Integrated Report 2025

TS TECH Integrated Report

TS TECH Co.,Ltd.

Bringing joy to society through 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 our beliefs will never change.
We will continue meeting the challenge of endless possibilities
to make the mobility of the future freer and more enjoyable.

TS TECH Philosophy

Vision Statement

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

Mission Statement

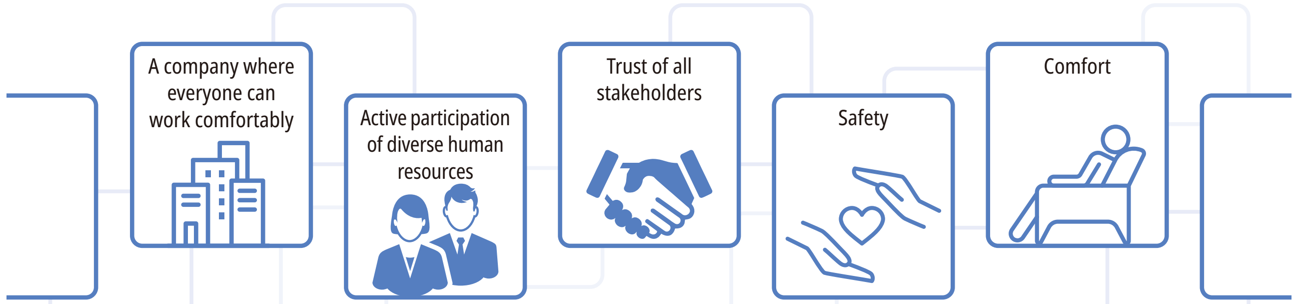
We shall provide comfortable,
high-quality products at competitive prices
to our customers worldwide,
always pursuing the infinite
possibilities in manufacturing.

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.

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 remaining 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 Global Talent Embodying the TS TECH Philosophy: A Driver of Sustainable Growth

Being "A company dedicated to realizing people's potential"

The smiles of our workers will pave the way for our company's future

Under our corporate philosophy of valuing people, I have adopted "Smile" as the slogan for my section, reflecting my commitment to building a cheerful and respectful workplace where individual skills and personalities are appreciated. This initiative aligns with our Vision Statement: "A company dedicated to realizing people's potential."

The New Product Development Section is responsible for creating new value and products that shape the future. No matter how outstanding an individual idea may be, new value cannot be created by one person alone. Product development requires dialogue with colleagues who bring diverse perspectives. That is why it is essential to embody our philosophy of "A company dedicated to realizing people's potential" by accepting and respecting each other's ideas. To foster a stronger sense of unity, we promote initiatives in which every team member plays an active role. These include applauding each speaker at internal meetings and establishing a workplace improvement committee to improve the working environment.

We will continue to support the growth and challenges of each individual, fostering a workplace where everyone can take pride in shaping the future of our company. By sharing the joy of pursuing limitless possibilities together, we aim to contribute to sustainable business growth.

Takayoshi Ito
Manager
New Product Development Section
New Product Development Department
Corporate Development and Engineering Division

Being "A company sincerely appreciated by all"

How we are becoming a company sincerely appreciated by all

In May 2025, TS TECH established KRISHNA TS TECH AUTO PRIVATE LIMITED (KSTS) as a joint venture with Maruti Suzuki's primary Indian seat supplier, the Krishna Group.

KSTS is the Group's first joint venture development company. It is a product of the Krishna Group's wish to improve its technological capabilities and the TS TECH Group's goal to expand sales in the Indian market. In order to fulfill the aims of both companies, it is vital for employees of different nationalities to understand and respect one another, and to practice good teamwork. I am convinced that good communication is the key that will unlock the two companies' ability to fully share the technologies and rich experience they possess. In turn, this will maximize our ability to create even greater value, and we will be able to deliver products that bring joy to customers, not just in India but around the world.

Going forward, we will work to develop attractive products for the Indian market, where we expect further growth, as we strive to remain "A company sincerely appreciated by all."

