Governance Code compliance rate	100%

*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

OUTCOME

Financial targets for the 15th Medium-Term Management Plan

Operating margin

9.2%

ROE

8.5%

Basic policy for shareholder returns

Implementing sustained, stable returns unaffected by business results

Contributing to a decarbonized society through products and business activities

Providing safe, secure, and comfortable vehicle interiors

company —Continued creation of new value—

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

15th Medium-Term Management Plan Fiscal 2024–2026

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

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%

ESG management
Identifying material issues
Setting KPIs and targets for 2030

TS TECH Philosophy
A company dedicated to realizing
A company sincerely appre

2023 2026

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

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%

16th Medium-Term Management Plan

Driving innovation that withstands external changes

Achieving KPIs and targets for 2030

people's potential
ciated by all

Bringing joy to society through the power of people

2029 2030

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 responding to the fast-changing market environment and recovering profitability as quickly as possible, in order to achieve further growth and deliver on our 2030 Vision. To do this, we will pursue nine priority strategies grouped into three areas: growth, regional, and functional. Also, seeking to bring to fruition the ESG management efforts we have implemented to date, we will aim to contribute to building a sustainable world, and we will always strive to be a reassuring presence for all our stakeholders and a company sincerely appreciated by all.

<table>
<tr><th colspan="3">Management policy　Realizing ESG management</th></tr>
<tr><th colspan="2">Priority strategies</th><th>Initiatives and progress</th></tr>
<tr><td rowspan="3">Growth strategies</td><td>1 Securing cabin coordination capacity</td><td>• 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
▶ Products based on next-generation technologies chosen for use in new models, including next-generation EVs</td></tr>
<tr><td>2 Further growth in new businesses</td><td>• 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
▶ Building a new plant in India in response to growth in orders for Maruti Suzuki</td></tr>
<tr><td>3 A higher share of major customers' products</td><td>• 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
▶ Competitive commercial rights in fiscal 2024: 90% achievement rate of orders for target models</td></tr>
<tr><td rowspan="3">Regional strategies</td><td>4 V-shaped recovery in North America</td><td>• Transformation to a corporate structure capable of adapting to environmental change
Rigorous automation of production to stay ahead of irregular production and rising raw material and labor costs
Strengthening cost competitiveness through optimization of specifications, materials, and processes
▶ Implementation of measures to improve income, including adopting automated laser welding equipment and automated vertical warehouse facilities</td></tr>
<tr><td>5 Restructuring the China business strategy</td><td>• 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
Revamping development systems to respond to the market environment
▶ Acquisition of new orders for commercial rights for components from local automakers</td></tr>
<tr><td>6 Strategic growth in new businesses in Europe</td><td>• 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
▶ Start of production of third-row seats for new EVs of European automakers</td></tr>
<tr><td rowspan="3">Functional strategies</td><td>7 Supply chain restructuring</td><td>• 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)
▶ Promotion of the procurement reorganization project, revision of procurement policies for each component from a comprehensive perspective</td></tr>
<tr><td>8 Enhancing efforts to develop environmental technologies</td><td>• Evolution of environmental technologies for early commercial use
Establishing technologies for use of biomass materials and electric furnace steel from scrap steel in products
Resource recycling accomplished by selecting materials and designing structures with recycling in mind
▶ Finalization of targets for developing technologies to use sustainable materials in products</td></tr>
<tr><td>9 Building high efficiency production structures</td><td>• 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.
▶ Reorganization of production sites in Japan and overseas</td></tr>
<tr><td>Foundation</td><td colspan="2">Human resources strategies/Financial strategies ▶ pp. 18–21 /Earning a reputation as a quality leader/Promoting and firmly establishing sustainability</td></tr>
</table>

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%

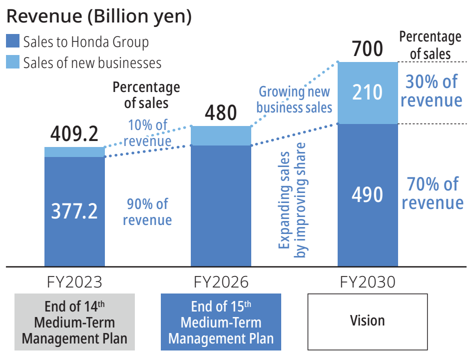
Shareholder returns ▸p. 20	
Basic policy	Implementing sustained, stable returns unaffected by business results
Dividends	Stable increase in dividend payments, targeting DOE of 3.5% or more by the end of the 15th Medium-Term Management Plan
Acquisition of treasury stock	Flexible share buyback during the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

	Materiality KPIs ▸pp. 40–41	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%**

Promoting further business growth

The TS TECH Group has achieved steady business growth as a global partner of the Honda Group. In order to achieve further growth, we will strive to realize our 2030 Vision not only by executing the strategy of earning "a higher share of major customers' products" with a focus on the Honda Group, but also with the strategy of "further growth in new businesses," for instance expanding commercial rights from new customers.

As for new business areas, although we face delays in some order plans due to customers revising their own development plans in response to demand fluctuations in the EV market, we have been successful in acquiring new commercial rights from the Suzuki Group. In addition, we have received a new order for commercial rights for parts from a local Chinese automaker, and we will further accelerate our sales activities to achieve our goals.



Building high efficiency production structures

We promote thorough automation of production and inspection processes to build high efficiency production structures that outperform the competition. We will further accelerate the development of manufacturing technology by advancing the construction of a new Production Technology Building at the Saitama Plant that will enable verification and validation of manufacturing technology and mass production, establishing Japan as home of a "global mother plant," and disseminating the manufacturing technology generated there to the Group's production sites.

At the same time, the reorganization of domestic and overseas production sites, which we have been steadily carrying out to further strengthen the competitiveness of components and improve profitability, is progressing according to plan.

- Strengthening global mother plant functions through production reorganization at the Saitama Plant
- Streamlining processes through integration of domestic subsidiaries
- Commencing the manufacturing of molds and the operation of a technology development facility
- Sharing expertise through exchange of mold production technology with H-ONE CO., LTD.
- Consolidating production sites in Indonesia

Financial Strategies

Striving for sustainable growth by strategically allocating resources in response to changes in the external environment

Apr. 1989	Joined Honda Motor Co., Ltd.
Apr. 2015	General Manager of Regional Operation Planning Office (South America) of Honda Motor Co., Ltd. (Stationed at Honda South America Ltda.)
Apr. 2019	General Manager of Accounting Division for Business Management Operations of Honda Motor Co., Ltd.
Apr. 2021	General Manager of Sustainability Planning Division, Corporate Planning Supervisory Unit of Honda Motor Co., Ltd.
Apr. 2023	General Manager of Four-wheeled and Electric Business Management Division, Business Management Supervisory Unit, Corporate Administration Operations of Honda Motor Co., Ltd.
Apr. 2024	Operating Officer, Corporate Business Administration Division Executive General Manager, TS TECH
June 2024	Director, Operating Officer, Corporate Business Administration Division Executive General Manager (current)

Hiroshi Naito

Director,
Corporate Business Administration Division Executive General Manager

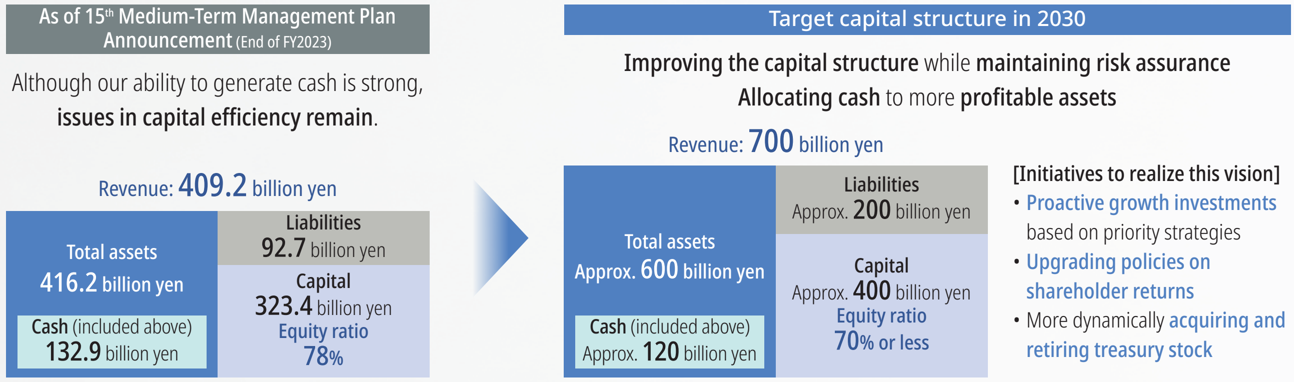
Overview of the first year of the 15th Medium-Term Management Plan

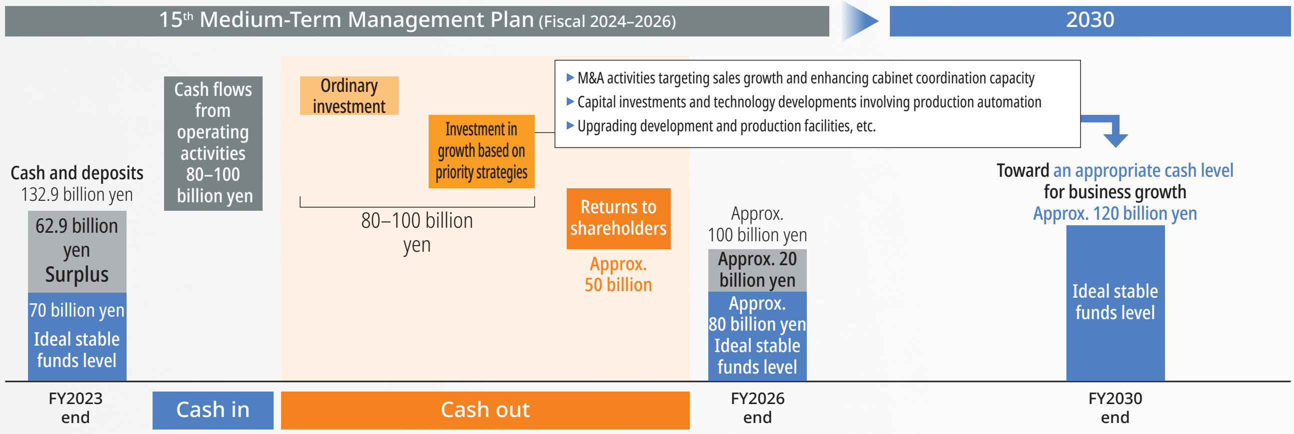
I am Hiroshi Naito, and starting in fiscal 2025, I have been appointed Executive General Manager of the Corporate Business Administration Division, which is in charge of finance and accounting. Finance plays an important role in supporting the healthy operation and growth of a company, and I feel a great sense of responsibility. I will make the most of my experience to contribute to the sustainable growth of the Group by tackling a variety of issues. These range from formulating and implementing appropriate financial strategies to strengthening risk management.

The automotive industry is in the midst of a great upheaval, the business environment in which the Group operates is changing rapidly, and the future is more uncertain than ever. Companies today need to respond to proliferating challenges, including heightened geopolitical risks such as those related to Russia's prolonged invasion of Ukraine, high energy and raw materials prices, and rising labor costs. Against this backdrop, our 15th Medium-Term Management Plan (fiscal 2024–2026) defines our management policy as "realizing ESG management," and sets out nine priority strategies.

The consolidated results for fiscal 2024 (the first year of our 15th Medium-Term Management Plan) were revenue of 441.7 billion yen (up 32.5 billion yen year on year) and operating income of 17.5 billion yen (up 2.2 billion yen year on year). This was due to higher production resulted from the recovery of customer production, mainly in the Americas, following the resolution of the semiconductor supply shortage, and to the effects of foreign exchange rates due to the depreciation of the yen. Moreover, we have been working to improve profitability in the Americas segment—which boasts the Group's largest revenue, due to the size of the market—under the banner of a V-shaped recovery in North America. We achieved increased revenue of 240.1 billion yen (up 46.0 billion yen year on year) and operating income of 3.2 billion yen (up 6.4 billion yen year on year). Although we have faced increases in raw material and labor costs due to changes in the external environment, we have been able to move forward steadily with preparations for building a profitable structure that can withstand changes in the environment. These include improving quality and production efficiency by introducing new laser welding equipment and improving our responsiveness to line stoppages and fluctuations in production by introducing an automated vertical warehouse facility. Meanwhile, in the China segment, we are restructuring the China business strategy. However, sluggish sales to customers who face intensified competition led revenue to decline to 87.5 billion yen (down 30.2 billion yen year on year) and operating income to decline to 9.9 billion yen (down 8.2 billion yen year on year). Although we expect the business environment to remain challenging, we will rebuild our business foundation to survive in the increasingly competitive Chinese market by optimizing manufacturing and back-office staffing, using local manufacturers to reduce costs, and accelerating sales activities to acquire commercial rights to seats for local automakers.

In fiscal 2025, the second year of our 15th Medium-Term Management Plan, we expect increased production in the Japan and Americas segments, leading to sales revenue of 450 billion yen (up 8.2 billion yen year on year) and operating income of 20.0 billion yen (up 2.4 billion yen year on year). Despite the





drastically changing market environment, we will leverage our solid financial foundation to support business growth and move forward with many preparatory measures for growing sales and strengthening our earnings structure.

Strategically allocating resources for sustainable growth

The TS TECH Group has steadily enhanced its profitability despite the challenging business environment. As a result, even as the external environment has worsened, with supply chain disruptions since the pandemic, decreases in automaker production volumes due to semiconductor supply shortages, and soaring energy and raw material costs, we have generated a cumulative total of 157.4 billion yen in operating cash flow during the five-year period between fiscal 2020 and fiscal 2024. In addition, as of March 31, 2024, our consolidated capital adequacy, excluding non-controlling interests, was 73.3%, an extremely high figure. Consequently, we have secured a level of on-hand liquidity that enables us to use our own funds to support growth investments and M&A. However, we recognize that there are challenges from the perspective of capital efficiency. In this period of immense change, we need to utilize capital more efficiently than ever before and accelerate our rate of growth to achieve our 2030 Vision and remain a company sincerely appreciated by all stakeholders.

To achieve our 2030 Vision, we will allocate cash to more profitable assets, while improving our capital structure and maintaining safety. We will set an appropriate cash level of 120 billion yen, assuming revenue of 700 billion yen in 2030, then strategically allocate funds in excess of that level to growth investments and shareholder returns in order to enhance our corporate value.

We will allocate a total of 80–100 billion yen during our 15th Medium-Term Management Plan to growth investments to drive future business expansion. In addition to the investments needed for normal business operations, we specifically plan to expand our new businesses, including increasing orders from Maruti Suzuki India Limited, to secure cabin coordination capacity focused on developing next-generation technologies such as extended slide seat rails, to introduce and deploy production automation equipment and automated vertical warehouse facilities, and to renovate our development and production sites. We aim to boost profits through further business growth and improved profitability by strategically utilizing the cash generated. In addition, we will streamline shareholder equity and improve capital efficiency by striving to provide a total of 50 billion yen in shareholder returns.

Competition in the automotive industry is growing increasingly intense due to the rise of emerging manufacturers and the entry of players from other industries. The business environment is changing at a pace that sometimes defies expectations. However, we aim to capitalize on these changes as business opportunities and allocate resources appropriately and in a timely manner so that we can implement optimal strategies and tactics, using a backcasting approach from the future state we aspire to achieve. We will vigorously pursue business growth, and will aim to establish a virtuous cycle of sustainable growth and expanded returns by using the cash we generate for further investment in growth and shareholder returns.

Returning profits to shareholders

The TS TECH Group recognizes that returning profits to shareholders is one of its important management issues. We have revised our policy for shareholder returns starting from the 15th Medium-Term Management Plan. We have set a new basic policy of "implementing sustained, stable returns unaffected by business results," and we plan to provide a total of 50 billion yen in shareholder returns during our 15th Medium-Term Management Plan. We aim to achieve this by steadily increasing dividends to reach a DOE* of 3.5% or more by the end of the plan (fiscal 2026), and flexibly implementing approximately 20 billion yen in share buybacks which comprehensively consider our cash reserves, stock price levels, and other factors.

Under our new shareholder returns policy, the dividend for fiscal 2024 was 73 yen per share, 10 yen higher than in fiscal 2023. Furthermore, we plan to increase our dividend by 10 yen per share, taking it to 83 yen in fiscal 2025, thereby delivering 13 consecutive years of increasing dividends.

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

With regard to share buybacks, the Board of Directors, at its meeting on May 10, 2024, resolved to repurchase 15 billion yen worth of shares through a tender offer and market purchases. As announced on June 11, 2024, we acquired 8.8 billion yen worth of shares through the tender offer. We plan to purchase the remaining 6.1 billion yen from the market by the end of March 2025. We believe that repurchasing these shares will help to improve the capital efficiency of the Group, including EPS and ROE, and lead to returning profits to shareholders.

Acquisition of treasury stock

STEP 1 May 13, 2024–June 10, 2024	STEP 2 July 8, 2024–March 31, 2025
Implementation of tender offer **8.8** billion yen This enables us to acquire a substantial amount of shares in a short period of time while minimizing outflow of our assets outside the company.	Implementation of market purchases **6.1** billion yen After completion of tender offer, the acquisition is expected to be completed in about 9 months.

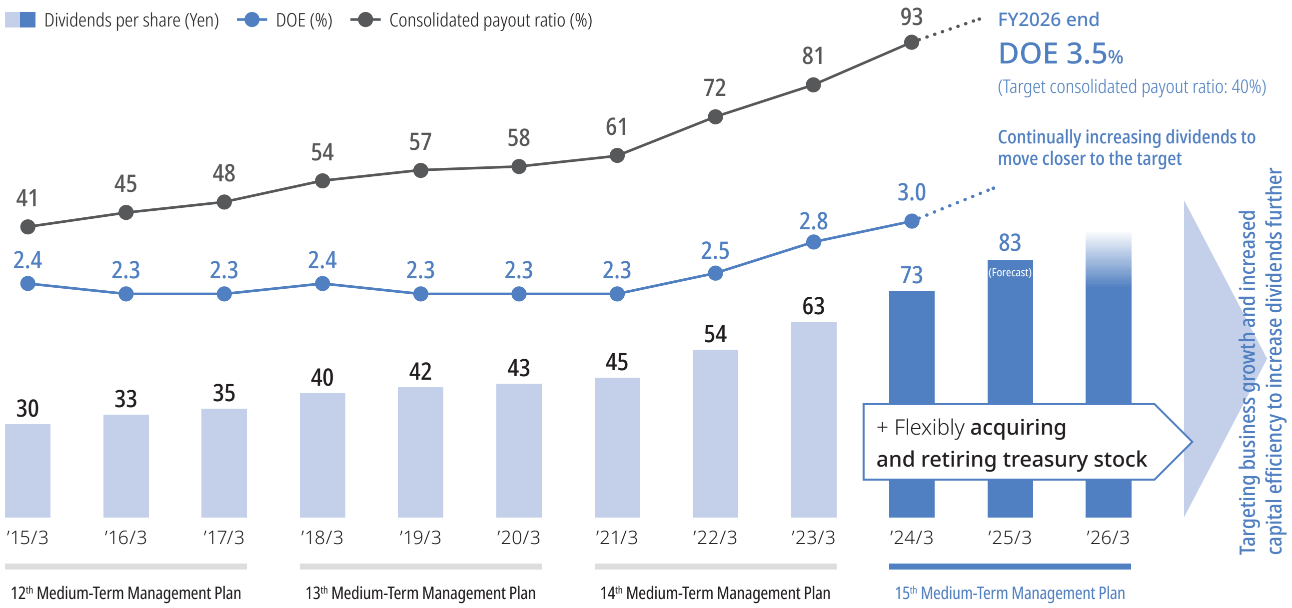
KPI of shareholder returns policy

Acquiring up to 15 billion yen/20 billion yen of treasury stock

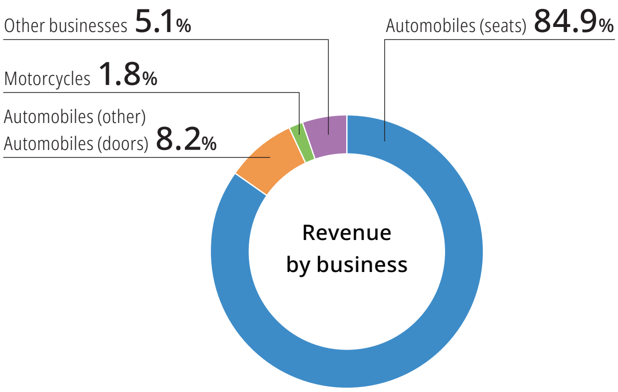
Toward sustainable enhancement of corporate value

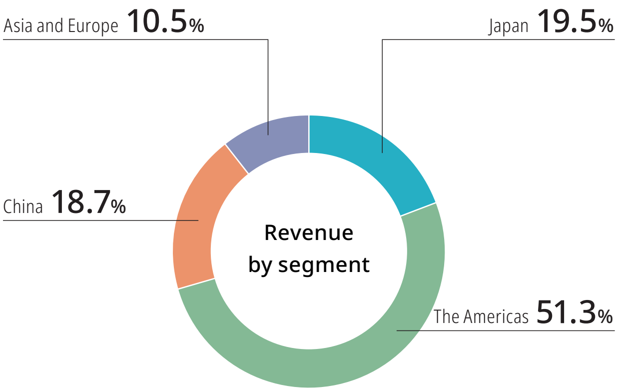
As of March 31, 2024, the Group's price-to-book ratio (PBR) was only 0.78 (stock price: 2,010.5 yen), and we realize that, at present, this does not fully meet the expectations of stakeholders. Behind this is the fact that we have not managed to recover the high level of profitability we enjoyed before the pandemic and are facing a decrease in capital efficiency. Further business growth and obtaining earning power that exceeds the cost of capital will be essential to achieving an ROE of 8.5% during our 15th Medium-Term Management Plan. By strategically allocating resources from a medium- to long-term perspective, we aim to achieve a PBR of 1 or higher as soon as possible, by driving both the strengthening of profitability through investment in growth and the increase of shareholder returns, thereby enhancing corporate value and capital efficiency in a sustainable manner.

Dividend trend



Although the business environment has grown more challenging than we envisioned when we formulated the 15th Medium-Term Management Plan, we still believe that the direction of the nine priority strategies is correct. What is important is to respond flexibly and implement these strategies more quickly. We aim to continue to be a company whose presence is valued and is sincerely appreciated not only by the capital market but also by all stakeholders. We will do this by supporting priority strategies for enhancing corporate value through financial strategies that accurately reflect changes in the business environment and by realizing ESG management through the development of our human resources to support our priority strategies and the strengthening of our corporate foundation.





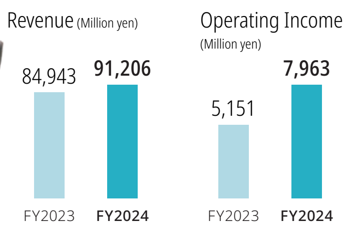
Results by segment for fiscal 2024

Japan

This fiscal year, we began producing rear seats for the new Honda N-Box and the new Suzuki SPACIA.

We are working to further enhance our competitiveness in components by consolidating the functions of our parts division and constructing a new Production Technology Building in the Saitama district that will allow us to verify and test manufacturing technology and mass production.

Honda N-Box rear seats

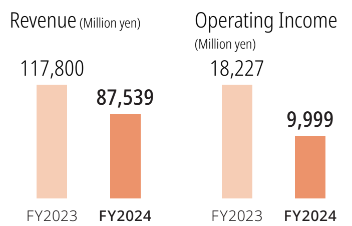


China

This fiscal year, we began production of seats for the new Honda ODYSSEY and ACCORD and other models.

In the increasingly competitive Chinese market, we are striving to improve profitability by reducing costs through greater use of parts from local manufacturers and strengthening our sales activities for acquiring new customers.

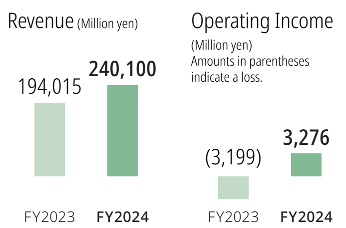
Honda Odyssey seat



The Americas

This fiscal year, we began production of seats for the new Acura TLX and other models. We are striving to reform our business structure to ensure profitability even in a severe business environment by introducing more advanced and highly efficient automated production equipment to coincide with the launch of new models.

Acura TLX seat

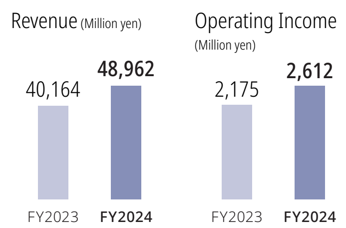


Asia and Europe

This fiscal year, we began production of seats for the new Honda Elevate and new CR-V and other models in Asia.

To achieve further business growth, we are increasing the market share of our major customers and actively promoting sales activities to acquire new customers and expand our commercial rights.

Honda Elevate seat



Corporate Development and Engineering Officer Interview

Creating an upward spiral of value creation while expanding commercial rights by technology strategy based on human resources

Eiji Toba

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

How would you rate fiscal 2024?

The TS TECH Group is constantly striving to develop technologies that surpass customer expectations and deliver excitement to users. The automotive industry is currently in the midst of a once-in-a-century transformation. During our next-generation vehicle interior presentations held in fiscal 2023, we proposed new value for next-generation vehicle interiors to both Japanese and international customers, focusing on the advancements in electrification and autonomous driving.

Fiscal 2024 was the first year of our 15th Medium-Term Management Plan (fiscal 2024–2026). During this fiscal year, we delved deeper into customer demands and potential needs and accelerated the development of next-generation seat technology. This has been a year in which our efforts to develop next-generation technologies began to bear fruit, as some technologies that were initially developed for models our customers planned to sell in 2029–2030 were adopted ahead of schedule. Specifically, our customers have adopted technologies related to Advanced Driver Assistance Systems (ADAS) that utilize vibration devices built into the seats, and Active Ventilated Seats (AVS) that maintain a comfortable seat temperature while keeping costs lower than conventional products. I believe this is the result of our efforts to meet customer needs and pursue technological development.

We are working on various measures in the area of technological development. We have set “securing cabin coordination capacity” and “enhancing efforts to develop environmental technologies” as priority strategies in our 15th Medium-Term Management Plan. “Securing cabin coordination capacity” means transforming the Group into an enterprise that offers not just car seats but entire vehicle interiors that allow occupants to pass the time with even greater comfort. This is being promoted in cooperation with our main customer, Honda Motor Co., Ltd. We aim to create attractive next-generation vehicle interiors that exceed our customers' needs by accurately ascertaining their strategies and demands for next-generation vehicles and leveraging our ideas and proprietary technologies to meet them.

Under the direction of our New Business Management Division, the Group is developing strategic sales activities which target customers around the world. We are working hard to expand orders for commercial rights by leveraging the technologies and know-how on seat arrangement that we have amassed over the years. In fiscal 2024, we began manufacturing rear seats for Suzuki Motor Corporation's new SPACIA. Starting with this, we will strive to acquire further commercial rights by making technological proposals that take the needs of our customers into consideration, even more than ever before. We will also cooperate more extensively with Suzuki in the Indian market, which is expected to grow in the coming years.

Automakers are carrying out production activities in collaboration with suppliers from diverse backgrounds in different parts of the world. Therefore, an approach that blindly targets all model types is unlikely to lead to the acquisition of new commercial rights. In the past, our aims were too broad to enable us to acquire new rights effectively. Through a strategy of selection and concentration on key projects, we want to develop more effective measures, such as specific technical presentations using customer vehicles, while carefully assessing the likelihood of acquiring those rights.

We are also seeing a positive response to early product adoption in environmental technology development. The Group has been working on developing sustainable seats with low environmental impact that are made with plant-derived raw materials for some time now. But problems such as changes in seat comfort and increased costs have been barriers to practical adoption. We have been working on developing seat structures to resolve these negative aspects, and as a result, we have now reached a stage where our customers can narrow down their target vehicle models and consider adopting sustainable seats in a positive manner.

Please tell us about the technologies and products that are the foundation of the TS TECH Group's competitiveness.

The Group is carrying out R&D activities with a focus on safety, the environment, and the creation of attractive products, in order to create the vehicle interiors of the future.

We are proud to have consistently led the industry in safety, which is a top priority for manufacturers involved in vehicle manufacturing. To be specific, we were the first in Japan to adopt a dynamic sled testing facility which accurately reproduces the impact that occurs during a crash, and we have pursued technology for protecting the safety of vehicle occupants ever since. In the 2000s, we developed Active Headrests*1 for our main customer, Honda Motor Co., Ltd., making a significant contribution to improving safety during collisions. Thereafter, we accelerated research and development of frame structures to improve safety, and now our products boast world-class safety performance. All vehicle models equipped with our products receive the highest seat safety ratings in automotive assessments worldwide.

Concerning the environment, we are striving to reduce our environmental impact on two fronts: materials and structures. For materials, we are working to shift to monomaterials*2 and the application of sustainable materials (plant-derived raw materials) which do not use fossil fuels. In terms of product structure design, we aim to promote recycling by creating structures that are easy to disassemble. Although various components are attached to seats, by modularizing components—including harnesses and other parts—we aim to continue creating structures that can be easily disassembled.

To create attractive products, we are striving to accurately grasp the needs of the times, such as the shift to EVs, and working on a variety of themes for providing even greater comfort.

The shift to EVs is changing the requirements for vehicle seats. For battery EVs with flat floors, we have developed a technology that allows two seats to be mounted on a single extended slide rail, making it possible to freely arrange the seats and create a space where passengers can relax as if in a living room.

An extended slide rail that makes it possible to create large spaces, no matter where you sit with just a simple operation

*1 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.
*2 This means a single material. Making products and components out of a single material greatly improves recyclability.

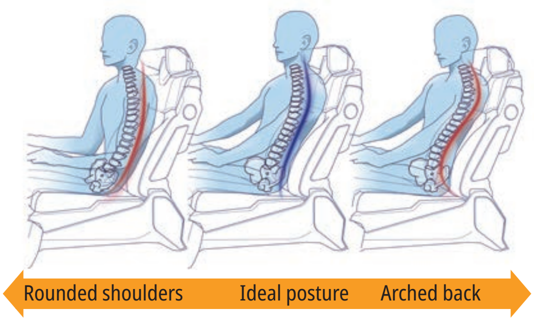
This significantly increases the range of movement of the seats, and makes it possible to create large spaces no matter where you sit with just a simple operation. For EVs, technology to reduce air resistance while driving is also important for increasing electric mileage. The Group has developed low-profile seat rotation mechanism components that facilitate more streamlined vehicle designs with reduced air resistance. In addition to being more compact (smaller diameter) than conventional components, they are 30%

thinner and are designed to provide a lot of leg space without needing to raise seat height.

Low-profile seat rotation mechanism components that facilitate more streamlined vehicle designs with reduced air resistance

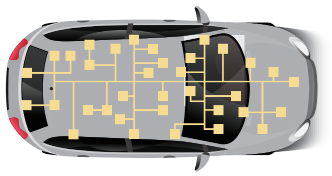
The Group is also pursuing products that create new value for time spent inside vehicles. One of these is our Health Care Seat, which helps passengers maintain their health as they simply sit on it. Equipped with biosensing technology, the seat automatically recognizes the occupant's posture when they sit down, massages their muscles to encourage ideal posture, and measures their vital data (pulse and heart rate) to predict changes in physical condition. We will develop more realistic marketing strategies that resonate with users' emotions and encourage early product adoption.

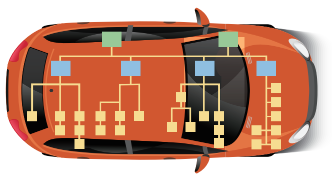
We will continue to refine the attractive products we have introduced and aim for their full-scale commercialization. However, there is an issue that we must address in order to take maximum advantage of our attractive products and secure cabin coordination functions to help expand our business. That is strengthening our system development capabilities. Specifically, we need to acquire the technology to create the Electronic Control Units (ECU) which control equipment within the cabin, such as seats and air conditioners. Today, cars are equipped with a large number of ECUs to manage the various systems and equipment on the vehicle. Of these, we aim to supply ECUs which can control components related to seats in an integrated manner. Integrated ECUs are highly anticipated by automobile manufacturers for their ability to control many pieces of equipment from a single device, to help reduce weight and the number of wiring harnesses, and to support updates. As we move forward with development projects for each automobile manufacturer, we aim to work smoothly with solution providers who have a close relationship with each company to develop integrated ECUs. With the ECU business, we also envision a business selling software, not only hardware as we have in the past.



Health Care Seat that encourages ideal posture

Illustration of ECU configuration





What is the TS TECH Group doing to improve the quality and efficiency of development?

For the Group to sustainably create attractive products, we will need to ensure our development efforts leverage highly reliable systems and mechanisms. The way development work should be conducted is changing as work styles diversify with the shifting times and environment. But for a manufacturer closely involved with the safety of vehicle occupants, quality is the most important goal. Verification work at the design stage is essential for improving the quality of development. Accordingly, we are strengthening verification of layouts by experts in various fields. These efforts are based on the Three Reality Principle,[*3] under which field experts thoroughly verify functionality, safety, comfort, and cost during the development stage. This leads to increased development quality.

In addition, we are working to improve the efficiency of design work through digital tools. We have introduced a system that links information about past problems and examples of failure to the latest 3D CAD tools. This allows the people in charge to proceed smoothly with design. In the future, we would like to work on reforming development management work, which holds the keys to success in development projects. We are putting in place a system to improve the efficiency of development management by visualizing the time and cost associated with the series of processes that make up product development from design, through prototyping, to testing.

*3 A way of thinking that comprehensively analyzes problems from the perspective of the Three Realitiy—on-site, actual things, and reality—to identify solutions and implement improvements

What are the goals and challenges for fiscal 2025?

For fiscal 2025, we want to create high-value-added products by focusing on the Group's core areas of seats and door trims. To roll out more effective development and sales activities, we will narrow down our target commercial rights while considering the whole interior space, create convincing samples, and propose spaces with stories that allow us to envision the joy of the users.

We will also strengthen our local development system with the goal of remaining competitive in China, where competition is intensifying. To not only support our customers' business strategies in China but also to meet the quality and speed demanded by local automakers, we will create and implement a development structure centered around local personnel in China. We have already acquired commercial rights from new customers there, and plan to further enhance our development system to increase orders.

Furthermore, the most important event from the standpoint of development strategy is our 2024 next-generation vehicle interior presentation, scheduled to be held in November. At our previous presentation, we received generally high praise from the automobile manufacturers we invited, and some went on to adopt our products. However, we also received quite a few comments that our products lacked originality and the sense of excitement surrounding some emerging suppliers.

At our next presentation, we plan to exhibit a new value proposition based on this feedback and embodied in an actual vehicle. We want our guests to make new discoveries and experience the interior space of vehicles like never before.

What are your thoughts about the human capital responsible for manufacturing?

One of the Group's vision statements is to be "A company dedicated to realizing people's potential," and we are focused on recruiting and developing personnel to support our corporate growth. To continue to create new value and develop sustainably going forward, we need to build a stable foundation for development activities by securing both the quality and quantity of personnel we need. This includes not just young people but all age groups. However, it is not easy to attract people with specialized skills. As you may know, there is high demand not only for people in mechanical and electrical fields but also for those in systems and software fields with skills related to ECUs, which we want to pursue going forward. We must actively consider new work styles and working conditions to enhance our ability to attract superior talent. In addition, based on our strategy of growing orders by obtaining new commercial rights, we believe that efforts such as flexible allocation of development sites will have a positive impact on attracting talent. As we strive to recruit new talent, it is also vital that we make sure the people already working at the Group are able to make the most of their abilities. We plan to renovate our development sites to improve their work environments and increase the speed and quality of development.

We believe that companies like ours must increase the diversity of human capital responsible for manufacturing in order to enhance their ability to create value. Since a wide array of skills will be required for making seats from here on out, we intend to actively invest in personnel in areas that we were not involved in before. In doing so, we aim to become a company that can make proposals that are more relevant to customer needs around the world than ever before.

Value Chain

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 more than 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 • Ensuring reliable quality assurance from the outset of development
Sales Proposing competitive products to satisfy customers' demands	• Offering appealing products that exceed customer expectations at competitive prices • Proposing the new value required for next-generation mobility and vehicle interiors by leveraging cooperation between each segment and functional division • Accurately identifying changes in the market, the environment, and customer needs, and swiftly proposing new policies to resolve issues
Purchasing Offering stable provision of components by maintaining a strong supply chain	• Building a competitive supply chain aligned with the Four Principles of TS Procurement*1 • Improving QCD*2 capabilities by enhancing supply chain management • Ensuring the supply chain facilitates the realization of ESG 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	• Providing safety and security to customers • Delivering a stable supply of products with the same high level of quality worldwide • Ensuring high-level stability in the quality of the products we develop and manufacture

Feedback

*1 The principles TS TECH has established to ensure fair and just transactions and to construct and maintain win-win relationships with our suppliers globally
*2 Quality, Cost, and Delivery

Research and Development

The TS TECH Group aims to keep improving corporate value by developing advanced technologies focused on its strengths: safety, the environment, and the creation of attractive products. To do this, we are engaging proactively in research and development aimed at developing new value in the domain of next-generation vehicle interior spaces. What is more, we are also stepping up development of innovative and environmental technologies and transforming these into commercial products at an early stage, with an eye to achieving our material issues and 2030 targets.

The creation of this new value cannot be realized by limiting our horizons to the same technologies we have used in the past. As "A company dedicated to realizing people's potential," which is one of our core principles, we intend to develop a next generation of engineers and unleash new innovations based on the diversity of ideas brought forth by younger engineers in order to generate groundbreaking technologies never seen before.

Eiji Toba

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

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
- Ensuring reliable quality assurance from the outset of development

SWOT Analysis

Strengths

- 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

Weaknesses

- Speed of global development aimed at sales expansion
- Speed of mass production realization of innovative technologies

Opportunities

- The EV market, where advanced technology is being proactively adopted
- Providing the new value required for next-generation vehicle interiors
- Growing need for environmentally friendly products

Threats

- 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

Key initiatives for fiscal 2024

Commercializing our cabin products and technologies, and developing environmental technologies

In fiscal 2024, our efforts to offer technical proposals to customers bore fruit, as we exceeded our target for the number of TS TECH products adopted for future models. These products include our extended slide rail, a technology which enables seating arrangements to be changed easily to suit user preferences. They also included sound and vibration functions which create a more powerful sense of immersion for entertainment systems, and energy-saving air conditioning systems to support a more comfortable journey while minimizing power consumption. All of these innovations generate new value for the vehicle interior space as a whole.

The Group is also stepping up its efforts to develop material substitution technologies in order to reduce its environmental footprint. These efforts include research into creating structures which enable all functions required in seats to be fulfilled using sustainable materials*2 based on their characteristics, which differ from those of traditional materials. Such materials include biomass urethane created by combining plant materials, steel created through electric furnace steelmaking using molten scrap steel, and recycled resins.

Key initiatives going forward

Securing cabin coordination capacity

In the next-generation automotive market, where autonomous driving technology and the shift to electric vehicles (EVs) continue to advance, we aim to evolve into a company capable of proposing the entire vehicle interior space as an attractive product in order to create the necessary functions and technologies for these new demands. To achieve this, we are stepping up our research and development with the aim of establishing basic research into the "human element," our vision of the passenger in the next-generation vehicle, and human-centered seat control technologies for vehicle interior spaces. In addition, we will seek to develop unprecedented new functions by collaborating with other industries. Leveraging all of our technological expertise, in fiscal 2025 we are working on offering package proposals for each vehicle model of automakers and realizing products that meet attractive customer needs. We are also engaging in projects to generate new value by proactively adopting the free-thinking concepts coming forth from our younger engineers, as we develop products for the next-generation vehicles the world will see in the years beyond 2030.

*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)

The business we do with Honda Motor Co., Ltd. and the Honda Group (its network of associated companies), our main customers, is an important foundation. We aim to raise our market share of automobile seats sold to the Honda Group to 70% or more by 2030, to ensure the further growth of our business.

The automobile industry is undergoing a major transformation due to the shift to EVs and the advance of autonomous driving technology. Amid these changes, the Group will leverage its global network of 44 companies in 13 countries worldwide and move rapidly to propose new products which look ahead to the diversifying needs of each region. By doing this, we will remain "A company sincerely appreciated by all" in the eyes of our customers (including the Honda Group) and our end users, while further boosting our marketing share.

Satoru Munemura
Managing Officer, Corporate Sales and Purchasing Division Executive General Manager

Basic Policies on Value Creation

- Offering appealing products that exceed customer expectations at competitive prices
- Proposing the new value required for next-generation mobility and vehicle interiors by leveraging cooperation between each segment and functional division
- Accurately identifying changes in the market, the environment, and customer needs, and swiftly proposing new measures to resolve issues

SWOT Analysis

Strengths

- Our specialized knowledge as a supplier for vehicle interior spaces
- Our follow-up system and ability to make proposals, leveraging our global information-gathering system

Weaknesses

- Insufficiently rapid growth in the new parts-related businesses that are needed for further corporate growth
- The features of our products and parts make us especially vulnerable to the effects of rising prices

Opportunities

- Creating proposals that deliver the new value required for next-generation vehicle interior spaces through the application of our seat technologies
- Entering businesses creating new parts suited to the changing environment of the automobile industry

Threats

- Pressure on profits caused by rising infrastructure costs
- Increasingly demanding and diverse needs among our customers, who are facing sudden changes in their business environment

Key initiatives for fiscal 2024

Looking ahead to anticipate the needs of customers in line with a changing business environment

With the business environment surrounding the automobile industry going through tumultuous changes, our customers are pushing forward with the development of new shared platforms that allow them to make more effective use of their management resources. In line with these trends, they are demanding from their suppliers not only shorter development times and cost reductions but also the versatility that will enable seats to be installed in all kinds of models, from sedans to SUVs. TS TECH must meet these demands if it is to grow its market share further. We have established a development framework that positions us to generate unprecedented value which exceeds customer expectations by working in close cooperation with them starting with the upstream development stages and by addressing customer needs in each division and in the supply chain in early stages. Applying this framework to the development of next-generation models enables us to deliver both the specifications and cost levels required by our customers, ensuring we acquire a steady stream of new commercial rights.

Key initiatives going forward

Sales activities that anticipate a changing world

In the next-generation automobile market, which is seeing a shift toward EVs and autonomous driving technology, we will further boost our cost-competitiveness and propose new value not bound by the limits of the past. This is the key to continuing to acquire new commercial rights. By accurately identifying market trends and customer needs, and analyzing the Group from various perspectives to ascertain which resources we lack and improving these areas, we will further improve our cost-competitiveness. Moreover, with interest in sustainability growing stronger each year among both our customers and the broader society, contributing to sustainability through our business operations will be essential if the Group is to remain "A company sincerely appreciated by all" in the years to come. As we reduce our environmental footprint by employing sustainable and recycled materials, we will propose products that go beyond customer expectations.

Sales (New Businesses)

The Group has achieved steady growth over the years as a strategic partner of the Honda Group, our main customer.

However, to minimize the risk that profits could fall due to changes in the external business environment and to secure further business growth, we will need to expand our commercial rights to include new customers beyond Honda, and to expand our acquisition of commercial rights in the "new businesses" domain.

To achieve our target of ensuring that new business sales account for 30% of our consolidated revenue by 2030, we will constantly anticipate future trends in the automobile industry, and engage in strategic sales activities by carefully discerning customer needs. We aim to expand new businesses by having the New Business Management Division take a leadership role in making proposals for "attractive products sincerely appreciated by all" to customers all over the world.

Masaki Nagayama

Operating Officer, New Business Management Division Executive General Manager

Basic Policies on Value Creation

- Obtaining commercial rights orders by proposing "attractive products sincerely appreciated by all" that anticipate customer needs
- Proposing products based on existing commercial rights (expanding adoption to derivative models)
- Pursuing strategic technical 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

SWOT Analysis

Strengths

- 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

Weaknesses

- Keeping pace with the global acceleration of shorter development cycles
- Independence of overseas bases
- Information-gathering network on needs of new customers

Opportunities

- Expanding opportunities to propose new vehicle interiors toward next-generation mobility
- Developing new, appealing products in collaboration with business partners

Threats

- Rapidly changing customer needs
- Decline in profitability due to stiffer competition and entry of competitors from other industries
- Delays in securing orders, due to revisions to customer development plans in the wake of changes in the market environment

Key initiatives for fiscal 2024

Further expansion of new businesses closely aligned with customer needs

To acquire new commercial rights, we are presenting the functions and technologies required for next-generation vehicle interiors to various automakers. Our proactive technical sales activities, tailored to meet the specific needs of each new customer, are beginning to bear fruit. We are starting to see results that will lead to the acquisition of new commercial rights, including inquiries from companies interested in participating in advanced development projects.

We have also engaged in activities which are expanding our commercial rights among our existing customers, such as the orders we have received for the rear seats for the new SPACIA models recently launched by Suzuki Motor Corporation. This success was thanks to our proposing new value which boosts convenience and comfort across various usage methods, and compact storage mechanisms which make use of our own seating arrangement technologies. We are also making other efforts to further expand our business and strengthen our cost-competitiveness, including embarking on the establishment of a new plant in India to pursue new commercial rights from Maruti Suzuki, which boasts the top market share in the Indian market.

Key initiatives going forward

Strategic expansion of new businesses in Europe

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.

Our new vehicle seat production company in Poland began full-scale operations in April 2024, including the start of production of third-row seats designed for European automakers' new EV models. By cooperating with our various European sites to provide automakers located in Germany, the Czech Republic, Slovakia, and other countries with a supply of cost-competitive products tailored for the characteristics of each location, and actively implementing sales expansion in the region, we are establishing relationships with new customers as well as expanding commercial rights with existing customers. By increasing production capacity with an eye to the growing orders we anticipate, as well as optimizing our production system, including the supply chain, we aim to ensure that these developments lead into the acquisition of a steady stream of new commercial rights and the further establishment of our European business operations.

Purchasing

With the business environment facing the Group experiencing rapid change in recent years, boosting corporate value further will require us to increase our cost-competitiveness by thinking outside traditional constraints and fundamentally reestablishing our supply chain. We will also need to bolster our initiatives relating to sustainability across the whole of our supply chain in response to the requests of our stakeholders if we are to remain "A company sincerely appreciated by all" and whose presence is valued. By working not only as an individual company but also together with all our business partners, based on the three axes of "generating maximum added value," "preventive maintenance aimed at ensuring a stable supply," and "CO_2 emissions reductions," we intend to deliver a robust and sustainable supply chain at the global level.

Satoru Munemura
Managing Officer, Corporate Sales and Purchasing Division Executive General Manager

Basic Policies on Value Creation

- Building a competitive supply chain aligned with the Four Principles of TS Procurement[*1]
- Improving QCD[*2] capabilities by enhancing supply chain management
- Ensuring the supply chain facilitates the realization of ESG management

*1 The principles TS TECH has established to ensure fair and just transactions and to construct and maintain win–win relationships with our suppliers globally
*2 Quality, Cost, and Delivery

SWOT Analysis

Strengths
- Our strong partnerships with our business partners, developed through multifaceted cooperation
- Our global supply chain, which enables us to leverage our competitiveness by working together with our business partners and Group companies

Weaknesses
- Our supply chain has not yet broken free from traditional frameworks
- The need to establish a supply chain that can adapt to the growing application of sustainable materials

Opportunities
- Starting new supply chains that make use of new sales channels and insights gleaned from our expansion of new businesses
- Expanding business with emerging local suppliers

Threats
- 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.

Key initiatives for fiscal 2024

Reestablishing a supply chain that can respond to changes in the environment

As the world transitions to next-generation vehicles, including the shift toward EVs and the development of autonomous driving and other technologies, our automaker customers are seeing changes in their profit structures. This means meeting their demands is more challenging than ever. Moreover, with procurement costs being dramatically impacted by the rising costs of energy and labor as well as other factors, the Group will need to reestablish a supply chain that is capable of responding flexibly to changes in the external environment if we are to continue to respond to customer needs and exhibit sustainable growth going forward.

In fiscal 2024, we undertook a thorough reexamination of our traditional procurement structures and business practices and carried out initiatives to boost the Group's profitability and competitiveness by slimming down overly complicated procurement routes and expanding the adoption of new manufacturers as suppliers. We have also worked hard to further stabilize our procurement structures by bolstering our risk management from the perspective of preventive maintenance, including ensuring more rapid initial responses at times of emergency. These efforts will further shore up the stability of our product supply system.

Key initiatives going forward

Building a sustainable supply chain

The Group has formulated the TS TECH Supplier Sustainability Guidelines in order to share our approach to sustainability with all our business partners worldwide and make progress together in unity.

In the environmental domain in particular, we are working to reduce CO_2 emissions across the entire supply chain by progressively introducing energy-saving policies and sustainable energy together with our business partners, with the aim of helping to build a carbon-neutral world. By taking up these initiatives, working with all our business partners to reduce various risks, and building a sustainable supply chain that adheres to legal and social standards, we seek to remain "A company sincerely appreciated by all" and whose presence is valued.

Manufacturing

The automobile industry faces a period of tumultuous change; if we are to deliver sustainable growth in these circumstances, we will need to strengthen our corporate structure by further developing our manufacturing, the activity that lies at the heart of the Group. To ensure that the growth strategies we have developed for achieving our 2030 Vision can be truly effective, we are working to establish a high-efficiency production system that makes the most of our competitive edge over rival firms.