Masaaki Matsushima
Senior Engineering Manager
KRISHNA TS TECH AUTO PRIVATE LIMITED
Asia and Europe Region

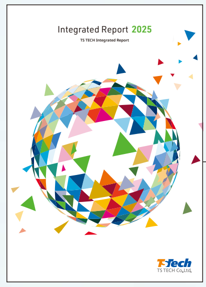
CONTENTS

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, Social and Governance 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 2025 (April 1, 2024–March 31, 2025)

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.

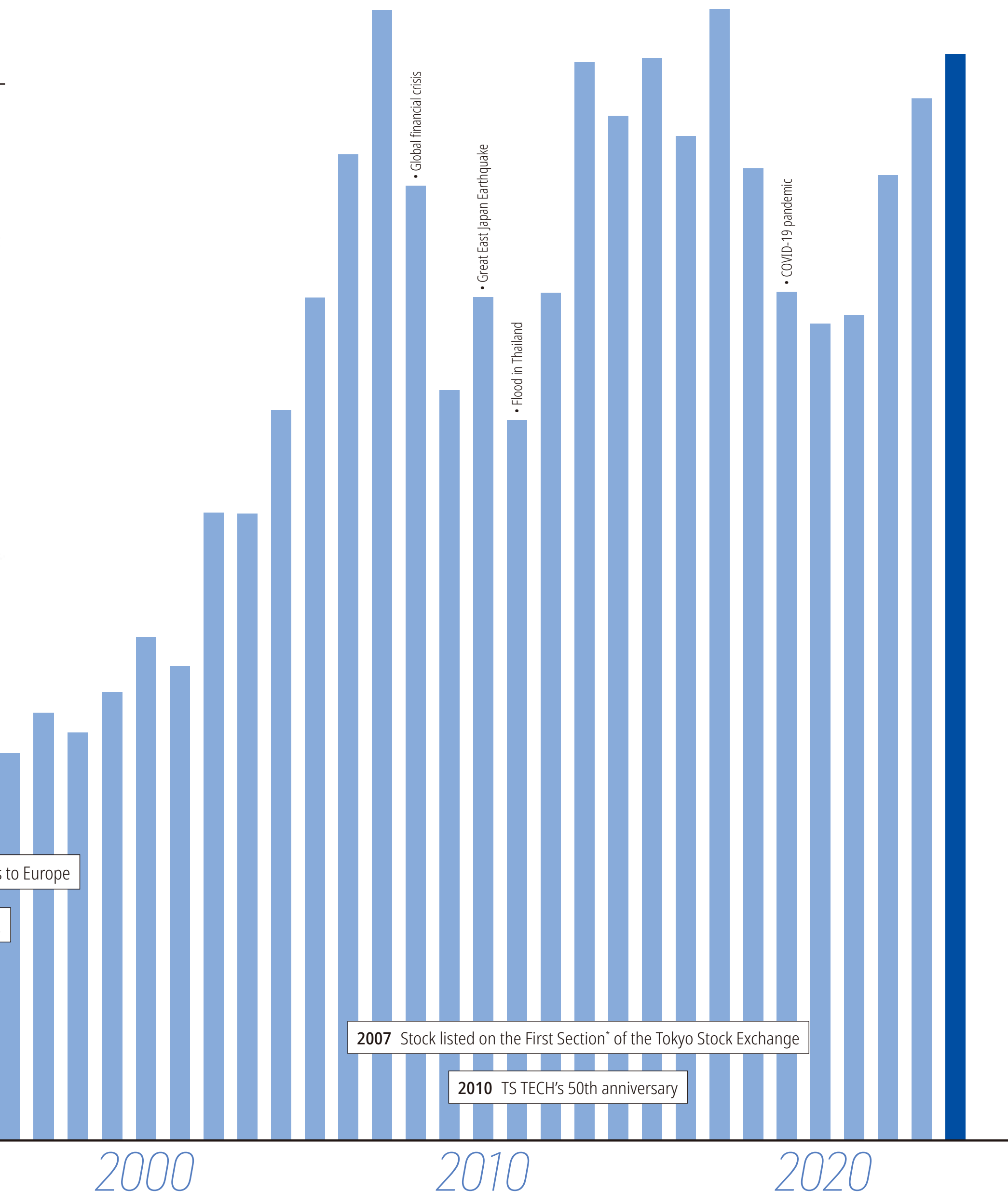
The History of TS TECH

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

Revenue trends

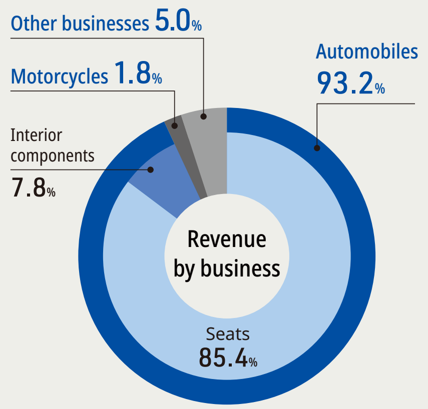


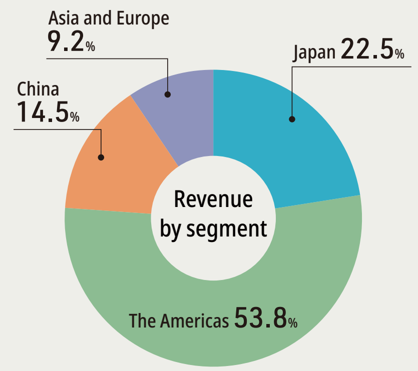
Revenue (Consolidated)

460.5 billion yen

Operating income (Consolidated)

16.4 billion yen





Year ended March, 31 2025

* Shifted to the Prime Market in April 2022

▶ Assuring Quality

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

Seat for the original Honda Civic
Launched 1972

▶ Pursuing Comfort

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

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

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

▶ Establishing a Strong Profit Structure

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

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

Automated welding equipment

▶ Creating New Value

The automotive industry is undergoing a major transformation, and the value expected of automobiles continues to evolve. In response, the TS TECH Group is striving to create new value by positioning itself as an interior system supplier capable of coordinating not only seats and doors, but the entire cabin space. We regularly showcase the results of these efforts at our Next-Generation Automotive Cabin Exhibition. This report features highlights from the 2024 event. ▶ pp. 26–29

Family Comfort Cabin
Flexible seat arrangements are enabled through coordinated control between seats, allowing adaptation to various usage scenarios. This concept features a wide range of functions and leverages the spaciousness unique to minivans.