We plan to move toward a more sustainable style of manufacturing by establishing a high-efficiency global production system that will outperform our competitors. This effort will be guided by the principles of "integration of specifications and craftsmanship." These efforts will center on the three policy pillars that we have implemented thus far for cost reduction: "production line automation," "establishing sustainable production lines," and "creating a more efficient production supply chain."

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

SWOT Analysis

Strengths

- Technological development and increased efficiency achieved 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

Weaknesses

- Measures for reducing the environmental footprint of the production domain are still at the halfway point
- Many quality inspection processes still rely on human intervention
- Collaboration effectiveness between sites in different countries

Opportunities

- The growing need for new production technologies that can handle carbon-neutrality requirements
- Increased demand for high-value-added products suitable for CASE and next-generation vehicles

Threats

- Rise of emerging local suppliers
- Rising costs for raw materials, labor, energy, and the like
- Intensifying competition to attract human resources due to shrinking and aging production workforces in many countries

Key initiatives for fiscal 2024

Developing high-efficiency, sustainable manufacturing

To ensure that we can deliver a stable supply of high-quality products to global markets at ever-more competitive prices, we are boosting the efficiency of every aspect of our systems by using advanced technology (including digitalization and IoT). We are also working to strengthen our assurance of defect-free processes using a quality determination system based on AI analysis. In further developing our production systems, we are not only promoting more automation but also strengthening our development of in-house equipment designed to reduce workloads. This equipment is designed by employees with a good understanding of the front line of production. In these efforts, we prioritize providing a good working environment for every one of the employees supporting our manufacturing.

In addition, as measures for reducing our environmental footprint, we engage in horizontal deployment of energy conservation diagnoses by facility experts from Japan to other sites around the world. We have worked hard to reduce CO_2 emissions and lower energy costs in the production domain from various perspectives, including developing equipment that uses regenerative energy* and devising *karakuri* systems which can automate work without using electricity.

Key initiatives going forward

A sustainable production structure

We will work to establish high-efficiency production and manufacturing technology that can outperform our competitors, by strengthening global mother plant functions, in order to develop a corporate structure centered on the manufacturing domain. To respond to the changes occurring in raw material/product mixes due to the shift toward EVs and the development of autonomous driving technology, we have recently established the new Production Technology Building at our Saitama Plant, where we will perform preliminary verification of new functions, construction methods, materials, productivity, and other areas. Meanwhile, we are stepping up our efforts to strengthen our verification systems and global communications regarding manufacturing and automation technologies. We are also working on restructuring our key production base in the Saitama district to establish a highly efficient production system. This involves revising the overall layout of the factories based on the flow of materials, as well as streamlining logistics costs and fixed expenses through the consolidation of production capabilities within the district, ultimately strengthening our profitability.

* A process in which surplus energy produced by devices is converted into electricity and reused

Quality

The automobile industry has seen a series of quality-related problems in recent years, a situation which is threatening trust in the industry as a whole. Since the products delivered by our Group are components of the highest importance for protecting human life, we cannot raise the corporate value of the Group unless our customers trust the quality of these products.

We are enhancing quality awareness across the entire supply chain by thoroughly implementing quality education, sharing improvement examples, and conducting awareness-raising activities that include our business partners. We are also strengthening our frontline areas by conducting verification meetings for process management and implementing improvement activities in collaboration with each production site. Quality is the lifeline on which our company depends. We aim to remain "A company sincerely appreciated by all" by working together across the Group to deliver top-level stability in the quality of our products.

Yoshiaki Kida

Operating Officer, Corporate Quality Assurance Division Executive General Manager

Basic Policies on Value Creation

- Providing safety and security to customers
- Delivering a stable supply of products with the same high level of quality worldwide
- Ensuring high-level stability in the quality of the products we develop and manufacture

SWOT Analysis

Strengths

- Quality control and assurance system based on international standards
- Development and horizontal deployment of quality-related measures through integrated management systems for quality data

Weaknesses

- The need to develop quality assurance initiatives and secure human resources to deal with new customers
- Training of expert human resources for quality assurance is incomplete

Opportunities

- Optimizing the contents of inspections in line with the automation of production lines
- Increasingly sophisticated demands for quality assurance accompanying a trend toward multifunctionality in products
- Improve quality data precision and streamlining quality data management by using digital technology, and establishing processes which do not depend on human intervention

Threats

- Greater scope of impact when quality defects occur as a result of part standardization
- Concerns that quality levels could decline due to intensifying competition to attract expert human resources
- Advanced software quality verification capabilities are needed to make high-value-added products to be installed in next-generation vehicles

Key initiatives for fiscal 2024

Strengthening quality management

In fiscal 2024, we worked to boost quality levels across the Group as a whole and stabilize quality at high levels, by assigning the Corporate Quality Assurance Division a leadership role in monitoring the quality assurance processes and verifying the operation of the quality improvement cycle across the various production sites, thereby strengthening quality management. We are also working to establish a system that allows us to prevent quality issues before they arise, by setting out the key management points for quality assurance and deploying these horizontally within the Group, and meticulously monitoring whether our various sites are successfully conducting quality assurance based on the correct processes. By utilizing digital technology and AI to extract latent quality issues from the quality data gathered through cooperation across our various sites, we are enabling rapid improvements and strengthening our quality management.

Key initiatives going forward

Enhancing quality assurance through awareness-raising and improving quality consciousness

Our aim is to upgrade the quality framework of the entire Group by ensuring the Corporate Quality Assurance Division works in cooperation with Group sites across the world. This will be done to boost the level of quality awareness at each site by continuously implementing standardized global quality assurance education and horizontally deploying improvement activities and their outcomes across the sites. We also intend to establish a robust quality framework across the entire supply chain by promoting quality improvement activities that include our business partners.

It is well documented that declining awareness of quality lies at the root of all quality issues. To address this, we will work together as a group to further boost quality awareness levels and ensure meticulous management. We are stepping up our efforts to build a quality management and quality assurance structure trusted by customers all over the world, and to ensure high-level stability in the quality of our products. In doing so, we will remain "A company sincerely appreciated by all" and whose presence is valued.

Examples of Value Chain-Related Initiatives

Further expansion of a new business, based on real understanding of the customer's needs —Suzuki SPACIA—

Introduced in November 2023, Suzuki Motor Corporation's new SPACIA and SPACIA Custom models feature rear seats made by TS TECH. As part of our efforts to secure this new commercial right, we placed particular emphasis on engaging with the Chief Engineer, who is responsible for model development on the customer's side. Our ability to directly propose a number of technologies based on our proprietary market research and advanced development efforts to the Chief Engineer was a key factor in securing the order.

What the customer had initially requested from us was improved convenience from seating. By eliminating the slight angling of the back of the seat (the storage compartment floor) which had previously been observed when the seat was folded down and which had been an issue in the previous models, we were able to realize a bigger cargo space. We also helped to deliver even greater convenience for users by developing the multi-use flap, created alongside Suzuki's development staff. This flap can be used not only as a leg rest but also as a "cargo stopper" when raised upright; the addition of this new function means that the rear seats are no longer merely places for sitting, but also function as "places where you can feel confident about stowing your cargo." Thanks to a structure which does not compromise comfort levels, these seats provide comfort as well as convenience—fulfilling the core values of our manufacturing.

Working with our customer on this project to push forward development has enabled us to develop seats that truly resonate with growing numbers of end users. We have also been approached by the customer about their next business, representing a major step forward in our efforts to achieve new business expansion.

The flap used as a leg rest

The seat used to store cargo

A large-scale project that started from the overall concept of "structural evolution" —Honda N-BOX—

Rear seats manufactured by TS TECH have been adopted for the new N-BOX model launched by Honda Motor Co., Ltd. in October 2023. The development of these seats was a major project spanning five years, driven by the key concept of "structural evolution," after Honda informed its suppliers that it was "aiming for a higher level of production efficiency than before."

We considered various improvement methods from a number of angles—specifications, manufacturing, cost, and the like—with the aim of delivering the higher production efficiency level that had been requested; one option was that of simplifying specifications. By cleverly adapting the seat design in ways that did not compromise the sense of quality, we were able to reduce the number of places where outer upholstery layers needed to be stitched, reducing the number of processes involved in mass production.

Automated equipment

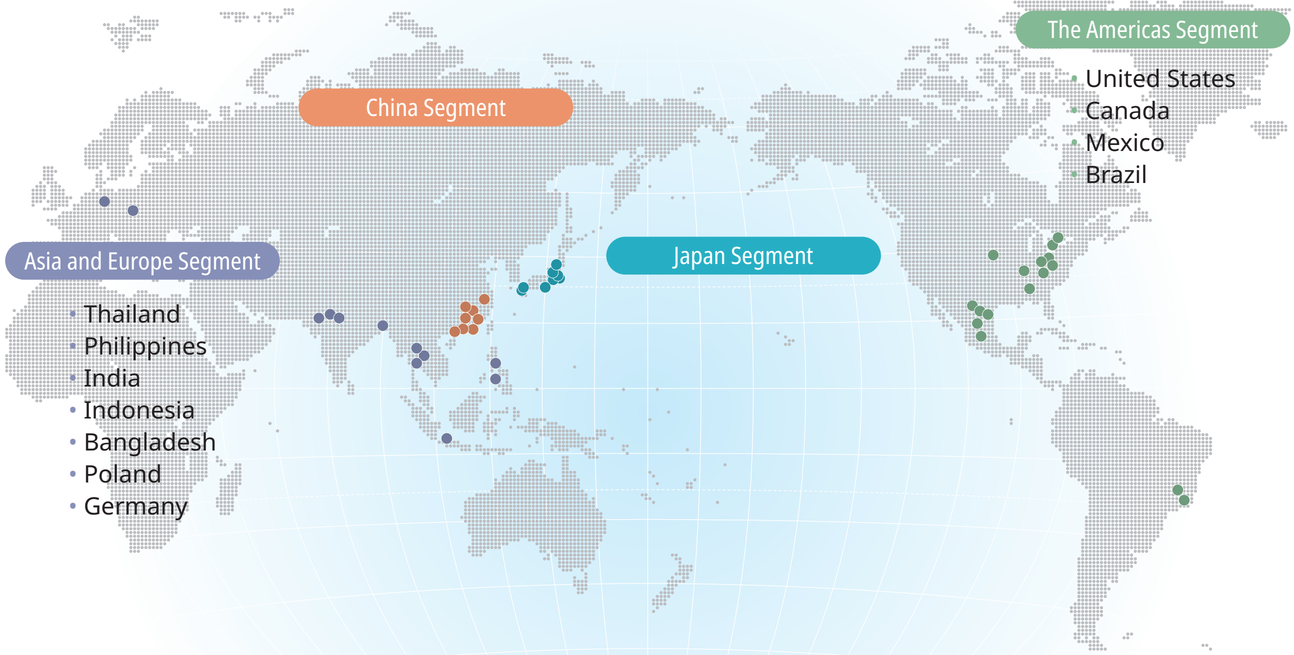
The production line at the Group's Suzuka Plant, which handles production of these seats, underwent development that went beyond what had been done before. Multiple new functions were introduced into the production line for N-BOX seats, including the introduction of automated equipment for fastening of parts and external finishing (previously introduced separately for different models) and the re-examination of production processes. These efforts boosted the automation rate and delivered high-efficiency production for seat assembly processes, which traditionally have been considered difficult to automate.

As a result of these various improvement methods, this project successfully reduced the number of worker-hours required for assembly by 30% compared with previous models. Now, by horizontally deploying this know-how across our production sites in and outside Japan, we will ensure the establishment of high-efficiency production structures across the entire Group.

Generating Value in Four Regional Segments

The TS TECH Group organizes its business operations into four regional “segments”: Japan, China, the Americas, and the rest of Asia plus Europe. We are committed to achieving business growth by diversifying our customer base and pursuing efficiency improvements and cost reductions from a number of angles.

13 countries 44 companies 14,719 people



	Japan	The Americas	China	Asia and Europe
Number of affiliates	7	16	8	12
Number of employees (People)	2,294	8,166	2,344	1,915
Motorcycle business revenue (Million yen)	4,637	304	—	3,151
Automobile business revenue (Million yen)*	51,557	230,891	85,254	43,509
(Seats)	48,436	204,395	82,606	39,454
(Interior products)	3,121	26,495	2,647	4,054
Revenue from other businesses (Million yen)*	14,144	8,186	—	76
Total (Million yen)*	70,340	239,381	85,254	46,737
Capital expenditures (Million yen)	6,370	5,082	667	1,443

* Inter-segment transactions are eliminated by offsetting and only revenue from sales to external customers is presented.

As of the end of March 2024

Japan —Reorganizing Production in the Saitama District—

We are working on the reorganization of the Saitama district to build high efficiency production structures, with the aim of further advancing manufacturing technologies and enhancing the income structure. By constructing a new Production Technology Building at the Saitama Plant that will enable verification and validation of manufacturing technology and mass production, we aim to enhance technology development in the production domain. We will then disseminate the manufacturing technology generated there to the Group's production sites, further enhancing the functions of the Saitama Plant as a global mother facility.

The Americas

—Building an Income Structure Resilient to Environmental Change—

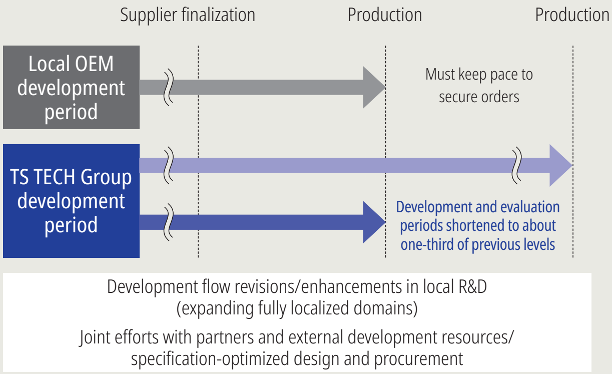
In the Americas, while the size of the market has allowed the segment to generate the highest revenue in the Group, profitability remains a challenge due to a number of factors, including high labor and material costs. We aim to achieve a V-shaped recovery to a highly profitable structure that is resilient to changes in the environment by investing in efforts to improve the production structure. We will, for instance, introduce equipment to automate the production process and launch an automated vertical warehouse system that can respond flexibly to fluctuations in production.


An automated vertical warehouse facility

China

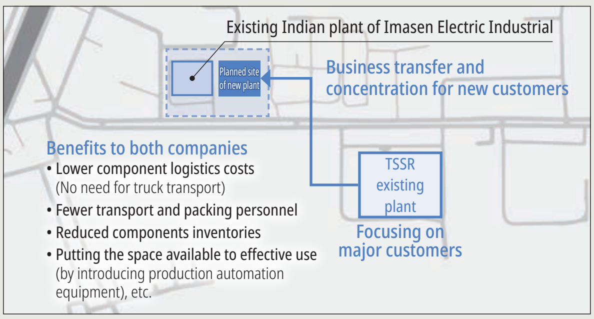
—Improving the Profit Structure to Secure High Profit Margin—

In China, we are facing an unprecedented uphill battle due to the growing power of emerging EV manufacturers. In order to support the profitability of the TS TECH Group, we are engaged in efforts to acquire new customers and new commercial rights by establishing partnerships with new companies, seeking to gain a competitive edge in the increasingly crowded Chinese market. In addition, we are working to improve the income structure by pursuing production automation, optimizing staffing levels, and utilizing local manufacturers.



Asia and Europe —Building a New Plant in India—

In response to the growth in orders for Maruti Suzuki India Limited, we are working to strengthen our production system in India. We will build a new plant on the site of the Indian plant of Imasen Electric Industrial Co., Ltd.* to expand production capacity. At the same time, we will make effective use of the space made available at the existing plant and strengthen our cost-competitiveness. In addition, our production site in Poland, which is now fully operational, will aim to grow sales further by taking advantage of its location to supply competitively priced products to European customers.



* The TS TECH Group entered into a capital and business alliance with Imasen Electric Industrial Co., Ltd. in November 2020 with the aim of expanding sales channels and commercial rights, strengthening technology and research and development, and improving cost-competitiveness.

Stakeholder Engagement

The TS TECH Group is committed to dialogue with its stakeholders, including customers, employees, shareholders and investors, business partners, and local communities, and aims to co-create value with them by incorporating valuable opinions and requests received through communication into its management and business activities.
We will continue to build relationships of trust with our stakeholders through dialogue and create new value in order to maintain our position as a company that is sincerely appreciated by all and whose presence is valued by all of its stakeholders.

	Relationship with stakeholders	Dialogue method
Customers (automobile 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 will also utilize the feedback we receive from customers through various exhibitions and the opinions we gather from end-users to develop better products and technologies.	• 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 enable each of our diverse employees to realize their full potential, we work to improve employee engagement and motivation, and to create an inclusive and amenable work environment. ▸pp. 42–43	• Global distribution of the President's message across all Group sites • Engagement survey • Various education and training sessions • Regular feedback meetings with superiors • 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) • Plant tours for institutional investors and securities analysts
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 (290 programs around the world in fiscal 2024). 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. The event 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, and we are planning to hold our second next-generation vehicle interior space presentation in November 2024. While further refining our proprietary technologies, we aim to offer products that are even more appealing to our customers.

Presentation event for our next-generation vehicle interiors held in November 2022

Relationships with shareholders and investors

Building interactive trust relationships through information dissemination and dialogue

We proactively carry out IR activities to ensure that all shareholders and investors understand the TS TECH Group's financial results and management approach. On our website, we promptly post financial results and timely disclose information. In addition, we provide more than 250 meeting opportunities annually for securities analysts and institutional investors for each quarterly earnings release, emphasizing appropriate disclosure and interactive communication. In fiscal 2024, we also completely revamped our website to make it more user-friendly and to expand and improve the information provided. Going forward, we will continue to build even stronger relationships of trust and enhance our corporate value through continuous information dissemination and dialogue.

IR Information page on our website

Relationship with the local community

Social contribution activities rooted in local communities

A major principle of our corporate philosophy is to become a company sincerely appreciated by all. Under this vision, the TS TECH Group is involved in more than 250 social contribution activities and economic assistance projects each year. In 2023, TS TECH CANADA INC. made a donation to a local hospital for the purchase of medical equipment that will be used to provide advanced medical care. TS TECH BANGLADESH LIMITED also utilizes its sewing technology to make and donate cushions that can be used as emergency head covers in the event of a disaster, as well as backpacks that can be used for commuting to school. These are just a few examples of the TS TECH Group's social contribution activities, which are tailored to the situation and needs of each community. The Group also continues to engage in a variety of other activities that are rooted in local communities. These include the preservation of ecosystems through tree-planting activities and the operation of an in-house cafe to provide employment for people with disabilities.

Donation activities in an elementary school in Bangladesh

Special Feature

Interview with the Chairperson of the Sustainability Committee

Enhancing our people's capabilities to contribute to sustainable growth and a sustainable society

Ryo Sakakibara
Operating Officer,
Corporate Administration Division Executive General Manager

How has the TS TECH Group advanced its sustainability initiatives so far?

For a company to achieve sustainable growth, it must not only pursue its own profits but also actively fulfill its corporate social responsibility and address social issues through its business activities. The TS TECH Group has been involved in forest conservation and social contribution activities in the past, and since the time of the 13th Medium-Term Management Plan (fiscal 2018–2020), we have incorporated the concepts of ESG management into our management policy to strengthen sustainability initiatives.

To address sustainability issues such as climate change, coexistence with nature, and respect for human rights and diversity, everyone in the Group must align their efforts with a common vision. Otherwise, no matter how lofty our goals are, they may end up only words. The two elements of our vision statement are to be "A company dedicated to realizing people's potential," and to be "A company sincerely appreciated by all" stakeholders and the broader society. The first of these expresses our conviction that people are the decisive factor in a company. Both are deeply rooted in the corporate philosophy of the TS TECH Group. We believe this is why we were able to quickly gain internal understanding of the direction the company was taking when we decided to adopt ESG management.

In order to promote the plan's management policy of Corporate Evolution through ESG Management, the 14th Medium-Term Management Plan (fiscal 2021–2023) identified the material issues (materiality) that the TS TECH Group would prioritize as sustainability issues to contribute to the creation of a sustainable society, while setting KPIs and targets for 2030. We have also taken steps to strengthen our framework for promoting sustainability by establishing the Sustainability Committee to serve as an advisory body to the Executive Committee on sustainability policies, monitor progress toward related goals, and discuss measures to achieve them. We also established the Corporate Communication Department, which consolidated the functions of the departments responsible for sustainability and public relations.

The TS TECH Group's proactive and consistent sustainability-related efforts to date have earned us high marks in evaluations based on the DJSI.[*1]

Under the 15th Medium-Term Management Plan (fiscal 2024–2026), we will further accelerate our materiality efforts and deliver even higher corporate value under the policy of Realizing ESG Management as the culmination of our ESG management efforts.

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

How do you evaluate the efforts in the first year of the 15th Medium-Term Management Plan?

We believe that in fiscal 2024, which was the first year of the 15th Medium-Term Management Plan, we have been able to promote measures in each domain of sustainability as planned.

In the Society category, we were able to further promote research and development that envisions the future of vehicle interior space and develop environmentally friendly technologies. In addition, we have been engaged in improvement activities to address product appearance quality issues in order to further enhance product quality.

In the Environment category, we have been engaged in horizontal deployment of energy conservation measures, as well as research of optimal methods and plan formulation for the expanded introduction of renewable energy in each region. In addition, we established the TS TECH Fund, which makes donations to conservation organizations with the objective of further promoting sustainability awareness. This is an initiative in which the company solicits donations from environmentally aware executives and employees and matches the funds raised, thereby doubling the donation and uniting employees and the company in support of conservation activities. When we launched the program, we carefully explained its structure and purpose via the internal portal site and the in-house newsletter. This approach won the support not only of executives but also of many employees, getting the program off to a good start. In pursuing environmental initiatives, it is necessary to take both a “human” approach, encouraging each individual employee of the Group to act in an environmentally responsible manner, and a “hardware” approach, introducing energy-saving equipment and renewable energy. In addition, awareness is another important factor in making these efforts effective, and we hope to make the most of the TS TECH Fund to keep fostering sustainability awareness.

In the category of governance under our Corporate Foundation, we formulated the TS TECH Human Rights Policy and have been implementing human rights due diligence. We have also been working to increase the percentage of management positions held by diverse human resources, with regard to the TS TECH Supplier Sustainability Guidelines, which are designed to share the TS TECH Group’s approach to sustainability with our business partners, we made revisions in the two categories of “Human Rights and Labor” and “The Environment” in response to social changes, and shared the revised guidelines with all business partners.

What initiatives will you focus on going forward?

A diverse workforce is essential if we are to continue to create value in the automotive industry, which is undergoing significant change. The TS TECH Group has introduced systems that allow for diversified work styles, such as flexible working hours with no core time and a telecommuting system, to enable each individual employee to realize their full potential. We will continue to build an environment that supports a variety of work styles by revising our systems in response to current trends, while developing our recruitment channels to secure a diverse workforce.

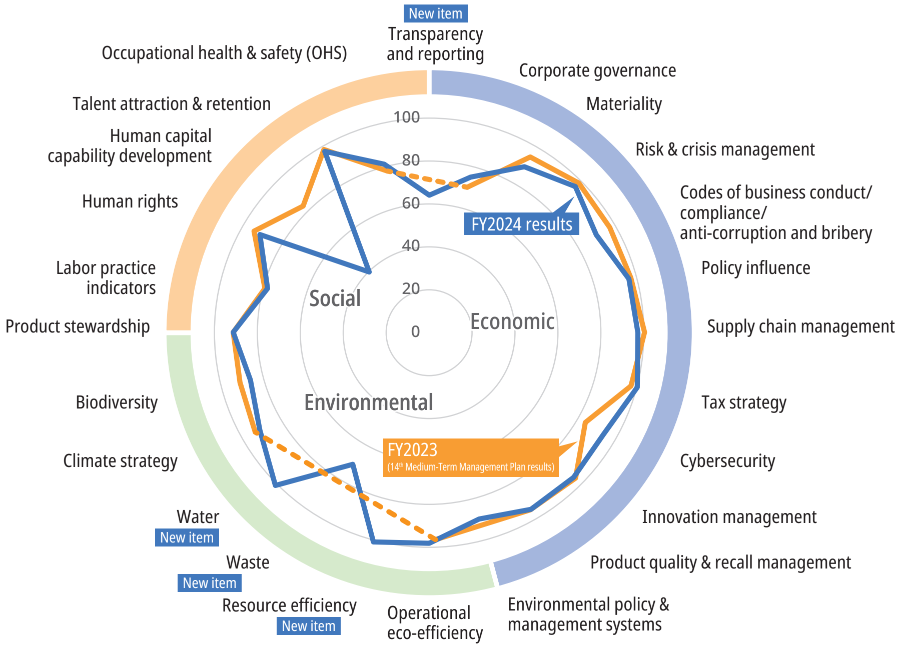
We also see succession planning as one of the most important issues for the continued growth of the TS TECH Group. Fostering the next generation of leaders must be addressed not only at the executive and management levels but at all levels of the organization. An important part of human resource development is to fulfill the role expected of one’s current position or grade, and on top of it to pursue the growth of skills and awareness needed to fulfill a higher-level role. To that end, we will not only enhance our training programs but also encourage personal growth by holding regular feedback meetings with supervisors.

In order for the TS TECH Group to achieve further growth, it is important not only to recruit and develop a diverse workforce but also to improve employee engagement. We believe that good engagement is a mutual trust relationship between the company and its employees. As part of the annual engagement survey, the heads of each division share with management the issues they are aware of and the actions they are taking to solve them, so that the issues are not left to the people on the floor but lead to effective policies.

We believe that people are the source of new value creation and indispensable capital for corporate growth. We will continue to invest generously in our people and accelerate our efforts to keep growing the TS TECH Group and help build a sustainable society. In doing so, I am confident that we will maintain our position as “A company sincerely appreciated by all” and valued by all of its stakeholders.

DJSI Evaluation

Calculated based on percentiles*2 within the automotive parts industry



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

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," incorporating sustainability perspectives into management strategy as we further accelerate efforts 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

Category	Related SDGs	Material issues	Vision	Materiality	Materiality KPIs
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
				Improving product quality	Seat supplier IQS rating*1
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
				Recycling and effectively using resources	Waste reduction rate*3
					Water intake reduction rate and environmental impact from wastewater*4
				Harmoniously co-existing with nature	Establishment of the TS TECH Fund (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
					Supplier Sustainability Guidelines compliance rate*6
				Reforming work styles to make the most of diversity	Percentage of management positions held by diverse human resources*7
				Strengthening governance	Corporate Governance Code compliance rate

*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

Procedure for Identifying Material Issues

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

14th Medium-Term Management Plan results	15th Medium-Term Management Plan		2030 targets
	Fiscal 2024 Main Initiatives	Targets	
vs. FY2021 +2.6%	• Research and development based on a vision of future cabin spaces • Environmental technology development	vs. FY2021 +3%	vs. FY2021 +10%
8.8P	• Improvement activities targeting obstacles to attractive exterior	7.0P	2.0P (stable high levels)
vs. FY2020 -16%	• Horizontal deployment of energy conservation measures • Studying regionally optimized methods for renewable energy and drafting plans for their adoption	vs. FY2020 -25%	vs. FY2020 -50%
vs. FY2020 -16% (Total)	• Studying recycling of major wastes • Ensuring traceability (checking legal and regulatory compliance)	vs. FY2020 -25%	vs. FY2020 -50%
vs. FY2020 -13% (Total)	• Surveying water use in production areas • Equipment inspection (for water leaks and other defects)	vs. FY2020 -15%	vs. FY2020 -50% "0" environmental impact
Program survey Study of plans	• Operational structure, system establishment, promoting internal awareness • Choosing donation recipients	Establishing a TS TECH Group donation program	Establishing a TS TECH Group donation program
C	• Horizontal deployment of case studies of improvement measures • Development and implementation of action plans	BB	AAA
97% (Subject: 126 domestic suppliers)	• Improving guidelines and raising awareness among suppliers • Supplier interviews	100% (Subject: Domestic and international suppliers)	100% (Subject: Domestic and international suppliers)
32.5%	• Continuing proactive mid-career hiring	33.3%	35%
100%	• Formulating a Human Rights Policy and implementing human rights due diligence • Proactive disclosure in corporate governance reports	100%	100%

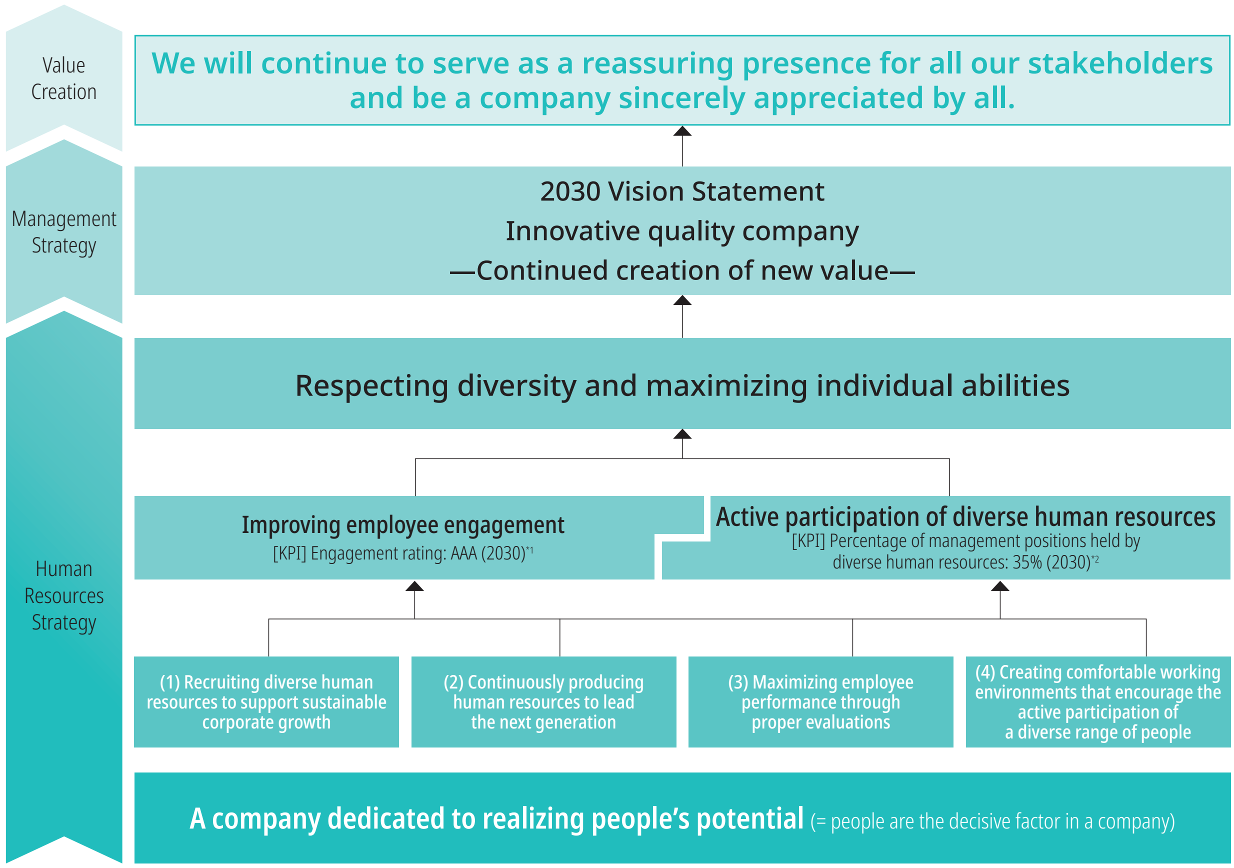
*4 Reduction rate in water intake (amount used) at the Group's production facilities and environmental impact of wastewater resulting from manufacturing activities
*5 The engagement targets look at the company's employees using Link and Motivation Inc.'s Motivation Cloud. The target "AAA" rating is the 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

Social

Human Capital Initiatives

The TS TECH Group upholds “A company dedicated to realizing people’s potential” as one of its vision statements, 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.



*1 The engagement target looks at the company’s employees using Link and Motivation Inc.’s Motivation Cloud. The target “AAA” rating is the highest of the 11 ratings.
*2 Percentage of women, mid-career hires, non-Japanese citizens, older employees, and persons with disabilities in management positions

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 set the retirement age at 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 ensure a sufficient period of time 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 100% 3-year average usage rate**) among the 1,714 companies surveyed by Toyo Keizai Inc. in its 2024 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 with no 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." We conduct occupational safety and health activities so that all employees can work safely, with peace of mind and enthusiasm. In line with the TS TECH Code of Conduct,* we set more quantitative targets and operate in accordance with ISO 45001, the international standard for occupational health and safety management systems, which involves implementing measures, evaluating progress, conducting internal audits, and reviews by management (as of September 2024, all domestic sites had obtained ISO 45001 certification). Specifically, we will create a safe and healthy working environment by implementing planned and prioritized measures to prevent industrial accidents in conjunction with human resource development, such as improving employee risk reduction capabilities through training and conducting risk assessments in each workplace. Additionally, in preparation for emergencies, we place the highest priority on human life and work to minimize damage by conducting regular drills and maintaining internal regulations.

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 occupational health physicians and other specialists. We also regularly hold in-house training to promote proper understanding of mental health.

* Specific guidelines set forth to ensure that every individual in the Group consistently acts with integrity and conducts themselves in an appropriate manner

Voice

Balancing Work and Childcare to Realize My Career

I took about one year of childcare leave after giving birth. At the time, I was working mainly from home due to the COVID-19 pandemic, and I was worried about handing over my work remotely, but with the understanding and cooperation of those around me, the transition went smoothly.

While on leave, I was able to closely watch my child grow and spend precious time together. When it was time to return to the workplace, I was worried about whether I would be able to keep up with all the changes, but thanks to my supervisor's careful explanation of the company's trends and the workplace structure, I recall being able to return to work with peace of mind. As I work part-time, my colleagues divided up the workload to ensure it was manageable for me, and I felt a strong sense of support from everyone at work.

These days, I think many people are more worried about career development after taking childcare leave than about whether they will be able to take childcare leave. For various reasons, there are times when everyone must prioritize life over work. TS TECH has systems in place for these eventualities, and given the culture of mutual support, I feel the company has established an environment that enables employees to realize their own careers.

Asuka Watanabe
Corporate Development and Engineering Division
Development Control Department

Strengthening human resources

Recruiting and Retaining Diverse Human Resources Who Will Support Growth

To retain human resources responsible for the next generation, we are developing a wide range of recruitment channels and focusing efforts on the recruitment of human resources with various knowledge and experience.

We are expanding recruitment methods, including year-round recruitment, which enables us to hire international students, recent graduates looking to change jobs, and other human resources with diverse experiences throughout the year that would not have been possible through traditional mass hiring. We also recruit former employees, which provides an opportunity for employees who left the company for various reasons to resume work at TS TECH. Additionally, we engage in referral recruitment, which enables us to hire talented human resources introduced from trusted employee networks, which reduces mismatches after new hires join the company.

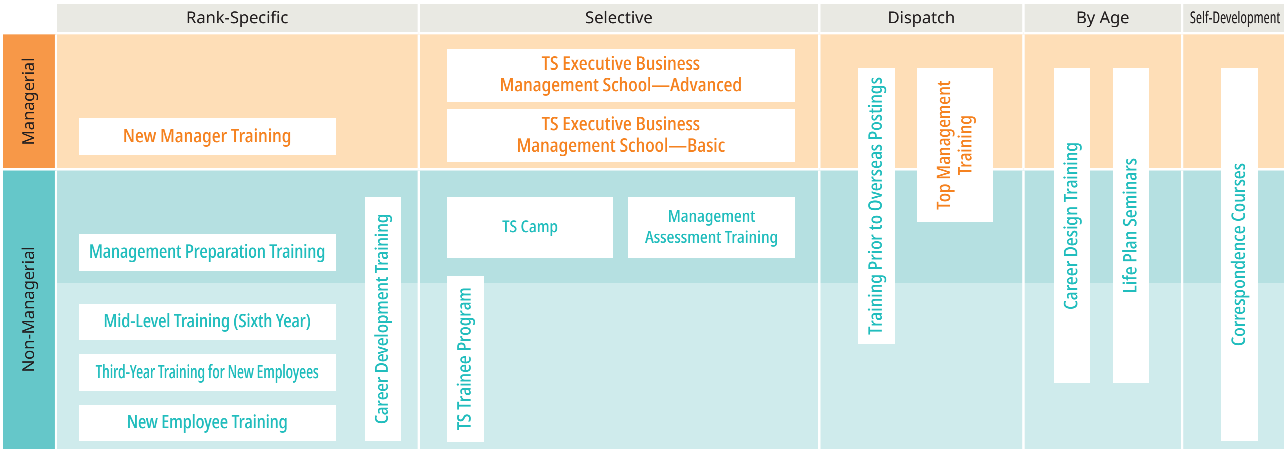
Human Resource Development through Diverse Training Systems

We aim to be an organization that can continue to create new value, and strive to develop autonomous human resources who can set their own goals and take action.

We also believe it is necessary to develop employees of all ages and ranks who will lead the next generation, and are creating training programs to this end. In addition to the mindset and skills required for the future, the training content also includes a gradual acquisition of knowledge related to management, with the aim of acquiring the ability to set issues from a company-wide perspective.

We also provide age-specific training to encourage autonomous career building, and are working to expand opportunities for self-development learning that responds to employees' desire to learn.

Human Resource Development through Diverse Training Systems



Next-Generation Manager Development

TS Executive Business Management School

With the aim of cultivating the next generation of managers, we aim to provide effective human resource development by dividing the program into two courses. The Basic course is designed for the systematic acquisition of management literacy and a sharper perspective on overall optimization, while the Advanced course visualizes participants' influence on those around them and develops their capacity to become leaders.

The Advanced course was launched in 2024, with 14 managers participating in the program, which lasted approximately six months.

Participant comments

- In these times of great uncertainty, I felt that it was necessary to gather a wide range of information about the future and indicate the direction we should take going forward.
- It was motivating to visualize my leadership situation from multiple perspectives, including those of my colleagues, superiors, and subordinates.

Maximizing Training Effectiveness

Action Plan Sheets

To maximize the effects of each training session and foster a culture of self-development through the setting of personal goals, we ask participants to set out a plan of action on action plan sheets after each training session.

Participants reflect on their current situation based on what they have learned in the training, set a vision for the future, set specific action plans, and are encouraged to change their daily behavior. In executing these plans while receiving appropriate advice from superiors, participants are able to build their own careers autonomously, while also contributing to the invigoration of communications within the organization.

Initiative examples

- Strengthening ability to guide and develop junior employees
- Acquiring qualifications to expand knowledge in preparation for overseas postings
- Strengthening planning and proposal capabilities with a focus on the future

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 on a regular basis 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: 82.1% [Fiscal 2024 (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.

- **Engagement rating: C [Fiscal 2024 (non-consolidated)]***

* An engagement rating for our employees assessed through Link and Motivation Inc.'s Motivation Cloud. The target "AAA" rating is the highest of the 11 ratings

Strengths	• Open and frank attitude from superiors • Attentive listening to subordinate opinions • Financial soundness
Weaknesses	• Appropriate hiring and placement • Sense of solidarity throughout the company

Improvement Efforts

Debriefing sessions on improvement measures at each division

Persons in charge at each division identify and share organizational issues and resolution measures, as well as clarify issues and measures that must be addressed by the entire company.

Seminars for general managers and section managers

Seminars are provided to introduce key points for formulating improvement measures appropriate to the conditions in each department, as well as positive examples of organizations that have improved their engagement scores, leading to the formulation and implementation of effective measures.

Departmental improvement measure examples

- Implementing 1-on-1 meetings
- Strengthening explanations of company and division policies
- Sharing business progress status and study session content

Voice

Maximization of Human Capabilities Leading to Enhanced Corporate Value

In recent years, we have been proactively working to improve employee engagement and develop the next generation of managers, so that our diverse workforce can work with pride and a sense of fulfillment, maximize their individual capabilities, and continue to grow and thrive.

We believe that the engagement of each and every employee is an important factor in improving organizational strength, and accordingly, we regularly conduct engagement surveys of all employees. The results are shared with management and each organization, and then analyzed. Improvement measures for issues are considered and promoted at division, department, and section levels.

We also view the development of management talent to lead the next generation as an important management issue, and have opened the TS Executive Business Management School as an educational program for executive candidates. The purpose of this program is to develop the management skills and mindset of business managers.

We will continue to rapidly develop human resources and create a better organization to maximize the potential of our people and improve organizational performance, thereby achieving sustainable corporate growth.

Hiroaki Hizume

General Manager of Human Resources Department, Corporate Administration Division

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 create their own manuals based on our Corporate Principles Manual, adapting 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

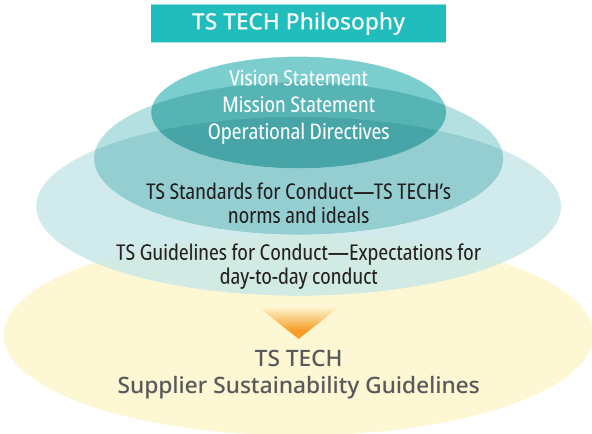
In order to coexist harmoniously with society and be a company sincerely appreciated by all and whose presence is valued by all of its stakeholders, management focused on ESG-related issues, not just the pursuit of profit, is necessary.

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 surveys to confirm business partner compliance status, and in fiscal 2024, we surveyed 628 companies both in Japan and overseas. The Group recognizes this initiative as one of its materialities, and will continue to implement surveys annually while confirming the status of suppliers with low rates of compliance in an effort 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
6. 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.

To realize fair and equitable transactions, as well as build and maintain win–win relationships with our business partners on a global scale, the TS TECH Group established the Four Principles of TS Procurement and published the Partnership Building Declaration. By putting these principles into practice, we aim to build a supply chain that is trusted 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.

We also hold an awards ceremony to recognize suppliers who have achieved excellent results in terms of cost, development, and quality throughout the year, and in fiscal 2024, we established a new Sustainability Award to promote environmental activities. We have strengthened ties with business partners to enhance collaborations and promote the 15th Medium-Term Management Plan.

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 such as 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 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 89.6%* 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 2024

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.

Carbon Neutrality Seminar

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

Aiming to Realize a Sustainable Society, We Will Meet the Expectations of Our Stakeholders

We have a wide range of business dealings with TS TECH, both in Japan and overseas, centered on fastening components* for automobile interiors. We received the Sustainability Award in recognition of our efforts to improve energy efficiency and move toward a low-carbon society. The automotive industry is currently undergoing a once-in-a-century revolution that is creating new forms of mobility, and as the importance of sustainability initiatives increases, PIOLAX would like to work together with TS TECH to proactively pursue activities aimed at realizing a sustainable society, based on the TS TECH Supplier Sustainability Guidelines.

In commemoration of our 90th anniversary, we formulated a new corporate philosophy, "The PIOLAX Way," which will serve as the basis for our future management, while continuing to uphold the spirit and philosophy of our founding. Accordingly, in line with our purpose of "connecting people and society with technology for an exciting future," we will meet the expectations of all stakeholders by connecting people with our technologies and spirit as a pioneer, and by realizing a more prosperous, safe, and comfortable future.

Note: Fastening parts, including fasteners and clips.

Satoshi Yamada
PIOLAX, INC.
President and Representative Director

Working to Build a Sustainable World

The business environment and the needs of society are constantly 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, Resolution of Board of Directors

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 resolve 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 recommendations)
– 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.

*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 and Europe segment

Activity plans

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

Committee activities during fiscal 2024	Main agenda items
1st Meeting: May 30, 2023	• Discussed quantitative assessment of climate-related risks and opportunities for the Group, as well as information disclosure • Discussed the creation of a human rights policy • Discussed the revision of the TS TECH Supplier Sustainability Guidelines
2nd Meeting: October 31, 2023	• Reported on measures related to climate change and resource recycling • Discussed the establishment of an in-house award system related to sustainability
3rd Meeting: March 21, 2024	• Confirmed progress made on achieving 2030 targets relating to the Group's material issues • Reported on CO_2 reduction measures (energy conservation, renewable energy, Scope 3) • Reported on the results of human rights risk surveys and measures

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. 50

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 management 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

Information gathering regarding risks and opportunities related to climate change led by each functional division and region

Identification of major risks and opportunities

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

Selection of policies and measures

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

Incorporation into strategies and implementation

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. 56

Metrics and Targets

		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 gas 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, moderate, 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.

Risks and opportunities related to climate change and related responses

The risks and opportunities judged as having a large or moderate 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
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.
Transition risks (1.5°C warming scenario)	Government policies Laws and regulations	Need to adopt renewable energy and increase capital expenditures 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.
		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.
	Technology	Higher R&D costs and greater capital expenditures 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 expenditures.
	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.
		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 100 billion yen by 2030.

Risk classification		Identified opportunities	Medium-or long-term	Potential financial impact
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.
	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 revenue could reach 70 billion yen.
		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 revenue of about 35 billion yen.

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-saving/renewable-energy policies, ZEV regulations, policies to promote EVs, etc.) • Development of decarbonization technologies and a greater range of environmentally friendly products

Mitigation	Relevant initiatives and indicators
• 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
• More efficient energy use • Investing in efficient equipment to optimize cost-effectiveness	• Building high efficiency production structures • Long-term environmental goals
• Promoting CO_2 reduction measures (energy conservation, adoption of renewable energy, etc.) (With an associated cost of approximately 190 million yen in fiscal 2024) • Improving logistics efficiency	
• Expanding sales by enhancing sales activities • Improving product development through co-creation with customers	• Enhancing efforts to develop environmental technologies
• Enhancing supply chain management • Promoting measures to reduce Scope 3 emissions • Improving logistics efficiency	• Supply chain restructuring
• 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

Mitigation	Relevant initiatives and indicators
• 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
• Product development that helps reduce electricity costs • Promoting the adoption of recycled materials (such as recycled resins and steel produced via electric furnaces) and the development of structures that are easy to disassemble • Building high-efficiency production lines compatible with new materials and technologies • Developing products made using plant-derived raw materials (such as biomass polyurethane) • Developing processing technology for eco-friendly materials	• Securing cabin coordination capacity • Further growth in new businesses • Enhancing efforts to develop environmental technologies
• 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.

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

Environmental Action Plan

(1) Compliance with Legal and Other Requirements
Strive to prevent environmental pollution and protect biodiversity and ecosystems primarily through compliance with requirements, such as environmental laws and regulations and environmental standards, and proper chemical management.

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

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

Initiatives to Strengthen Environmental Management

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 its 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 it 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 2021 to fiscal 2024, 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

Global warming
Water pollution
Resource depletion
Soil pollution
Ozone depletion
Waste materials
Air pollution

Reduce global environmental impact associated with business operations

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 latest seat frame currently in mass production 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.

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. We have succeeded in reducing the amount of CO_2 contained in our products by 60% compared to petroleum-derived materials and are continuing our research with the aim of applying this technology to mass production of seats, door trims, and the like. As another area of focus, TS TECH is aiming to develop structures that can be disassembled more quickly and efficiently for the reuse of materials, as seats are made up of various materials and parts.

Looking ahead to the future electrification of vehicles, we have also been working on the development of a seat heater system that heats efficiently with low power, thus contributing to better electric efficiency (driving range), and an air-conditioned seat that contributes to power saving. These have been selected for adoption in upcoming models. We will continue to develop technologies that contribute to carbon neutrality from various angles.

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

Production-focused measures

Under the policy of "Evolving toward sustainable manufacturing and building a globally efficient production system," our Corporate 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 generation systems at the Hamamatsu Plant and Suzuka Plant, and expanded the system at the Saitama Plant.

The new building at the Hamamatsu Plant, which began full-scale operations in fiscal 2024, contributes to reducing the environmental impact of the entire plant operation. This is accomplished by reducing CO_2 emissions through solar power generation, effectively utilizing water resources with the introduction of rainwater reuse equipment, and reducing food waste through the introduction of cafeteria waste disposal equipment.

The new building at the Hamamatsu Plant and the solar panels installed on its roof

Environmental Targets and Results

Long-term environmental targets

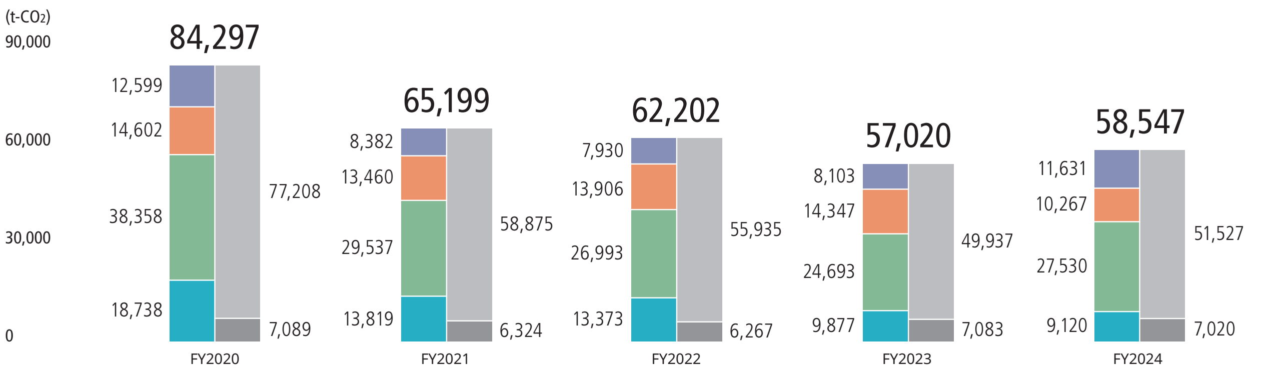
In the interest of protecting the global environment, the Group will work to reduce the environmental impact of all aspects of its corporate activities. Our efforts to build a sustainable world are guided by our vision statement of being "A company dedicated to realizing people's potential" and "A company 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.

Items	KPIs	Terms for comparison	2030 targets	2050 targets
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

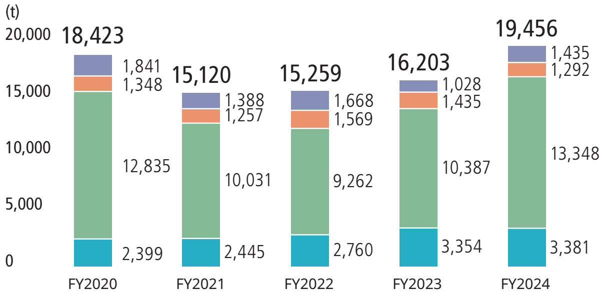
*1 CO_2 emissions reduction rate (Scope 1 and 2) resulting from the Group's business activities
*2 Rate of reduction of waste (excluding residue, sludge, etc.) resulting from the Group's manufacturing activities
*3 Reduction rate of water intake (amount used) at the Group's production facilities and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

Trends in environmental results

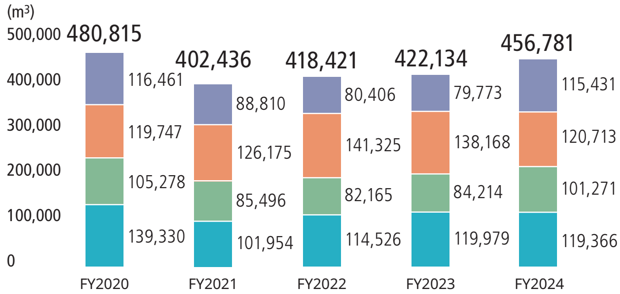
CO_2 emissions



Waste generated



Water intake



* 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)

FY2021	FY2022	FY2023	FY2024
2,381,086	2,658,732	2,583,409	2,846,604

Scope 3 emissions by category breakdown for fiscal 2024

Category	Emissions (t-CO_2)	Ratio (%)
1. Purchased goods and services	2,602,605	91.4
2. Capital goods	21,566	0.8
3. Fuel- and energy-related activities not included in Scope 1 or Scope 2	11,088	0.4
4. Transportation and distribution (upstream)	69,065	2.4
5. Waste generated in operations	3,536	0.1
6. Business travel	6,654	0.2
7. Employee commuting	5,975	0.2
10. Processing of sold products	87,293	3.1
12. End-of-life treatment of sold products	38,822	1.4
Total	2,846,604	100

Implementing third-party verification

In order to ensure the reliability of environmental data disclosure, the Group has obtained third-party verification from SGS Japan Inc. Verification results for fiscal 2024 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, 6 domestic companies, 31 overseas companies	Scope 1: 7,020 t-CO_2 Scope 2: 51,527 t-CO_2
Scope 3, Category 1 (CO_2 emissions from purchased goods and services)	Products and services extracted from TS production control system	2,602,605 t-CO_2
Waste generated (including valuable waste)	6 sites of the Organization, 6 domestic companies, 30 overseas companies	19,456 t
Water intake		456,781 m^3

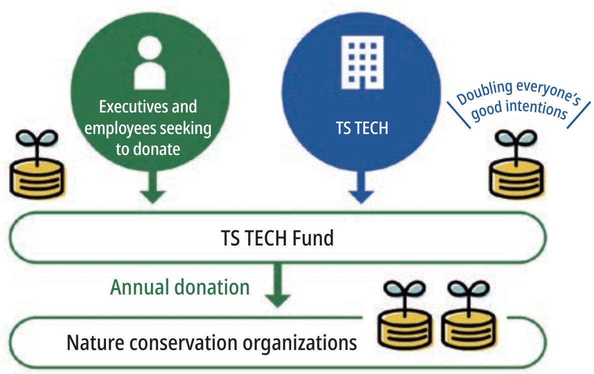
Initiatives to Instill Sustainability Awareness

For the TS TECH Group to contribute to the realization of a sustainable society, we believe it is important to instill an awareness of sustainability in each and every one of our employees. We are taking various initiatives to accelerate our initiatives to resolve social and environmental issues.

Establishment of the TS TECH Fund

One of the materialities (key material issues) of the Group is "Harmoniously co-existing with nature." In this connection, it has established the TS TECH Fund, a matching gift program to make donations to nature conservation organizations.
The fund's aim is to support activities to protect nature by collecting donations from executives and employees who support the activities, the company then adds matching amounts annually to make donations.

TS TECH Fund



Establishment of the Sustainability Award

We have established a new internal award system called the Sustainability Award. The first award was given to employees involved in the construction of a new building at the Hamamatsu Plant, in recognition of their contribution to the local community and their endeavors to help create a sustainable society. ▶p. 55

Governance

Corporate Governance

TS TECH's philosophy is to be "A company sincerely appreciated by all," including key stakeholders, ranging from shareholders and investors to customers, business partners, local communities, and employees. Under our corporate philosophy, we are working hard to enhance corporate governance as an important step toward fulfilling our social responsibility and achieving continuous business growth and increasing corporate value over the medium to long term.

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

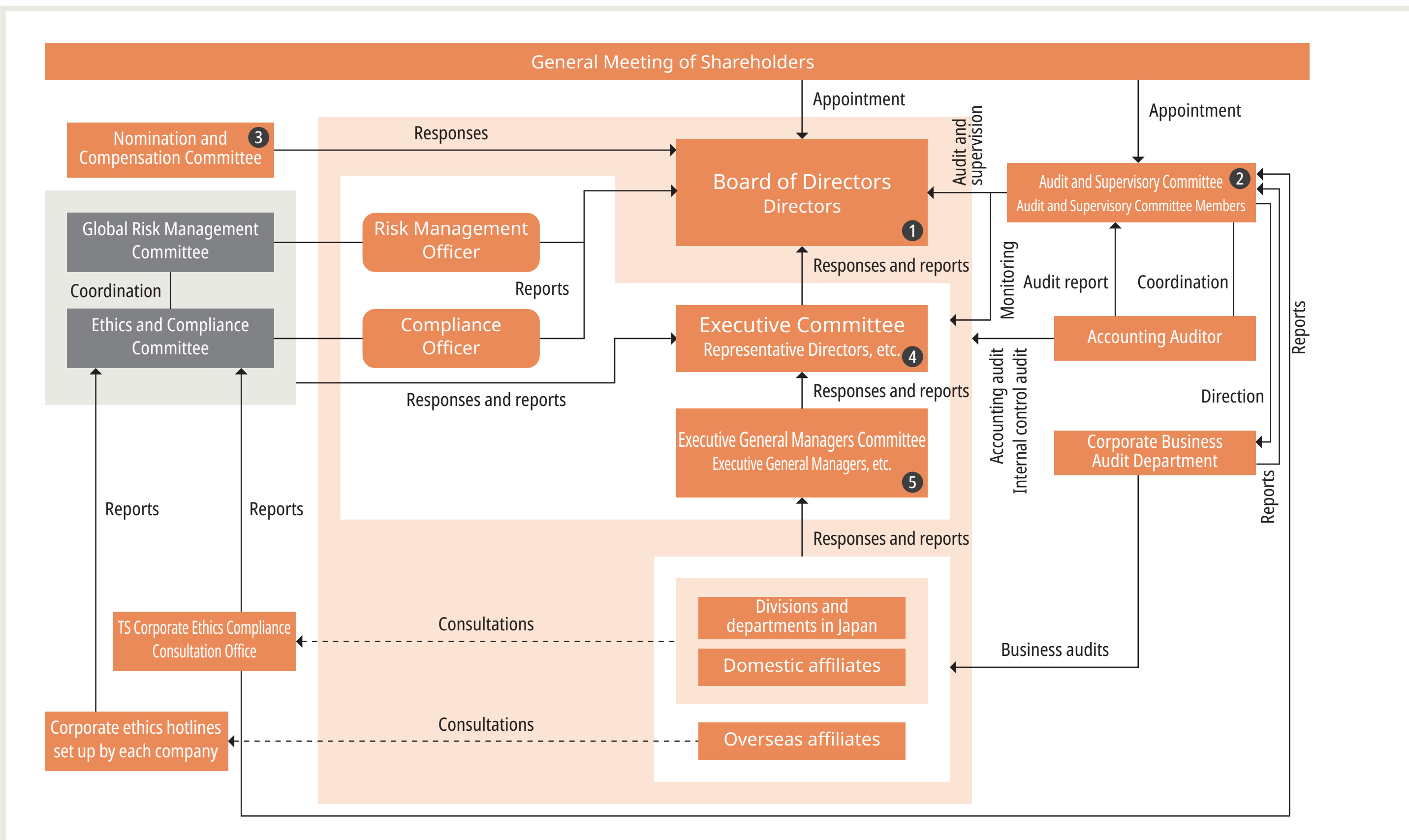
The Board shall take appropriate responsibility for the establishment of mid- to long-term management policies and oversight of directors, and it shall work to build systems to enable transparent, fair, and resolute decision-making.

(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

Governance System Diagram



Operation of 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.

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

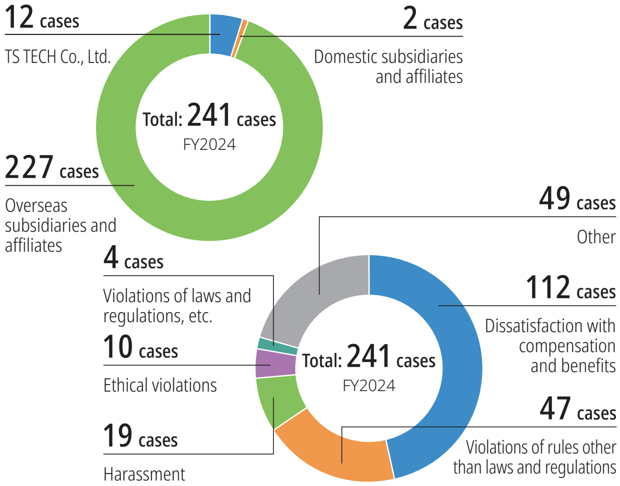
Based on the TS TECH Philosophy, the Group established the TS Standards for Conduct (TS TECH's norms and ideals as an organization) and TS Guidelines for Conduct (expectations for day-to-day conduct for individual executives, officers, and employees). Regular education is provided to ensure the entire 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 received a total of 241 ethics and compliance cases in fiscal 2024, which includes consultations and other cases handled by the hotline. Continuous operation of this framework promotes internal self-improvement.

❶ Board of Directors	The Board of Directors is composed of seven 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 representative directors and directors working in Japan (excluding directors who are Audit and Supervisory Committee members). 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.

Ethics and compliance cases
Number of cases 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 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 2024, TS TECH identified four major risks and pursued the appropriate corresponding risk mitigation measures.

Acquisition of TISAX certification

To mitigate the risk of information leaks, the TS TECH Group strives to maintain internal rules and regulations, carry out thorough employee training, and enhance security and network monitoring systems. It also implements comprehensive information management through means such as maintaining environments that reflect the security requirements of individual customers and earning Trusted Information Security Assessment Exchange (TISAX) certification* at six of our 38 consolidated subsidiaries (as of July 2024).

* TISAX: The information security standard for the automotive industry, it is a system for screening by a certification agency based on the German automobile industry association Verband der Automobilindustrie (VDA)'s information security assessment (ISA) standards.

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.

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

Four Major Risks

1. Crisis Management in Emergencies

[Target]

Communicable & infectious diseases/virus/wind or flood damage/earthquake/conflict/riots or terrorism

[Main measures]

- Continuous implementation of natural disaster response training
- Validation of the effectiveness of the initial response task list in the event of an emergency

2. IT Security

[Target]

Leakage or loss of information and cyberterrorism

[Main measures]

- Ongoing implementation of security education
- Cybersecurity countermeasures (Enhanced monitoring systems, strengthening initial response)

3. Stoppage of Production and Parts Supply

[Target]

Raw material supply shortages/production capacity shortages/supplier bankruptcy/machinery and equipment failure/trade-related, import-export issues

[Main measures]

- Strengthen supply chain management to ensure stable procurement of components
- Enhance monitoring of supplier-side financial risks
- Strengthen production equipment management system

4. Fires

[Target]

Fire sources:

Welding/electric leakage or current surge/hazardous materials

[Main measures]

- Inspection based on Group-wide integrated items and crosscutting management by the department responsible
- Expert validation and implementation of on-site education

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.

Cross-shareholdings

To further enhance corporate value, the company shall own cross-shareholdings if deemed necessary from the perspective of strengthening relations with business partners, maintaining smooth business operations, and the like. Each responsible department examines the rationale behind cross-shareholdings and assesses whether or not to hold each individual cross-shareholding from perspectives such as the objective behind the cross-shareholding and returns, the financial risks, and the economic rationale. It then submits the results of said examination to the Board of Directors, which deliberates on whether the purpose is appropriate. This examination and deliberation are conducted annually for all cross-shareholdings, and the company will promptly reduce any cross-shareholdings which are not considered to be useful. The significant cross-shareholdings currently held by the company were judged necessary following the aforementioned deliberation by the Board of Directors.

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)

Board of Directors

REPRESENTATIVE DIRECTOR, PRESIDENT

Masanari Yasuda

Director in Charge of Quality Assurance, Development, Manufacturing, and Business Administration

Number of shares of the company held: 83,837 shares

Meetings of the Board of Directors attended: 100% (15/15 times)

REPRESENTATIVE DIRECTOR, SENIOR MANAGING OFFICER

Eiji Toba

Director in Charge of New Business, Sales, Purchasing, and Administration, Corporate Development and Engineering Division Executive General Manager, Compliance Officer

Number of shares of the company held: 17,299 shares

Meetings of the Board of Directors attended: 100% (15/15 times)

DIRECTOR, SENIOR MANAGING OFFICER

Akihiko Hayashi

Americas Segment Executive General Manager, President of TS TECH AMERICAS, INC.

Number of shares of the company held: 16,265 shares

Meetings of the Board of Directors attended: 100% (15/15 times)

DIRECTOR, MANAGING OFFICER

Yasushi Suzaki

Corporate Manufacturing Division Executive General Manager, Risk Management Officer

Number of shares of the company held: 14,796 shares

Meetings of the Board of Directors attended: 100% (15/15 times)

DIRECTOR, OPERATING OFFICER

Hiroshi Naito

Corporate Business Administration Division Executive General Manager

Number of shares of the company held: —shares

Meetings of the Board of Directors attended: —%

DIRECTOR (Outside Director)

Takeshi Ogita

Chairperson of the Board of Directors

Number of shares of the company held: 2,278 shares

Meetings of the Board of Directors attended: 100% (15/15 times)

DIRECTOR (Outside Director)

Kaori Matsushita

Representative Director, President of K&L Consulting Co., Ltd., Outside Director and Audit & Supervisory Committee Member, Taisei Oncho Co., Ltd., Outside Director, Belc CO., LTD.

Number of shares of the company held: 1,152 shares

Meetings of the Board of Directors attended: 100% (15/15 times)

DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER

Tatsuo Sekine

Number of shares of the company held: 15,220 shares

Meetings of the Board of Directors attended: 100% (15/15 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 of Sazanka Law Office

Number of shares of the company held: 1,369 shares

Meetings of the Board of Directors attended: 100% (15/15 times)

Meetings of the Audit and Supervisory Committee attended: 100% (15/15 times)

DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)

Tomoko Nakada

Representative of Tokyo Heritage Law Firm, Outside Director and Audit & Supervisory Committee Member of ADVANTEST CORPORATION

Number of shares of the company held: 1,775 shares

Meetings of the Board of Directors attended: 100% (15/15 times)

Meetings of the Audit and Supervisory Committee attended: 100% (15/15 times)

DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)

Kenichi Naito

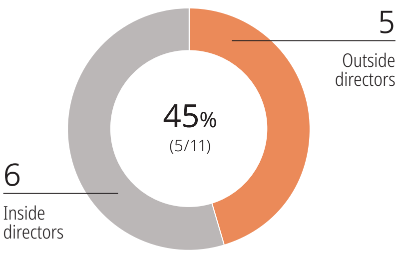
Number of shares of the company held: 179 shares

Meetings of the Board of Directors attended: 100% (13/13 times)

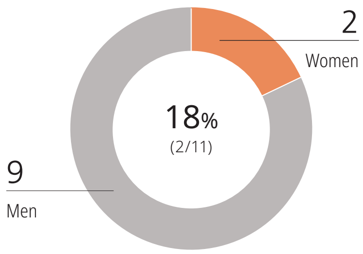
Meetings of the Audit and Supervisory Committee attended:100% (13/13 times)

Note: Career and positions and number of shares of the company held: As of June 21, 2024 (As of the date of submission of the Annual Securities Report)
Attendance of each meeting: April 1, 2023–March 31, 2024

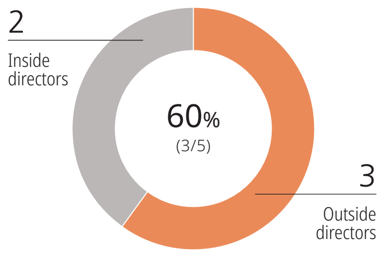
Percentage of Outside Directors on the Board of Directors



Percentage of women on the Board of Directors



Percentage of Outside Directors on the Nomination and Compensation Committee



Name	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	●	●	●		●	●				
Eiji Toba Representative Director, Senior Managing Officer	●	●	●		●	●		●		
Akihiko Hayashi Director, Senior Managing Officer		●	●			●		●	●	
Yasushi Suzaki Director, Managing Officer		●	●			●	●			
Hiroshi Naito Director, Operating 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

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.

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.

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.

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 an 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 has served 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 an 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 an 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 an Outside Director who is an Audit and 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 an 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 an Outside Director who is an Audit and 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 an Outside Director who is an Audit and 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.

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.

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.

Performance-linked compensation is linked to the indicators of average rates of growth in consolidated revenue and consolidated operating income over the past three terms and the rates of change in amounts of dividends and number of months' salary paid as employee bonuses, to incorporate the perspective of value sharing with shareholders and employees.

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.

Method used to determine the amount of compensation

The company calculates individual compensation amounts and numbers of shares in accordance with each compensation table, based on individual evaluation by the Executive Committee, which is composed of all representative directors, and directors working in Japan (excluding directors who are Audit and Supervisory Committee members). The advice of the Nomination and Compensation Committee is then sought regarding these amounts. For performance-linked compensation, compensation amounts are calculated using the method above, and the advice of the Nomination and Compensation Committee is then sought regarding these amounts.

The Nomination and Compensation Committee deliberates on the appropriateness and suitability of the amounts of base compensation, performance-linked compensation, and stock compensation for each individual, reports the results to the Audit and Supervisory Committee, and reports back to the Board of Directors.

The final decision is made by the Board of Directors based on the content of the report by the Nomination and Compensation Committee and the results of deliberation by the Audit and Supervisory Committee. The base compensation for directors who are Audit and Supervisory Committee Members is determined based on discussions among directors who are Audit and Supervisory Board Members.

Compensation limits

The maximum amount of compensation (not including stock compensation) for directors (excluding directors who are Audit and Supervisory Board Members) is 750 million yen per year (of which the maximum amount for outside directors is 30 million yen), as resolved at the 75th Annual General Meeting of Shareholders held on June 25, 2021.

The maximum amount of stock compensation for directors (excluding directors who are Audit and Supervisory Board Members) is 150 million yen per year, and the maximum number of shares is 50,000 shares, as resolved at the 75th Annual General Meeting of Shareholders held on June 25, 2021.

The maximum amount of compensation for directors who are Audit and Supervisory Board Members is 90 million yen per year, as resolved at the 75th Annual General Meeting of Shareholders held on June 25, 2021.

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 personability. After a process of careful deliberation the final decision is made by the Board of Directors.

Overview of the compensation system

Performance-linked compensation coefficient (Average percentage for the past three terms for consolidated revenue + Average percentage for the past three terms for consolidated operating income + Rate of change in dividend amount + Rate of change in number of months of employee bonuses) / 4

Notes: 1. Each performance indicator is equally weighted.
2. 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 2024 is detailed below.

- Average percentage for the past three terms for consolidated revenue: 139.8%
- Average percentage for the past three terms for consolidated operating income: 61.6%
- Rate of change in dividend amount: 131.7%
- Rate of change in number of months of employee bonuses: 103.6%

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 sixth of these evaluations.

Fiscal 2024 evaluation process

1. Each director conducts a questionnaire-based self-evaluation (March–April 2024)

Subjects: All directors

Aggregation method: Anonymous questionnaire responses. External organization commissioned to perform aggregation.

Evaluation items: The structure of the questions was completely revised to identify new issues from the perspective of continuously improving the Board of Directors.

Board of Directors' composition
Board of Directors' composition, level of diversity, agenda items, etc..

Management strategy and business strategy
Supervision of management strategy/Appropriate allocation of management resources/Appropriate supervision of human resource strategy, etc.

Corporate ethics and risk management
Compliance with corporate ethics and supervision/Monitoring of material risks/Whistleblower system, etc.

Monitoring business performance and evaluating and compensating management
Relationship between business performance and management indicators/Details of executive compensation and the process for its determination/Process for appointment and dismissal of officers, etc.

Dialogue with shareholders
Sharing value with stakeholders/Disclosure of non-financial information, etc.

2. Board of Directors conducts discussions and summarization (June 2024)

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 generally maintaining its effectiveness.
- Both inside and outside directors evaluated the Board of Directors' meetings as having room for improvement in terms of deepening discussions, improving operational methods including provision of information, strengthening oversight of risk management, and enhancing the effectiveness of the process for appointment and dismissal of officers.

Future initiatives

- To strengthen supervision of risk management, review reporting routes and hold study sessions to raise awareness
- Based on the evaluation results, discussions are being held among the directors to consider improvement measures aimed at further enhancing the effectiveness of the Board of Directors
- Review the way discussions are conducted at meetings other than Board of Directors' meetings to deepen discussions at Board of Directors' meetings,
- Review processes to evolve into a more effective committee by clarifying the roles of the Nomination and Compensation Committee

Officer Training

We provide opportunities for directors to attend external specialist seminars when they first take up their posts. In addition, we hold study sessions once a year for all directors in principle, including corporate officers, to deepen their knowledge and insight on topics related to legal affairs, finance, and management.

Even after their appointment, we provide opportunities for directors to attend external training to enhance their knowledge. For directors who are members of the Audit and Supervisory Committee, we offer opportunities to gain a deeper understanding of the company's operations by conducting on-site inspections to confirm the conditions and management status of each division and subsidiary.

Support System for Outside Directors

For outside directors to effectively fulfill their roles and responsibilities at Board of Directors' meetings, prior to the deliberations at such meetings, the responsible executives provide advance briefings of the agenda items and exchange opinions, and the legal department also shares information on important compliance, risk management, whistleblowing, etc.

Furthermore, based on the results of the evaluation of the effectiveness of the Board of Directors' meetings, we are working to build internal systems, such as promoting the participation of outside directors in meetings related to business strategy, to enhance the provision of information.

Messages from Outside Directors

A culture of open communication leads to more effective Board of Directors' meetings

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

In fiscal 2024, the impact of the COVID-19 pandemic on economic activity had largely dissipated, and with it came the return of an environment for communicating without barriers. I feel that this was a year in which I have had many opportunities to feel closer to TS TECH as an outside director, such as through exchanging opinions with other directors and executive officers and by visiting business sites in person.

In recent years, TS TECH's corporate governance system has been steadily improving. For example, following a resolution at the General Meeting of Shareholders in June 2024, the number of directors was reduced by two to a total of 11, with approximately half of these, or five, being outside directors. In my view, this will further draw clearer lines between the roles of supervision and execution, and I expect that the greater number of outside perspectives will make it possible to make decisions in a more objective and transparent manner.

Let me say that the expectations for outside directors are increasing year by year. At TS TECH, they are making high-level proposals based on their respective areas of expertise, which is contributing to the deepening of discussions at Board of Directors' meetings. At the same time, discussions regarding the business content require a high level of knowledge and understanding that cannot be supplemented by self-help efforts alone. This has been overcome by having outside directors participate in the Business Strategy Committee from fiscal 2024 and TS TECH has established an environment where a deeper understanding of the company's situation and challenges can be achieved. At these meetings, the directors in charge and the senior management team engage in enthusiastic discussions on medium- to long-term strategies. It is a valuable opportunity to get a first-hand sense of the company's vitality and to become well acquainted with the personalities of the individuals involved as well as to consider future talent strategies and succession plans.

Reforms such as the expansion of the number of meetings attended by outside directors are based on the opinions gleaned from the "Evaluation of the Board of Directors' Effectiveness." This annual evaluation is of great significance in improving the effectiveness of the Board of Directors. In particular, the candid opinions of outside directors are important, and at TS TECH meetings are convened to exchange opinions with the directors in charge based on the evaluation results. Such discussions can sometimes go on for several hours, and I hope that this will further enhance the "effectiveness" of the effectiveness evaluation.

Recently, the automobile industry has been in media reports due to issues related to quality-related misconduct, which is a very regrettable situation. As a director of a company in the same industry, I am keenly aware of the importance of organizational management and the seriousness of my responsibilities. At TS TECH, the Board of Directors has a long-standing and deep commitment to quality. This issue will not be treated as someone else's problem. Moving forward, the Board of Directors will continue to closely monitor all matters related to quality issues and safety. To achieve this, I believe it is essential to create a culture that fosters a climate of openness and transparency and one in which even inconvenient truths are escalated without hesitation to senior management.

I have been an outside director of TS TECH for four years, and during that time, the governance system has made major advances. I feel that the organization itself has made great progress in terms of the transparency and persuasiveness of discussions and diversity of human resources, among other aspects, which has definitely boosted its effectiveness. I hope this momentum is sustained, further strengthened, and embedded as part of TS TECH's corporate culture. I would also like to see it lead to enhanced effectiveness of the Board of Directors, which in turn will lead to further improvements in corporate value.

The power of diverse talent and the use of IT are the keys to adapting to changes in the environment

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 Representative Director, President of K&L Consulting LLC (currently K&L Consulting Co., Ltd.) (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)

The year 2023 was a very challenging one for TS TECH, marked by slumping sales of Japanese-brand automobiles in the Chinese market, soaring energy and raw material prices, and rising labor costs worldwide. The business environment has become even more severe in 2024, and it continues to be a year of challenges for the company's senior management team.

I recognize that my role is expected to contribute to the evolution of management by leveraging my knowledge of corporate management, global business, talent development, and diversity.

TS TECH's Board of Directors' meetings are a forum for open and frank discussions. And in the past, while being conscious of my position as representatives of our shareholders, I as an outside director have actively spoken out based on my own experience and knowledge, and have worked to deepen strategic discussions. For TS TECH to continue to provide new value in a society faced with ever-growing uncertainty and amid a rapidly transforming automotive industry, I will continue to think about the future of TS TECH together with other directors who have different experiences and areas of expertise.

In Japan, there are projections that there will be a shortage of approximately 11 million workers in the labor force by 2040. Against this backdrop, I recognize that securing and developing human resources and working to improve productivity through the use of technology will be the keys to achieving sustainable growth for TS TECH. Based on the results of the annual engagement survey of employees, TS TECH is endeavoring to improve engagement from both Group and department-specific perspectives. I hope that they will continue to generate steady results while repeating a PDCA cycle.

With respect to diversity as well, TS TECH takes a holistic view and is implementing various measures to create an environment where diverse talent can work comfortably and where people with the ability and motivation can demonstrate their abilities. This is essential from the perspective of human capital management and is necessary to achieve the 2030 Vision. However, to achieve the Japanese government's target of "30% or more female executives by 2030," I believe it is necessary to further strengthen initiatives focused on women and intend to continue to make proposals at the Board of Directors' meetings and other meetings.

Furthermore, the Group is also focusing on promoting DX and is proactively deploying IT to improve operations, increase efficiency, and improve productivity based on the concept of using IT to transform work frameworks and work styles. Last year, TS TECH formed a business alliance with KICONIA WORKS, Inc. and has begun considering the use of AI not only in the production domain but also in the management domain. TS TECH is also studying the adoption of rapidly evolving generative AI into its operations as well as establishing internal guidelines. The use of AI is a key point that will contribute greatly to future business innovation and productivity improvements, and I have high expectations for it.

This is my third year as an outside director of TS TECH, and what I have felt from being involved in the management of TS TECH so far is that it has a diligent and straightforward corporate culture. I will actively make proposals with the objective viewpoint of an outside director, so that TS TECH can steadily grow while implementing steady measures to adapt to changes in the world.

Strengthening governance of the nomination and compensation processes to enhance corporate value

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 of 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, TS TECH (current)

I was appointed as the chairperson of the Nomination and Compensation Committee at a Board of Directors' meeting convened in June 2023 and have worked to strengthen the governance of the nomination and compensation process through the operation of the committee. The committee has been holding discussions on the method of nominating future directors and corporate officers (hereinafter referred to as "officers"), with proposals being made by committee members who are outside directors regarding the qualities required of a president and the method of appointing one. Although we have not yet reached a conclusion as a committee, I believe we have taken a solid step toward formulating TS TECH's succession plan, which will include the development and selection of the next generation of senior management who will lead the company in the future.

Furthermore, based on inquiries from the Board of Directors, the committee provides recommendations to the Board regarding the appointment and dismissal of officers, as well as officer compensation, and a new representative director was appointed in April 2024. In the process of appointing the candidate, the number of interviews conducted between Audit and Supervisory Committee members and the said representative director increased, compared to previous times.

This fiscal year, we are holding more objective discussions by having the two outside directors who are not Audit and Supervisory Committee members also participate in interviews. Furthermore, the participation of outside directors in the Business Strategy Committee from fiscal 2024 has facilitated the understanding of the skills and personalities of the next generation of officer candidates, including the officers and general manager-level personnel who attend the meetings. Going forward, we will further increase opportunities to interact with internal officers to improve communication, and will also promote deeper discussions on TS TECH's human resources strategy and succession plans. In concrete terms, we are considering having committee members share information such as interviews with executive officers and training records from the past, to assess the suitability of candidates for the next generation of directors.

Fiscal 2025 is the second year of the 15th Medium-Term Management Plan, and discussions for the 16th Medium-Term Management Plan will begin in earnest around the end of this fiscal year. I intend to contribute to the improvement of corporate value by actively discussing the ideal form of compensation that will further enhance management awareness, such as the composition of executive compensation and the consideration of new KPIs for performance-linked compensation as well as the establishment of new business strategies and performance targets.

Appointment and dismissal of directors

The Executive Committee composed of all representative directors, and directors working in Japan (excluding directors who are Audit and Supervisory Committee members) shall select candidates and then consult the Nomination and Compensation Committee.

Upon consultation, the Nomination and Compensation Committee will hold deliberations that take into account factors such as the selection criteria, the skill matrix, and the diversity of the Board of Directors, and report the results of said deliberations to the Audit and Supervisory Committee and the Board of Directors.

Based on the information contained in the report by the Nomination and Compensation Committee and the opinions of the Audit and Supervisory Committee, the Board of Directors will deliberate and select candidates.

If a director violates a law or regulation or the Articles of Incorporation or in the occurrence of any other event deemed as making it difficult for a director to properly perform his or her duties, the Board of Directors shall, following deliberations by the Nomination and Compensation Committee and the Audit and Supervisory Committee, deliberate on and determine whether to submit a proposal for the dismissal of said director to the General Meeting of Shareholders.

A willingness to incorporate diverse opinions leads to further strengthening of governance

Tomoko Nakada

Independent Outside Director, Audit and Supervisory Committee Member

Apr. 1997 Assistant Judge (Tokyo District Court)
June 2000 Registered as an attorney (affiliated with Dai-ni Tokyo Bar Association)
Aug. 2002 Registered as an attorney (New York State)
Mar. 2015 International Fellow of the American College of Trust and Estate Counsel (current)
Apr. 2017 Academician of the International Academy of Estate and Trust Law (current)
Dec. 2020 Representative of Tokyo Heritage Law Firm (current)
June 2021 Director, TS TECH (Audit and Supervisory Committee Member) (current)
June 2023 Outside Director and Audit & Supervisory Committee Member of ADVANTEST CORPORATION (current)

TS TECH is actively trying to reflect the opinions of outside directors in management. Fiscal 2024 was a year in which I felt a strong sense of the company's commitment to this. For example, the opinions of the outside directors were sought first when the Nomination and Compensation Committee discussed the qualities sought for future presidents. After that, meetings among all the outside directors and the directors in charge of business execution were arranged to assess the suitability of the candidates for president and director. Also, in the annual "Evaluation of the Board of Directors' Effectiveness," the opinions raised by the outside directors were not set simply aside. Instead, a meeting was held between the representative directors and all of the outside directors, where several hours of discussion took place regarding the opinions and countermeasures. Based on this discussion, specific countermeasures were formulated, and some of these have already been put into practice.

Coupled with the results of governance reforms in recent years, TS TECH has thus firmly established a culture and systems that seek to incorporate diverse opinions from both inside and outside the company. There is a comfortable atmosphere in each committee, and I myself have become more proactive in asking questions and giving my opinions than before. I recall when I made a suggestion from an outsider's perspective on a matter that had not been considered internally, the president immediately showed understanding by saying "that's exactly right" and my suggestion was adopted. Conversely, when it was decided that a suggestion I made did not apply to TS TECH, I received heartwarming words from the president after the meeting. In this way, I feel that the company has created an environment where it is easy for outside directors to speak their minds with confidence.

The management structure changed in fiscal 2025, and the atmosphere in the company became even brighter than before. The two representative directors are good partners who can communicate closely with each other, and this has accelerated the decision-making process even further. I also feel that the company has become a more approachable place for employees, for example by creating an atmosphere where it is easy to consult with others. As an outside director who is also an Audit and Supervisory Committee member, I will continue to contribute to the sound governance of TS TECH by closely monitoring the situation within the company so that I can express my opinions to the representative directors without reservation whenever necessary.

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

Fiscal 2025
- Reduction in number of inside directors and increase in the percentage of outside directors (Inside: 6, outside: 5)

Business and financial strategies that flexibly respond to changes in the environment lead to increased corporate value

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)

After a year of serving as an Audit and Supervisory Committee member of TS TECH, there are two things that have impressed me while deepening my understanding of the company. The first is that the information provided to me is substantial, based on the senior management team's stance of providing a wide range of information to outside directors. On the company's internal network, we can check at any time materials and minutes from Executive Committee meetings and Executive General Managers Committee meetings that outside directors do not attend as well as internal audit records from the Corporate Business Audit Department. This framework is exceptionally useful for understanding the company's activities.

The second is that there is an environment in which outside directors can freely express their opinions and ask questions. For example, the agenda for the Board of Directors' meeting is explained in advance within the Audit and Supervisory Committee. In addition to being able to ask questions about the agenda, we can also freely express our opinions and ask questions about other matters of concern, and we receive a quick response each time. This helps outside directors to have in-depth discussions in various situations, and I feel that TS TECH's open corporate culture is beneficial for actively reflecting the viewpoints of outside directors in the company's management. Fiscal 2025 marks the mid-year point of the 15th Medium-term Management Plan. However, the external environment surrounding the Group, including the overseas automobile market, has changed significantly since the time when this plan was formulated, and it is necessary to advance the business strategy while reviewing the plan as needed.

Under these circumstances, one of the aspects I am monitoring is the progress of the financial strategy. At present, the main focus of TS TECH's financial strategy is to increase ROE through aggressive investment in growth and strengthening shareholder returns and to further improve PBR. Among these, I believe the company is steadily implementing stable dividend increases and share buybacks to enhance shareholder returns. On the other hand, although the company is continuing to consider highly profitable investment projects, the specific projects that have been realized to date have been relatively small in scale. Investment decisions require an assessment of risk and return, and I expect that making proactive investments that contribute to future business growth, including through M&A, will lead to further improvements in corporate value.

15th Medium-Term Management Plan: Overview of Financial Strategies

Cash generation and use

Cash in

Cash flows from operating activities	Cumulative total: 80–100 billion yen

Cash out

Ordinary investment + Investment in growth based on priority strategies	Cumulative total: 80–100 billion yen
Returns to shareholders based on shareholder return policy	Cumulative total: Approx. 50 billion yen

On May 10, 2024, TS TECH announced that it would implement a share buyback of up to 15 billion yen worth of its own shares.

Basic policy for shareholder returns

Basic policy

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 **approx. 20 billion yen** in treasury stock
=	

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

Fact Book

Fact Book

Financial Reporting

Financial/Non-Financial Information

Financial Reporting

Management's Discussion and Analysis

1. Analysis of Financial Condition

Assets, liabilities, and equity

Assets

Total assets at the end of fiscal 2024 stood at 446,214 million yen, an increase of 29,987 million yen from the end of the previous consolidated fiscal year. This change was mainly due to an overall increase in assets attributable to the impact of foreign exchange rates and other factors and an increase in other financial assets (non-current) due to higher fair values on stock held. These factors more than offset a decline in trade and other receivables due to decreased orders from major customers.

Liabilities

Total liabilities at the end of fiscal 2024 amounted to 97,510 million yen, an increase of 4,742 million yen from the end of the previous consolidated fiscal year. This change resulted primarily from an overall increase in liabilities attributable to the impact of foreign exchange rates and other factors, as well as an increase in deferred tax liabilities due to higher fair values on stock held, while trade and other payables decreased as a result of various factors, including decreased orders from major customers.

Equity

Total equity at the end of fiscal 2024 was 348,703 million yen, an increase of 25,244 million yen from the end of the previous consolidated fiscal year. This change was primarily the result of an increase in other components of equity attributable to a rise in differences on translation from foreign operations, offsetting a decrease in non-controlling interests on the payment of cash dividends to some joint venture partners.

2. Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of fiscal 2024 amounted to 150,755 million yen, an increase of 17,841 million yen from the end of the previous consolidated fiscal year.

Cash flows from operating activities

Cash flows from operating activities amounted to 37,659 million yen, an increase of 7,213 million yen year on year. Contributing factors included differences in the performance of trade and other receivables (from an increase of 6,223 million yen in the previous fiscal year to a decrease of 13,756 million yen in fiscal 2024), and differences in inventory trends (from a decrease of 14,118 million yen in the previous fiscal year to an increase of 159 million yen in fiscal 2024).

Cash flows from investing activities

Cash flows from investing activities stood at 8,669 million yen, a decrease of 12,300 million yen year on year. This reflects various factors, including a change in payments into and proceeds from withdrawal of time deposits from payments of 5,746 million yen to receipts of 6,515 million yen.

Cash flows from financing activities

Cash flows from financial activities totaled 17,818 million yen, a decrease of 1,042 million yen year on year. Contributing factors included a decrease of 1,423 million yen in cash dividends paid (including payments to non-controlling interests).

3. Overview of Financial Results

In fiscal 2024, increased production by automakers following the resolution of a long-running semiconductor supply shortage resulted in higher order volume for the Group. On the other hand, in China, the market conditions remained uncertain due to various factors, including poor sales by Japanese automakers amid the rapid shift to electric vehicles and fierce price competition. Manufacturing costs continued to increase due to the rising costs of raw materials, labor, and energy.

Under such conditions, 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 with a focus on 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 in the consolidated fiscal year under review reached 441,713 million yen on a consolidated basis, an increase of 32,512 million yen (7.9%) from the previous consolidated fiscal year, mainly due to the effects of foreign exchange rates and increased production. Looking at profits, operating income stood at 17,507 million yen, an increase of 2,250 million yen (14.7%) from the previous consolidated fiscal year due to the effect of higher revenue, offsetting higher expenses such as labor costs. Income attributable to owners of parent increased 4,871 million yen (91.2%) from the previous consolidated fiscal year to 10,214 million yen due to lower income attributable to non-controlling interests accompanying lower income in China, where some non-controlling interests are located.

The Group's consolidated forecasts for fiscal 2025 are as follows:

Revenue	450 billion yen (Up 1.9% year on year)
Operating income	20 billion yen (Up 14.2% year on year)
Income before income tax	22.5 billion yen (Up 3.5% year on year)
Net income	15 billion yen (Up 11.2% year on year)
Income attributable to owners of parent	12 billion yen (Up 17.5% year on year)

Consolidated Statement of Financial Position

(Unit: Million yen)

	Note	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	¥132,914	**¥150,755**
Trade and other receivables	7	74,812	**66,616**
Other financial assets	8	17,757	**10,292**
Inventories	9	31,939	**35,332**
Income taxes receivable		2,432	**3,314**
Other current assets		5,813	**6,207**
Total current assets		265,670	**272,518**
NON-CURRENT ASSETS			
Property, plant and equipment	10	83,874	**90,203**
Intangible assets	11	10,688	**11,157**
Investments accounted for using the equity method	27	17,935	**18,307**
Other financial assets	8	29,244	**39,442**
Net defined benefit asset	16	4,941	**8,322**
Deferred tax assets	14	3,550	**5,839**
Other non-current assets		321	**423**
Total non-current assets		150,556	**173,696**
TOTAL ASSETS		¥416,226	**¥446,214**

See notes to consolidated financial statements.

(Unit: Million yen)

	Note	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	12	¥ 69,710	**¥ 69,453**
Other financial liabilities	13	1,166	**1,147**
Income taxes payable		2,318	**4,695**
Provisions	15	639	**99**
Other current liabilities		6,828	**6,896**
Total current liabilities		80,663	**82,292**
NON-CURRENT LIABILITIES			
Other financial liabilities	13	3,662	**3,535**
Net defined benefit liability	16	1,917	**2,077**
Provisions	15	150	**159**
Deferred tax liabilities	14	5,081	**8,119**
Other non-current liabilities		1,292	**1,326**
Total non-current liabilities		12,104	**15,218**
Total liabilities		92,767	**97,510**
EQUITY			
Common stock	17	4,700	**4,700**
Capital surplus	17	5,392	**5,381**
Treasury stock	17	(12,508)	**(12,434)**
Retained earnings	17	268,172	**269,715**
Other components of equity	17	33,035	**59,569**
Total equity attributable to owners of parent		298,791	**326,932**
Non-controlling interests	27	24,666	**21,771**
Total equity		323,458	**348,703**
TOTAL LIABILITIES AND EQUITY		¥416,226	**¥446,214**

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

(Unit: Million yen)

	Note	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Revenue	5, 18	¥ 409,200	**¥ 441,713**
Cost of sales	19	(355,790)	**(381,860)**
Gross profit		53,410	**59,852**
Selling, general and administrative expenses	19	(38,471)	**(44,493)**
Other income	20	2,212	**3,581**
Other expenses	20	(1,893)	**(1,433)**
Operating income	5	15,257	**17,507**
Finance income	21	3,080	**4,725**
Finance costs	21	(131)	**(437)**
Share of profit of investments accounted for using the equity method	27	487	**(48)**
Income before income tax		18,692	**21,746**
Income tax expense	14	(7,856)	**(8,258)**
Net income		10,835	**13,488**
Income attributable to:			
Owners of parent		5,343	**10,214**
Non-controlling interests	27	5,492	**3,273**
Net income		¥ 10,835	**¥ 13,488**
Earnings per share:			
Basic earnings per share (Yen)	22	¥ 41.35	**¥ 80.09**
Diluted earnings per share (Yen)	22	—	**—**

See notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of comprehensive income

(Unit: Million yen)

	Note	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Net income		¥10,835	**¥13,488**
Other comprehensive income			
Components that will not be reclassified subsequently to net profit or loss:			
Remeasurements of net defined benefit plans	23	10	**2,146**
Equity financial assets measured at fair value through other comprehensive income	23	542	**6,941**
Share of other comprehensive income of affiliates accounted for using the equity method	23	37	**761**
Total components that will not be reclassified subsequently to net profit or loss		590	**9,849**
Components that may be reclassified subsequently to net profit or loss:			
Differences on translation from foreign operations	23	10,494	**17,475**
Share of other comprehensive income of affiliates accounted for using the equity method	23	655	**529**
Total components that may be reclassified subsequently to net profit or loss		11,149	**18,004**
Total other comprehensive income, net of tax		11,740	**27,854**
Comprehensive income for the period		22,576	**41,342**
Comprehensive income for the period attributable to:			
Owners of parent		16,668	**36,749**
Non-controlling interests		5,907	**4,593**
Total comprehensive income for the period		¥22,576	**¥41,342**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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	24				(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	28		142				142		142
Changes in ownership interests in subsidiaries			183				183	187	371
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.

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

(Unit: Million yen)

	Note	Equity attributable to owners of parent							
		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR		**¥4,700**	**¥5,392**	**¥(12,508)**	**¥268,172**	**¥33,035**	**¥298,791**	**¥24,666**	**¥323,458**
Comprehensive income:									
Net income					**10,214**		**10,214**	**3,273**	**13,488**
Other comprehensive income	17					**26,534**	**26,534**	**1,320**	**27,854**
Total comprehensive income		—	—	—	**10,214**	**26,534**	**36,749**	**4,593**	**41,342**
Transactions with owners, etc.:									
Dividends	24				**(8,672)**		**(8,672)**	**(7,436)**	**(16,109)**
Acquisition of treasury stock	17						—		—
Disposal of treasury stock	17		**(83)**	**83**			—		—
Share-based remuneration transactions	28		**86**				**86**		**86**
Changes in ownership interests in subsidiaries			**(14)**				**(14)**	**(52)**	**(66)**
Other				**(9)**			**(9)**		**(9)**
Total transactions with owners, etc.		—	**(11)**	**74**	**(8,672)**	—	**(8,608)**	**(7,489)**	**(16,098)**
BALANCE AT THE END OF THE FISCAL YEAR		**¥4,700**	**¥5,381**	**¥(12,434)**	**¥269,715**	**¥59,569**	**¥326,932**	**¥21,771**	**¥348,703**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Unit: Million yen)

	Note	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		¥ 18,692	**¥ 21,746**
Depreciation and amortization		11,879	**12,898**
Impairment losses		23	**115**
Loss (gain) on disposal of non-current assets		(1,315)	**(578)**
Finance costs (income)		(2,381)	**(3,209)**
Share of loss (profit) of investments accounted for using the equity method		(487)	**48**
Decrease (increase) in trade and other receivables		(6,223)	**13,756**
Decrease (increase) in lease receivables		(1,492)	**4,460**
Decrease (increase) in inventories		14,118	**(159)**
Increase (decrease) in trade and other payables		(704)	**(7,349)**
Increase (decrease) in net defined benefit asset and net defined benefit liability		(238)	**(3,318)**
Increase (decrease) in provisions		409	**(559)**
Other		3,390	**2,710**
Subtotal		35,670	**40,561**
Interest income received		1,796	**3,144**
Dividend income received		1,200	**1,694**
Interest expenses paid		(131)	**(245)**
Income taxes paid		(8,090)	**(7,496)**
Net cash provided by operating activities		30,445	**37,659**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments into time deposits		(17,410)	**(12,065)**
Proceeds from withdrawal of time deposits		11,663	**18,581**
Purchase of property, plant and equipment		(13,434)	**(13,056)**
Proceeds from sales of property, plant and equipment		639	**1,008**
Purchase of intangible assets		(2,366)	**(3,524)**
Purchase of equity instruments		(87)	**(107)**
Proceeds from sales of equity instruments		9	**5**
Payments of loans receivable		(98)	**(243)**
Collection of loans receivable		131	**125**
Other		(17)	**607**
Net cash used in investing activities		(20,970)	**(8,669)**

Consolidated Statement of Cash Flows (Continued)

(Unit: Million yen)

	Note	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of lease liabilities	25	¥ (1,571)	**¥ (1,412)**
Payments for acquisition of interest in subsidiaries from non-controlling interests		—	**(66)**
Proceeds from sales of interest in subsidiaries to non-controlling interests		450	**—**
Purchase of treasury stock		(7,847)	**—**
Decrease (increase) in deposits for purchase of treasury stock		7,870	**—**
Cash dividends paid	24	(7,600)	**(8,687)**
Cash dividends paid to non-controlling interests	27	(10,161)	**(7,651)**
Net cash used in financing activities		(18,860)	**(17,818)**
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		2,492	**6,670**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(6,892)	**17,841**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	139,585	**132,914**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS RESULTING FROM NEW CONSOLIDATION		220	**—**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	¥132,914	**¥150,755**

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, 2024 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 21, 2024.

(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)

	FY2024 (As of March 31, 2024)
Property, plant and equipment	**¥ 90,203**
Intangible assets	**11,157**
Total	**¥101,361**

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 (¥4,069 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 mainly because of increasing manufacturing costs caused by further increases in personnel, material, and energy costs and sluggish sales of Japanese-affiliated automakers due to a rapid shift to EVs in the Chinese market and fierce price competition.

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)

	FY2024 (As of March 31, 2024)
Deferred tax assets	**¥5,839**

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 mainly because of increasing manufacturing costs caused by further increases in personnel, material, and energy costs and sluggish sales of Japanese-affiliated automakers due to a rapid shift to EVs in the Chinese market and fierce price competition.

(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)

	FY2024 (As of March 31, 2024)
Net defined benefit asset	¥8,322
Net defined benefit liability	¥2,077

(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 60 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

Among the new or revised standards and interpretations that were issued by the date of approval of the consolidated financial statements, the Group has not adopted the following standards, etc.

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

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

5. SEGMENT INFORMATION

(1) Overview of reportable segments

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

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

The categories of reportable segments are as follows.

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

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

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

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

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

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

For the year ended March 31, 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.

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

(Unit: Million yen)

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

Notes: 1. Adjustments of –¥6,344 million for segment profits included an inter-segment elimination of –¥98 million; and operating expenses of –¥6,245 million associated with the administration division of the headquarters of the parent, which could not be allocated.

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

Other important items

(Unit: Million yen)

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

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

(4) Information related to products and services

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.

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

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

(5) Information according to region
(i) Revenue

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Japan	¥ 60,346	**¥ 70,120**
The United States	138,645	**162,236**
Canada	44,079	**61,971**
China	116,429	**85,087**
Other	49,700	**62,297**
Total	¥409,200	**¥441,713**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Japan	¥41,034	**¥ 43,131**
The United States	18,169	**20,791**
China	10,465	**9,859**
Other	24,893	**27,578**
Total	¥94,562	**¥101,361**

(6) Information according to major customers

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Honda Motor Co., Ltd. Group	¥364,274	**¥388,178**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Cash and cash equivalents	¥132,914	**¥150,755**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Trade receivables	¥69,501	**¥62,422**
Others	5,312	**4,195**
Allowance for doubtful accounts	(1)	**(1)**
Total	¥74,812	**¥66,616**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Deposits with maturities of three months or more	¥15,392	**¥10,485**
Short-term loans receivable	2	**1**
Long-term loans receivable	529	**690**
Lease receivables	8,599	**6,075**
Equity instruments	19,224	**29,245**
Derivative financial assets	27	**0**
Others	3,239	**3,248**
Allowance for doubtful accounts	(14)	**(13)**
Total	¥47,002	**¥49,734**
Current assets	¥17,757	**¥10,292**
Non-current assets	29,244	**39,442**
Total	47,002	**49,734**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Honda Motor Co., Ltd.	¥13,653	**¥22,170**
PIOLAX, Inc.	596	**838**
Isuzu Motors Ltd.	501	**680**
OILES CORPORATION	493	**666**
Mitsubishi UFJ Financial Group, Inc.	348	**639**
Other	3,633	**4,252**
Total	¥19,224	**¥29,245**

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)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Dividends received on investments held at the end of the period	¥656	**¥773**

9. INVENTORIES

The breakdown of inventories is as follows.

(Unit: Million yen)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Merchandise and finished goods	¥ 3,557	**¥ 3,779**
Work in progress	2,287	**3,283**
Raw materials and supplies	26,094	**28,269**
Total	¥31,939	**¥35,332**

Note: Inventories recognized as expenses during the previous fiscal year and the current fiscal year amount to ¥1,108 million and ¥423 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, 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
Acquisition cost	**734**	**1,236**	**1,500**	**319**	**8,560**	**12,351**
Sales or disposal	**(507)**	**(4,235)**	**(1,214)**	**(126)**	**(20)**	**(6,104)**
Reclassification to other account	**1,573**	**3,807**	**1,882**	**126**	**(7,811)**	**(420)**
Effects of foreign currency translation	**5,879**	**7,802**	**2,708**	**623**	**455**	**17,469**
Other	**29**	**3**	**(58)**	**—**	**(672)**	**(698)**
Balance as of March 31, 2024	**¥87,433**	**¥96,838**	**¥41,544**	**¥15,879**	**¥ 4,766**	**¥246,463**

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, 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
Depreciation	**3,244**	**5,023**	**2,105**	**70**	**—**	**10,444**
Impairment loss	**—**	**115**	**—**	**—**	**—**	**115**
Sales or disposal	**(453)**	**(4,086)**	**(1,152)**	**(15)**	**—**	**(5,708)**
Reclassification to other account	**(0)**	**(91)**	**57**	**—**	**—**	**(33)**
Effects of foreign currency translation	**2,756**	**5,949**	**2,456**	**37**	**—**	**11,199**
Other	**262**	**2**	**(12)**	**(2)**	**—**	**250**
Balance as of March 31, 2024	**¥45,787**	**¥73,875**	**¥35,871**	**¥726**	**¥ —**	**¥156,260**

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 30 “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, 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
Balance as of March 31, 2024	**41,646**	**22,963**	**5,673**	**15,152**	**4,766**	**90,203**

Note: The carrying amounts of right-of-use assets included in property, plant and equipment are outlined in Note 30 “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, 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
Acquisition cost	**443**	**—**	**—**	**769**	**1,213**
Increase due to internal development	**—**	**2,311**	**—**	**—**	**2,311**
Disposal	**(92)**	**(1,403)**	**—**	**(9)**	**(1,505)**
Effects of foreign currency translation	**104**	**222**	**—**	**11**	**338**
Other	**81**	**(628)**	**—**	**(131)**	**(678)**
Balance as of March 31, 2024	**¥6,928**	**¥16,273**	**¥463**	**¥1,954**	**¥25,619**

Accumulated amortization and impairment loss

(Unit: Million yen)

	Software	Development expenses	Goodwill	Other	Total
Balance as of April 1, 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
Amortization	**350**	**2,007**	**—**	**96**	**2,454**
Disposal	**(88)**	**(1,386)**	**—**	**(9)**	**(1,484)**
Effects of foreign currency translation	**84**	**222**	**—**	**5**	**313**
Other	**(1)**	**(16)**	**—**	**(54)**	**(73)**
Balance as of March 31, 2024	**¥6,093**	**¥ 8,058**	**¥ —**	**¥310**	**¥14,461**

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, 2022	¥536	¥8,577	¥463	¥1,003	¥10,580
Balance as of March 31, 2023	644	8,538	463	1,042	10,688
Balance as of March 31, 2024	**835**	**8,214**	**463**	**1,644**	**11,157**

(2) Development expenses

The breakdown of development expenses is as follows.

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
R&D expenditures incurred during the period	¥14,344	**¥15,524**
Reclassification to capitalized development expenses	(1,910)	**(2,311)**
Amortization of capitalized development expenses	1,956	**2,007**
Total	¥14,390	**¥15,219**

12. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit: Million yen)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Notes and accounts payable – trade	¥50,300	**¥50,685**
Other	19,409	**18,768**
Total	¥69,710	**¥69,453**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Lease obligations	¥4,822	**¥4,656**
Derivative financial liabilities	7	**26**
Total	¥4,829	**¥4,683**
Current liabilities	¥1,166	**¥1,147**
Non-current liabilities	3,662	**3,535**
Total	¥4,829	**¥4,683**

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, 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	2,654	804	(110)	3,348
Total deferred tax assets	¥ 9,013	¥1,757	¥ 98	¥10,869
Deferred tax liabilities:				
Property, plant and equipment	¥ 1,898	¥ 559	¥ —	¥ 2,457
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	¥12,029	¥ (51)	¥ 423	¥12,400
Net deferred tax liabilities	¥ (3,016)	¥1,809	¥(324)	¥ (1,531)

Notes: 1. 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.

2. The Group has adopted "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (amendments to IAS 12) since the beginning of the current fiscal year and has applied it retrospectively to the amounts for the previous fiscal year. The adoption has no significant impact on the consolidated financial statements.

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

(Unit: Million yen)

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

Notes: 1. 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.
2. The Group has adopted "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (amendments to IAS 12) since the beginning of the current fiscal year. The adoption has no significant impact on the consolidated financial statements.

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

(Unit: Million yen)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Deferred tax assets	¥ 3,550	**¥ 5,839**
Deferred tax liabilities	5,081	**8,119**
Net deferred tax liabilities	¥(1,531)	**¥(2,280)**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Deductible temporary differences	¥498	**¥526**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Within 1 year	¥ 569	**¥ 681**
Between 1 and 2 years	702	**1,373**
Between 2 and 3 years	1,527	**1,200**
Between 3 and 4 years	22	**184**
Between 4 and 5 years	175	**182**
More than 5 years	89	**88**
Total	¥3,087	**¥3,710**

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Taxable temporary differences	¥139,930	**¥155,235**

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Current tax expense:		
Taxable amount for the fiscal year	¥ 9,604	**¥10,618**
Adjustment for prior years	42	**350**
Total current tax expense	¥ 9,647	**¥10,969**
Deferred tax expense:		
Accrual and reversal of temporary differences	¥(3,009)	**¥ (3,297)**
Changes in tax rates	15	**(18)**
Changes in unrecognized temporary differences, etc.	1,203	**605**
Total deferred tax expense	¥(1,790)	**¥ (2,710)**
Total income tax expense	¥ 7,856	**¥ 8,258**

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: %)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Effective statutory tax rate	29.9%	**29.9%**
Differences with tax rates applied to foreign subsidiaries	(1.2)	**(4.1)**
Undistributed earnings of foreign subsidiaries	0.3	**0.6**
Permanent differences including dividend income	(19.1)	**(21.0)**
Differences due to factors including elimination of intra-group transactions	28.5	**29.3**
Share of loss (profit) of entities accounted for using the equity method	(0.8)	**0.1**
Tax credits	(4.2)	**(2.4)**
Changes in unrecognized deferred taxes	6.4	**2.8**
Expiration of unused foreign tax credit	1.0	**2.3**
Other	1.2	**0.5**
Average actual tax rate	42.0%	**38.0%**

In Japan, in which the Company is located, the Act for Partially Amending of the Income Tax Act, etc. (Act No. 3 of 2023) was enacted on March 28, 2023 to introduce global minimum taxation under the Pillar Two Model Rules. This Act applies to any fiscal years starting on or after April 1, 2024 and imposes top-up taxes on parent companies located in Japan up to the minimum tax rate (15%) of the taxes borne by the subsidiaries, etc. of them.

The impact of this Act on the Group's financial results is expected to be insignificant as of March 31, 2024.

15. PROVISIONS

Changes in the amounts of provisions are as follows.

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)	—	—	—	—	—
Unwinding of discount rate	—	—	0	—	0
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

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

(Unit: Million yen)

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

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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Ending balance of defined benefit obligations	¥ 16,763	**¥ 15,974**
Ending balance of plan assets	(19,788)	**(22,219)**
Net amount of defined benefit obligations and assets	(3,024)	**(6,245)**
Net defined benefit liability	1,917	**2,077**
Net defined benefit asset	(4,941)	**(8,322)**
Net amount of liabilities and assets recorded in the consolidated statement of financial position	¥ (3,024)	**¥ (6,245)**

(ii) Reconciliation of present value of defined benefit obligations

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Beginning balance of defined benefit obligations	¥17,561	**¥16,763**
Service cost	999	**1,027**
Interest cost	152	**236**
Prior service cost	13	**(30)**
Actuarial differences (due to population statistics)	105	**(7)**
Actuarial differences (due to changes in financial assumptions)	(540)	**(485)**
Actuarial differences (due to adjustments)	455	**416**
Benefits paid	(2,053)	**(2,063)**
Effects of foreign currency translation	70	**116**
Ending balance of defined benefit obligations	¥16,763	**¥15,974**

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

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

(iii) Reconciliation of the fair values of plan assets

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Beginning balance of plan assets	¥20,406	**¥19,788**
Interest income	126	**355**
Return on plan assets other than interest	54	**3,012**
Contributions from the employer	654	**635**
Benefits paid	(1,457)	**(1,580)**
Effects of foreign currency translation	2	**7**
Ending balance of plan assets	¥19,788	**¥22,219**

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

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

(iv) Major breakdown of fair values of plan assets

(Unit: Million yen)

	FY2023 (As of March 31, 2023)		**FY2024 (As of March 31, 2024)**	
	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	¥10,266	¥ —	**¥12,788**	**¥ —**
Debt instruments	—	6,026	**—**	**5,855**
General accounts	—	2,372	**—**	**2,339**
Other	6	1,116	**9**	**1,226**
Total	¥10,272	¥9,515	**¥12,798**	**¥9,421**

(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: %)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Discount rate	1.2%	**1.5%**

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	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Discount rate	Rise by 0.5%	¥(1,070)	**¥(865)**
	Fall by 0.5%	957	**959**

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 ¥641 million to plan assets in the year ending March 31, 2025 (April 1, 2024 to March 31, 2025).

(viii) Maturity analysis of defined benefit plans

Maturity analysis of defined benefit plans is as follows.

(Unit: Years)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Weighted-average duration	11.9	**11.6**

(3) Defined contribution plans

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

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Amounts recognized as expenses	¥832	**¥990**

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."

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Shareholders' equity (Million yen):		
Total equity attributable to owners of parent	¥298,791	**¥326,932**
Total liabilities and equity	416,226	**446,214**
Equity ratio (%)	71.8%	**73.3%**

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, 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

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

(Unit: Million yen)

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

(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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
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)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Amount of treasury stock at beginning of the fiscal year	3,162,967	**8,495,146**
Purchase of treasury stock by resolution of the Board of Directors	5,383,600	**—**
Purchase of treasury stock due to resignation of Eligible Directors, etc.	—	**25,920**
Purchase of stock less than one unit, etc.	2,280	**707**
Disposal of treasury stock as restricted stock compensation	(58,880)	**(56,960)**
Treasury stock held by entities accounted for using the equity method (the Company's shares) attributable to the Company	5,179	**5,741**
Amount of treasury stock at end of the fiscal year	8,495,146	**8,470,554**

Note: For details on restricted stock delivered, see Note 28 "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, 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.

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

(Unit: Million yen)

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

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

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, 2022	As of March 31, 2023	**As of March 31, 2024**
Receivables from contracts with customers	¥60,635	¥69,954	**¥62,883**
Contract liabilities	1,939	2,434	**3,801**

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 ¥1,368 million and ¥1,502 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)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Depreciation and amortization	¥11,879	**¥12,898**
Employee benefit expenses	83,316	**94,486**

20. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Land and building rent received	¥ 133	**¥ 141**
Gain on disposal of non-current assets	1,325	**786**
Compensation income	7	**916**
Gain on government grants	159	**89**
Other	586	**1,648**
Total	¥2,212	**¥3,581**

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

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

The breakdown of other expenses is as follows.

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Loss on disposal of non-current assets	¥ 10	**¥ 207**
Impairment losses	23	**115**
Loss on disaster	0	**621**
Other	1,859	**488**
Total	¥1,893	**¥1,433**

Notes: 1. “Other” in the previous fiscal year represents primarily the loss on reversal of foreign currency translation adjustments arising from the dissolution of a subsidiary in the United Kingdom.
2. Loss on disaster in the current fiscal year represents primarily additional expenses of ¥580 million required for the procurement of substitute parts as a result of a fire incident that occurred at a business partner of the Company’s North American subsidiary.

21. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Interest income	¥1,841	**¥2,939**
Dividend income	697	**815**
Foreign exchange gains	541	**970**
Other	0	**—**
Total	¥3,080	**¥4,725**

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

The breakdown of finance costs is as follows.

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Interest expense	¥131	**¥437**
Total	¥131	**¥437**

22. EARNINGS PER SHARE

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

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

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Income attributable to owners of parent (Million yen)	¥ 5,343	**¥ 10,214**
Average number of common shares for the period (Thousand shares)	129,217	**127,536**
Basic earnings per share (Yen)	¥ 41.35	**¥ 80.09**

23. OTHER COMPREHENSIVE INCOME

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

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of net defined benefit plans:		
Gains (losses) during the year	¥ 44	**¥ 3,061**
Income tax benefit (expense)	(33)	**(915)**
Subtotal	10	**2,146**
Equity financial assets measured at fair value through other comprehensive income:		
Gains (losses) during the year	754	**9,908**
Income tax benefit (expense)	(212)	**(2,966)**
Subtotal	542	**6,941**
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	37	**761**
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations:		
Gains (losses) during the year	9,329	**17,475**
Reclassification adjustment	1,274	**—**
Income taxes	(110)	**—**
Subtotal	10,494	**17,475**
Share of other comprehensive income of affiliates accounted for using the equity method:		
Gains (losses) during the year	655	**529**
Total other comprehensive income (loss), net of tax	¥11,740	**¥27,854**

24. DIVIDENDS

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
Annual General Meeting of Shareholders held on May 23, 2023	Common shares	Retained earnings	¥4,214	¥33.00	March 31, 2023	June 7, 2023

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

(1) Dividends paid

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

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

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

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

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

(Unit: Million yen)

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

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

(Unit: Million yen)

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

26. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Acquisition of assets through a lease arrangement	¥204	**¥983**

27. 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).

(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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Current assets	¥32,354	**¥22,729**
Non-current assets	7,530	**7,215**
Current liabilities	20,014	**12,629**
Non-current liabilities	105	**75**
Equity	19,764	**17,240**
Accumulated non-controlling interests	¥ 9,846	**¥ 8,290**

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Revenue	¥64,175	**¥44,372**
Net income	5,566	**4,025**
Other comprehensive income	6	**943**
Comprehensive income	5,572	**4,968**
Income allocated to non-controlling interests	¥ 2,944	**¥ 1,565**

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Cash flows from operating activities	¥ 6,809	**¥ 7,680**
Cash flows from investing activities	(441)	**(203)**
Cash flows from financing activities	(14,411)	**(7,514)**
Effect of exchange rate changes on cash and cash equivalents	(364)	**557**
Net increase (decrease) in cash and cash equivalents	(8,408)	**520**
Dividends paid to non-controlling interests	¥ (6,876)	**¥(3,596)**

WUHAN TS-GSK AUTO PARTS CO., LTD.

(Unit: Million yen)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Current assets	¥24,645	**¥22,176**
Non-current assets	4,053	**3,583**
Current liabilities	8,598	**6,477**
Non-current liabilities	363	**210**
Equity	19,736	**19,070**
Accumulated non-controlling interests	¥ 7,669	**¥ 7,426**

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Revenue	¥50,802	**¥39,323**
Net income	5,155	**3,528**
Other comprehensive income	108	**1,081**
Comprehensive income	5,264	**4,610**
Income allocated to non-controlling interests	¥ 1,849	**¥ 1,454**

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Cash flows from operating activities	¥ 5,473	**¥ 5,708**
Cash flows from investing activities	(572)	**(515)**
Cash flows from financing activities	(6,223)	**(5,387)**
Effect of exchange rate changes on cash and cash equivalents	78	**799**
Net increase (decrease) in cash and cash equivalents	(1,243)	**604**
Dividends paid to non-controlling interests	¥(2,529)	**¥(2,110)**

(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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Carrying amount of equity interest	¥17,935	**¥18,307**

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
The Group’s equity interest in:		
Net income	¥ 487	**¥ (48)**
Other comprehensive income	693	**1,290**
Comprehensive income	1,180	**1,241**

28. 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.

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024** **(April 1, 2023–March 31, 2024)**
Allotment date	June 24, 2022	**June 23, 2023**
Number of shares allotted	58,880	**56,960**
Fair value (Yen)	¥1,399	**¥1,850.5**

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

2. The table above includes shares allotted to Eligible Directors, etc., who have left office by resignation.

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

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

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024** **(April 1, 2023–March 31, 2024)**
Equity settled type	¥81	**¥66**

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

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

(i) Overview of the scheme

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

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

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

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

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

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

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

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Equity settled type	¥61	**¥14**

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

29. 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	
	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
1% appreciation of Japanese yen against the U.S. dollar	¥(30)	**¥(30)**
1% appreciation of Japanese yen against the Chinese yuan	(4)	**(5)**

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	
	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
1% decline in market prices	¥(175)	**¥(275)**

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, 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

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

(Unit: Million yen)

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

(Financial instruments measured at amortized cost)

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

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

(Unit: Million yen)

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

(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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Gross amount of financial assets recognized	¥264,137	**¥280,276**
Offset amount	9,407	**13,169**
Amount of financial assets presented in consolidated statement of financial position	¥254,729	**¥267,106**
Gross amount of financial liabilities recognized	¥ 83,947	**¥ 87,306**
Offset amount	9,407	**13,169**
Amount of financial liabilities presented in consolidated statement of financial position	¥ 74,539	**¥ 74,137**

30. 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)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Depreciation of right-of-use assets by asset type:		
Buildings and structures	¥ 432	**¥ 440**
Machinery, equipment and vehicles	60	**46**
Tools, furniture and fixtures	9	**10**
Land	54	**70**
Total depreciation	¥ 555	**¥ 567**
Expenses related to short-term leases or leases of low-value assets	¥ 760	**¥ 830**
Total cash outflow for leases	¥2,458	**¥2,359**

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
FY2023 (As of March 31, 2023)	¥2,931	¥302	¥100	¥2,545	¥5,879
FY2024 (As of March 31, 2024)	**¥2,563**	**¥296**	**¥96**	**¥2,922**	**¥5,878**

Note: During the previous fiscal year and the current fiscal year, the amount of right-of-use assets increased by ¥235 million and ¥114 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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Within 1 year	¥1,159	**¥1,121**
Between 1 and 2 years	703	**990**
Between 2 and 3 years	503	**483**
Between 3 and 4 years	403	**443**
Between 4 and 5 years	394	**425**
More than 5 years	1,657	**1,192**
Total	¥4,822	**¥4,656**

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)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Finance leases		
Income (loss) from sales	¥1,315	**¥(12)**

(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)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Within 1 year	¥3,608	**¥2,563**
Between 1 and 2 years	1,336	**1,202**
Between 2 and 3 years	1,218	**773**
Between 3 and 4 years	1,217	**768**
Between 4 and 5 years	1,217	**768**
More than 5 years	—	**—**
Total	¥8,599	**¥6,075**

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

31. 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, 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 sale of the Company products are processed as finance leases.

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

(Unit: Million yen)

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

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

(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, 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.

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

(Unit: Million yen)

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

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

(ii) TS TECH ALABAMA, LLC.

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.

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

(Unit: Million yen)

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

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

(iii) TS TECH CANADA INC.

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.

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

(Unit: Million yen)

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

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

(iv) TS TECH THAILAND

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 sale of the Company products are processed as finance leases.

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

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Automobile (Thailand) Co., Ltd.	Sale of the Company's products	**¥19,207**	Accounts receivable – trade	**¥3,987**
				Lease receivables	**¥3,920**

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

(3) Remuneration of key management personnel

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

(Unit: Million yen)

	FY2023 (April 1, 2022–March 31, 2023)	**FY2024 (April 1, 2023–March 31, 2024)**
Basic remuneration and bonuses	¥488	**¥482**
Stock compensation	50	**60**

32. CONTINGENT LIABILITIES

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

(Unit: Million yen)

	FY2023 (As of March 31, 2023)	**FY2024 (As of March 31, 2024)**
Employees (Company housing and mortgage loans)	¥21	**¥7**

33. SUBSEQUENT EVENTS

The Board of Directors of the Company, at its meeting held on May 10, 2024, resolved that the Company will carry out an acquisition of its own shares based on the provisions of its Articles of Incorporation pursuant to the provisions of Article 459, Paragraph (1) of the Companies Act (Act No. 86 of 2005, as amended) and that the specific methods of the acquisition will be tender offer for its own shares (hereinafter the "Tender Offer") and market purchase, as follows:

(1) Reason for the acquisition of own shares

The Company considers the return of its profits to shareholders as an important managerial issue, and its 15th Medium-Term Management Plan (for the fiscal year ended March 31, 2024 through the fiscal year ending March 31, 2026; hereinafter the "15th Medium-Term Plan") stipulates a basic shareholder return policy of providing continuous and stable return irrespective of the Company's financial results.

An acquisition of around ¥20 billion in total during the period of the 15th Medium-Term Plan is one of the measures contemplated in the policy to boost shareholder return. In order to implement the measure in an agile manner, the Company will carry out the Tender Offer and the market purchase.

(2) Details of the acquisition

Class of shares to be acquired	Common stock
Total number of shares that can be acquired	8,610,000 shares (upper limit) (Equivalent to 6.74% of the total number of issued shares as of March 31, 2024 (excluding treasury stock and after rounding off fractions to the second decimal place))
Total acquisition cost of shares	¥15,000,000,000 (upper limit)
Acquisition period	From May 13, 2024 to March 31, 2025
Acquisition methods	The Company plans to acquire 5,100,200 shares (acquisition cost: ¥8,859,047,400) out of the total number of shares that can be acquired through the Tender Offer. Within the total number of shares that can be acquired, shares that are not acquired through the Tender Offer will be acquired through the market purchase.

(3) Reason for the Tender Offer

Based on the understanding that the Company can acquire a sizable number of its treasury stocks within a relatively short period without harming the liquidity of its common stock, the Company began considering the acquisition of treasury stock on the assumption that it would acquire a portion of its common stock held by its largest shareholder, Honda Motor Co., Ltd. (hereinafter referred to as "Honda"), in late January 2024.

The Company evaluated specific methods of acquisition of its own shares based on the premise that it would acquire them from Honda out of Honda's current holdings of the Company's common stock. After sufficient evaluation in consideration of the following points, among others, the Company concluded that tender offer is the most appropriate method. The points considered were: (i) equity among shareholders, (ii) transparency of transaction, (iii) the Company's ability to purchase shares of its common stock at a discount from market price, at which only a limited number of shareholders other than Honda are expected to respond to the Tender Offer from the perspective of economic rationality in consideration of the difference from market price, which would increase the likelihood of acquisition by the Company of all shares of its common stock that it intends to acquire through the Tender Offer and restrain the Company's assets from being acquired by external parties, and (iv) providing shareholders other than Honda with opportunities for them to respond to the Tender Offer after evaluating market price trends within a certain evaluation period.

(4) Basis of calculation for the Tender Offer Price, etc.

In order to determine the purchase price in the Tender Offer (hereinafter the "the Tender Offer Price"), the Company determined that it should use the market price of the Company's common stock as a basis to emphasize the clarity and objectivity of the standard and in consideration, among others, of the fact that the Company's common stock is listed on a financial instruments exchange and the fact that listed companies often carry out an acquisition of their own shares by way of market purchase through financial instruments exchanges because they can purchase them in an agile manner at a market price formed based on the supply–demand dynamics in the market. Furthermore, from the perspective of respecting the interest of shareholders who continue to hold the Company's common stock without responding to the Tender Offer, the Company determined in early March 2024 that it is desirable for the Company to purchase its own shares at a discount on the market price of its common stock.

Based on the judgment above, the Company determined that it is appropriate to use the lower of the closing price on the business day immediately preceding the date of resolution of the Board of Directors regarding the Tender Offer and the simple average of closing prices during a certain period as the price of the Company's common stock on which discount is based in order to restrain the Company's assets from being acquired by external parties as much as possible, from the perspective of respecting the interest of shareholders who continue to hold the Company's common stock without responding to the Tender Offer. Furthermore, based on the idea that it is desirable for the Company to acquire its own shares at a discount, the Company determined that it is appropriate for the Tender Offer Price to be a price at a discount on the closing price of the Company's common stock on the TSE Prime Market on May 9, 2024, which is the business day immediately preceding May 10, 2024, the scheduled date of resolution of the Board of Directors regarding the Tender Offer, or the simple average of its closing prices during a certain period.

Based on the idea mentioned above, the Company asked Honda on March 12, 2024 whether it would be willing to respond to the Tender Offer if it is carried out at a discount from the market price of the Company's common stock on the TSE Prime Market, and received a reply from Honda on the same day to the effect it is willing negotiate it.

As a result of negotiation with Honda, both parties agreed to use a rate of discount of 10% in reference to actual rates of discount on market price used to determine tender offer prices in past cases of tender offers for own shares and the lower of the simple average of closing prices of the Company's common stock during the period of one month through May 9, 2024 and the simple average of closing prices of the Company's common stock during the period of three months through May 9, 2024, as the stock price on which discount is based.

(5) Outline of the Tender Offer

Number of shares to be purchased	5,610,000 shares (upper limit)
Tender offer price	¥1,737 per share of common stock
Purchase period	From May 13, 2024 to June 10, 2024 (21 business days)
Date of public announcement of the commencement of the Tender Offer	May 13, 2024

(6) Results of the Tender Offer

Class of shares acquired	Common stock
Total number of shares subject to the Tender Offer	5,100,200 shares
Total number of shares acquired	5,100,200 shares
Total acquisition cost	¥8,859,047,400
Settlement start date	July 2, 2024

(7) Outline of the market purchase

Number of shares to be purchased	The number calculated by subtracting the number of shares acquired through the Tender Offer from the total number of shares to be purchased of 8,610,000 shares (upper limit).
Acquisition cost of shares	The amount calculated by subtracting the acquisition cost of shares acquired through the Tender Offer from the total acquisition cost of shares to be purchased of ¥15,000,000,000 (upper limit).
Purchase period	After the completion of the Tender Offer and its settlement until March 31, 2025
Method of market purchase	Discretionary trading by securities companies

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	**¥93,190**	**¥202,312**	**¥329,497**	**¥441,713**
Income before income tax	**1,500**	**7,328**	**17,502**	**21,746**
Income attributable to owners of parent	**127**	**3,023**	**9,363**	**10,214**
Earnings per share (Yen)	**1.00**	**23.71**	**73.42**	**80.09**

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share (Yen)	**¥1.00**	**¥22.71**	**¥49.70**	**¥6.67**

(TRANSLATION)

<u>Independent Auditor's Report</u>

June 21, 2024

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, 2024 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, 2024 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 90,203 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, 2024, 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 4,069 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 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	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 ・ 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 involved valuation specialists within our domestic network firms to conduct a transition analysis of available external data such as posted prices and assess the necessity of time adjustment regarding the real estate appraisal in which the appropriateness of the assumptions and the valuation methods applied was assessed. ● We involved valuation specialists within our domestic network firms to assess the appropriateness of the models and input data for estimating the discount rate.

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, actions taken to eliminate threats or safeguards applied.

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

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

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

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

Financial Highlights

10-Year Financial Summary

Fiscal Year under Review on a Consolidated Basis	FY2015	FY2016	FY2017	FY2018
Revenue	422,317	458,732	425,794	479,490
Cost of sales	352,716	381,258	355,176	399,329
Selling, general and administrative expenses	33,768	39,414	35,755	37,418
Operating income	36,047	39,279	34,557	47,346
Income attributable to owners of parent	22,585	23,528	19,622	30,115
Basic earnings per share* (Yen)	166.08	173.01	144.29	221.45
Operating margin (%)	8.5	8.6	8.1	9.9
Return on equity attributable to owners of parent (ROE) (%)	12.8	12.1	9.6	13.4
Return on assets (ROA) (%)	14.3	13.6	11.4	14.7
Effective statutory tax rate (%)	34.8	32.3	30.1	30.1
Average actual tax rate (%)	31.2	27.8	29.9	22.7
Average exchange rate (USD to Yen)	109.9	120.1	108.4	110.8
Average exchange rate (USD to Yuan)	17.7	18.9	16.1	16.7
Capital expenditures	19,754	17,064	11,199	8,640
Depreciation	7,860	9,314	9,036	9,676
R&D expenses	12,900	13,168	12,382	11,986
Total at End of Fiscal Year				
Total assets	296,858	303,948	322,202	351,944
Property, plant and equipment	74,349	76,338	76,576	73,532
Interest-bearing liabilities	3,960	4,335	3,506	4,187
Total equity	216,502	219,092	230,989	259,924
Shareholders' equity	170,545	189,497	204,800	229,866
Cash Flows				
Cash flows from operating activities	35,056	47,531	34,045	48,406
Cash flows from investing activities	(22,771)	(25,299)	(12,409)	(12,742)
Cash flows from financing activities	(11,231)	(12,319)	(14,214)	(11,858)
Free cash flows	12,285	22,232	21,636	35,664
Revenue per Consolidated Segment				
Japan	85,899	92,071	91,830	93,552
The Americas	219,534	247,087	213,008	224,867
China	91,057	96,513	94,990	121,266
Asia and Europe	58,727	59,257	59,825	76,041
Overseas revenue	362,463	395,571	361,980	412,252
Overseas revenue ratio (%)	85.8	86.2	85.0	86.0
Stock Information				
Cash dividends per share* (Yen)	30	33	35	40
Consolidated price to earnings ratio (PER) (Times)	9.8	7.6	10.4	9.5
Consolidated dividends payout ratio (%)	18.1	19.1	24.3	18.1

ROE: Income attributable to owners of parent / Total equity attributable to owners of parent (Average)
ROA: Income before income tax / Total assets (Average)
* The company implemented a two-for-one stock split of its common shares, effective April 1, 2021.

(Unit: Million yen)

FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
412,072	359,682	346,149	349,958	409,200	441,713
338,031	300,307	288,671	295,716	355,790	381,860
36,521	33,531	32,581	33,896	38,471	44,493
38,793	26,326	26,742	22,998	15,257	17,507
25,750	15,064	20,741	12,416	5,343	10,214
189.35	110.77	152.89	92.56	41.35	80.09
9.4	7.3	7.7	6.6	3.7	4.0
10.5	5.9	7.8	4.3	1.8	3.3
11.7	8.2	9.9	6.4	4.5	5.0
29.9	29.9	29.9	29.9	29.9	29.9
25.0	29.7	22.5	27.2	42.0	38.0
110.9	108.7	106.1	112.4	135.5	144.7
16.5	15.6	15.7	17.5	19.8	20.1
7,412	7,619	6,686	14,466	14,606	13,564
9,778	10,225	9,616	9,204	10,005	11,062
12,709	12,374	12,533	11,930	14,344	15,524
358,265	341,820	390,478	415,985	416,226	446,214
71,515	68,530	69,053	76,860	83,874	90,203
1,742	4,014	5,228	6,030	4,822	4,656
277,424	274,552	301,450	325,583	323,458	348,703
249,904	259,233	271,278	275,144	265,756	267,362
43,806	44,193	25,151	20,018	30,445	37,659
(18,321)	(5,366)	(11,709)	(17,196)	(20,970)	(8,669)
(16,390)	(12,917)	(14,647)	(23,638)	(18,860)	(17,818)
25,485	38,827	13,442	2,822	9,475	28,989
92,856	75,134	78,866	82,698	84,943	91,206
195,604	176,346	141,924	144,527	194,015	240,100
89,187	82,729	117,652	115,236	117,800	87,539
66,822	51,967	34,021	34,202	40,164	48,962
342,496	303,544	288,303	289,660	348,854	371,593
83.1	84.4	83.3	82.8	85.3	84.1
42	43	45	54	63	73
8.4	11.5	10.8	14.9	40.6	25.1
22.2	38.8	29.4	58.3	152.4	91.1

Non-Financial Highlights

Environmental

Environmental Accounting

Environmental Conservation Cost (Non-consolidated)

(Unit: Million yen)

		Main Efforts	FY2020		FY2021		FY2022		FY2023		FY2024	
			Investment	Cost	Investment	Cost	Investment	Cost	Investment	Cost	Investment	Cost
Business area cost	Pollution prevention cost	Prevention of air, water, and soil pollution, etc.	6	11	12	10	21	15	22	27	4	27
	Global environmental conservation cost*	Prevention of global warming and ozone depletion and other environmental preservation efforts	208	62	176	43	*1 561	71	*2 596	32	*3 440	58
	Resource circulation cost	Recycling, waste treatment and disposal, and water-saving efforts	7	56	25	71	13	59	1	67	4	83
Upstream/downstream cost		Costs generated from purchasing low environmental impact products and raw materials	48	3	5	1	7	3	3	1	—	1
Administration cost		Environmental management system (EMS) development & operation costs, environmental measurement costs, and office interior “greening” and development costs	62	82	15	60	48	46	46	74	24	81
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	9	4,184	10	4,000	2	4,447	14	4,215	37	4,952
Social activity cost		Environmental measures such as nature protection, “greening,” and scenery preservation	—	2	—	1	1	1	—	2	—	3
Environmental remediation cost		Remediation of soil pollution, etc.	—	—	—	—	—	—	—	—	—	—
Total			339	4,399	243	4,186	652	4,642	682	4,418	509	5,205

Notes:
1. The scope of the survey is TS TECH Co., Ltd. and its domestic consolidated subsidiaries.
2. The above figures include portions ascertained by estimation, such as apportionment.
3. 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.
4. Costs do not include depreciation costs.

*1 Expenses related to construction of the new building at the Hamamatsu Plant
*2 Expenses related to solar power generation equipment at the Saitama, Hamamatsu, and Suzuka plants
*3 Expenses related to solar power generation equipment at the Saitama and Hamamatsu plants

Economic Effects (Non-consolidated)

(Unit: Thousand yen)

	FY2020	FY2021	FY2022	FY2023	FY2024
Gain on sale of valuables	4,613	5,073	9,654	13,645	11,607
Cost saved by energy conservation	16,073	4,169	3,448	3,975	1,727
Total	20,686	9,242	13,102	17,620	13,334

Material Effects (Non-consolidated)

	(Unit)	FY2020	FY2021	FY2022	FY2023	FY2024
Energy consumption	GJ	166,002	154,488	161,867	164,634	146,304
Water consumption	1,000 m^3	81	62	51	54	52
CO_2 emissions	t-CO_2	8,394	6,671	4,903	2,581	1,480
CO_2 emissions due to transportation	t-CO_2	1,845	1,449	1,467	1,431	1,624
Total waste output	t	1,062	1,120	1,384	1,495	1,460
VOC emissions	t	28	16	18	27	30
PRTR emissions	t	0	0	0	0	0

Non-Financial Highlights

Social

In-House Training Sessions and Related Data (Non-consolidated)

	FY2020	FY2021	FY2022	FY2023	FY2024
Human rights/diversity training (Number of times)	8	7	8	8	8
Training time per employee (Hours)	8.8	11.1	9.8	9.3	9.1
Training expenditures (Million yen)	84.4	21.6*	34.6*	34.3*	26.6*
Training expenditures per employee (Yen)	49,252	12,456*	19,634*	20,060*	16,028*

* 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)

	FY2020	FY2021	FY2022	FY2023	FY2024
Practical training sessions for risk assessment*1	28	0*2	0*2	0*2	100
Mental health seminars	108	70*2	61*2	73*2	193

*1 Seminars held for company employees. We have also held “Risk Assessment Training Regarding Specified Chemical Substances.”
*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)

	FY2020	FY2021	FY2022	FY2023	FY2024
Percentage of managers who are women (%)	2.3	2.6	2.9	2.7	2.8
Percentage of employees with a disability (%)	2.6	2.7	2.7	3.0	2.8
Percentage of employees who are non-Japanese (%)	0.5	0.6	0.6	0.6	0.6
Number of new graduates hired (Persons)	54	47	48	46	50
Number of employees who leave within three years of hiring (Persons)	5	5	2	5	6
Turnover rate within three years of hiring (%)	8.9	9.6	4.0	9.3	12.8
Percentage of employees hired mid-career*1 (%)	18.2	6.0	12.7	23.3	37.5
Engagement score*2	(29.8)	(30.4)	42.1	40.9	41.8

*1 The percentage of employees hired mid-career among employees hired for regular employment
*2 Parenthetical values for fiscal 2020 to fiscal 2021 show satisfaction survey-based DI values.
From fiscal 2022, scores are based on Link and Motivation Inc.’s Motivation Cloud.

Major Personnel Data (Non-consolidated)

		FY2020	FY2021	FY2022	FY2023	FY2024
Number of employees by gender*1 (Persons)	Male	1,524	1,551	1,573	1,526	1,482
	Female	191	187	190	184	178
	Total	1,715	1,738	1,763	1,710	1,660
Average years of service*1 (Years)	Male	16.6	17.2	17.8	18.0	17.8
	Female	15.0	15.8	16.2	16.2	16.7
	Overall	16.5	17.1	17.6	17.9	17.7
Gender wage gap for workers*2 (%)	All employees	71.4	72.3	72.4	71.9	74.0
	Regular workers	79.2	78.6	77.7	76.5	78.2
	Part-time and fixed-term contract workers	57.4	60.2	64.6	77.3	84.1

*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)

		FY2020	FY2021	FY2022	FY2023	FY2024
Percentage of employees taking paid leave (%)		99.6	96.6	99.4	104.1	103.7
Percentage of employees using half-day vacations (%)		58.4	58.4	65.8	66.4	65.0
Number of employees using maternity leave (Persons)		3	6	11	9	5
Number of employees using childcare leave (Persons)	Male	4	8	13	27	27
	Female	6	6	10	9	6
	Total	10	14	23	36	33
Percentage of employees using childcare leave (%)	Male	5	11	19	43	50
	Female	100	100	100	90	100
	Total	13	18	29	58	55
Rate of return to work after childcare leave (%)	Male	100	100	100	100	100
	Female	100	100	100	88	100
	Total	100	100	100	97	100
Number of employees using shorter working hours system for children (Persons)	Male	2	2	2	6	5
	Female	17	15	15	18	22
	Total	19	17	17	24	27
Number of employees using nursing care leave (Persons)	Male	0	1	1	0	0
	Female	0	0	0	0	1
	Total	0	1	1	0	1

Labor Union Data (Non-consolidated)

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of employees affiliated with the labor union (Persons)	1,491	1,504	1,504	1,457	1,422
Percentage of employees affiliated with the labor union (%)	98	98	96	96	96

* Calculations exclude managers

Industrial Accident Circumstances (Non-consolidated) [Consolidated]

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of industrial accident deaths (Persons)	0 [0]	0 [0]	0 [0]	0 [0]	0 [1]
Number of industrial accident injuries (lost worktime accidents) (Persons)	2 [36]	0 [36]	1 [25]	0 [11]	0 [4]
Frequency rate*1 [Industry average] (%)	0.52 [0.99]	0.00 [1.03]	0.27 [0.75]	0.00 [0.31]	0.00 [0.11]
Severity rate*2 [Industry average] (%)	0.01 [0.02]	0.00 [0.03]	0.01 [0.01]	0.00 [0.01]	0.00 [0.21]

*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.

Industrial Accident Circumstances (Contractors)

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of industrial accident deaths (Persons)	0	0	0	0	0
Number of industrial accident injuries (lost worktime accidents) (Persons)	2	0	1	1	0

Non-Financial Highlights

Number of Patents Held

(Unit: Patents)

	FY2020	FY2021	FY2022	FY2023	FY2024
Domestic	1,180	1,260	1,401	1,565	1,747
Overseas	644	704	800	864	879

Number of Social Contribution Activities Conducted (Consolidated)

(Unit: Activities)

FY2020	FY2021	FY2022	FY2023	FY2024
285	188*	155*	213*	290

* 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 2024

(Unit: Activities)

	Japan	The Americas	China	Asia and Europe	Total
Economic assistance	17	58	6	1	82
Social contribution activities	95	77	9	27	208

Social Contribution Activity Expenditures (Non-consolidated)

(Unit: Thousand yen)

FY2020	FY2021	FY2022	FY2023	FY2024
41,824	17,303	282,063*	43,440	16,909

* Includes facility repair expenses for Konosu Flower Stadium (Saitama Prefecture), the base venue for the activities of the baseball club.

Improvement Initiatives (Consolidated)

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of participating teams*1	483	—*2	334	367	392*3

*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.
*3 The number of participating team has increased due to the inclusion of domestic affiliates in the scope of activities.

Dialogue with Stockholders and Investors

	FY2020	FY2021	FY2022	FY2023	FY2024
General Meeting of Shareholders: Number of attendees	12*	9*	7*	18	30
IR/SR interviews: Number of companies (Including small meetings and conference calls)	168	355	269	290	291

* To prevent the spread of COVID-19, shareholders were asked to refrain from attending the venue.

Governance-Related Data

(Unit: Cases)

	FY2020	FY2021	FY2022	FY2023	FY2024
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

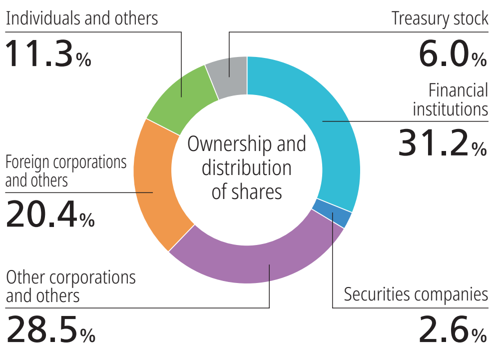
Corporate Data

Corporate Data As of March 31, 2024

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	14,719 (Consolidated), 1,660 (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, 2024

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Issued	136,000,000
Number of Shareholders	27,136

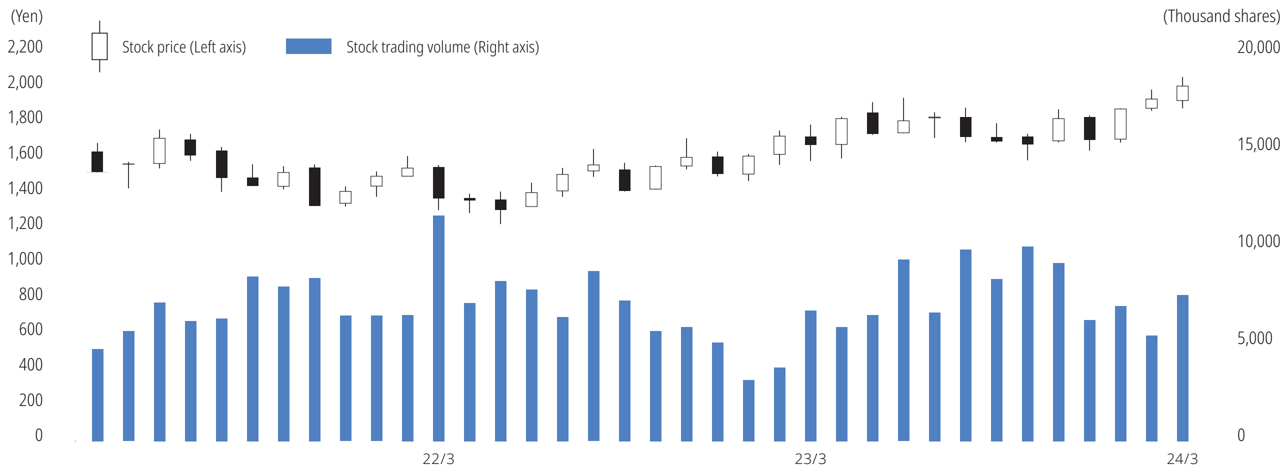


Major Shareholders

Major Shareholders	Investment in the company: Number of shares held (Thousands)	Investment in the company: Shareholding ratio (%)
Honda Motor Co., Ltd.	30,720	24.0
The Master Trust Bank of Japan, Ltd. (Trust account)	13,847	10.8
Custody Bank of Japan, Ltd. (Trust account)	4,915	3.8
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
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
Mitsui Sumitomo Insurance Company, Limited	2,451	1.9

Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. The company, which owns 8,243,044 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 2021–March 2024)



Note: The company implemented a two-for-one stock split of its common shares, effective April 1, 2021.

External Recognition and Selection as a Constituent in Indices As of March 31, 2024

CDP

TS TECH earned a Leadership-level A- score in the area of climate change from CDP, an international non-profit organization that evaluates the environmental initiatives of companies and local governments.

CSR Companies Ranking

TS TECH ranked 235th out of 1,714 firms in a survey that finds "trusted companies" based on both corporate social responsibility and financial data.

S&P/JPX Carbon Efficient Index

TS TECH has been continuously selected for the Global Environmental Equity Index chosen by the Government Pension Investment Fund (GPIF) since the index was launched in 2018.

MSCI Japan Empowering Women Index (WIN)[*1]

2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

For the second year in a row, TS TECH has been selected as a constituent stock of the index, which selects Japanese companies with outstanding gender diversity from each industry

FTSE Blossom Japan Index[*2]

FTSE4Good | FTSE Blossom Japan Index | FTSE Blossom Japan Sector Relative Index

TS TECH was selected for the first time as a constituent of the FTSE4Good Index Series, which is designed to measure the performance of Japanese companies with high ESG scores, and the FTSE Blossom Japan Index, which is specialized for Japanese companies. We are pleased to add that the company was selected for the FTSE Blossom Japan Sector Relative Index for the second year in a row.

*1 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.

*2 TS TECH was selected as a constituent stock for the FTSE4Good Index Series and the FTSE Blossom Japan Sector Relative Index in July 2024.

On the Publication of TS TECH Integrated Report 2024

TS TECH continuously publishes integrated reports with the aim of deepening the understanding of its stakeholders, including shareholders and investors, of the Group. Fiscal 2024, which is the period covered by this integrated report, is the first year of the 15th Medium-Term Management Plan (fiscal 2024–2026). It was an important year in which we not only solved near-term issues but also started working toward achieving our 2030 Vision.

In this integrated report, we focus on the people who work hard every day to achieve the vision for our Group, under its corporate philosophy of "A company dedicated to realizing people's potential, a company sincerely appreciated by all," while introducing our initiatives to create further value. The automotive industry is in the midst of great transformation, and as EVs and autonomous driving technology continue to advance, new value will be demanded from vehicle interiors. However, it is the power of people, the source of our Group's value, that will be the key to creating products that exceed customer expectations and bring new joy to society. To continue to be "A company that is appreciated by all" whose presence is to be expected to continue in the future, we believe it is important to create an environment in which each and every employee working in our Group can demonstrate their abilities to the fullest and to deliver new value to society. We will continue to accelerate our efforts on various initiatives while incorporating the opinions of our stakeholders.

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 this integrated report will help TS TECH to have constructive dialogue with its stakeholders by showing our approach and initiatives for further growth and the value we create. We will continue to work to improve our corporate value by disclosing information to our stakeholders and enhancing dialogue with them.

Ryo Sakakibara
Operating Officer,
Corporate Administration Division Executive General Manager

TS TECH Co.,Ltd.

VEGETABLE OIL INK

November 2024
Printed in Japan