Top Message

Message from the President

Continuing to embrace challenges and enhance corporate value in a changing business environment

保田真成
Masanari Yasuda
Representative Director, President

Looking back on fiscal 2025

As we work to realize the TS TECH Group 2030 Vision of being an "Innovative quality company—continued creation of new value," we are moving forward on our **15th Medium-Term Management Plan**[1] (fiscal 2024–2026). In fiscal 2025, the second year of the plan, the Group continued to face challenging business environments in each region, with ongoing sluggish sales for Japanese automakers in the Chinese market, as well as persistently high manufacturing costs due to rising raw material and labor costs. In light of the global EV shift slowing, automakers are also revising development and production plans, leading to greater uncertainty about the future. Despite these challenging circumstances, we remain steadfast in our commitment to further enhancing corporate value. Under the unwavering banner of our TS TECH Philosophy, we will proactively allocate management resources to essential growth areas based on priority strategies in the categories of growth, regional, and functional.

Progress on the 15th Medium-Term Management Plan

For our first growth strategy, "securing cabin coordination capacity," the TS TECH Group is accelerating product development with an eye on next-generation vehicles. Advances in technologies such as self-driving are transforming automobile cabins from mere transportation spaces into environments that deliver new value to users. We take a long-term view, aiming to transform into a company capable of coordinating the cabin space and create compelling and comfortable spaces for users.

In November of last year, we held our second proprietary technology exhibition, **Next-Generation Automotive Cabin Exhibition 2024.**[2] The event drew a large number of automakers who were given the opportunity to experience the Group's cutting-edge technology firsthand. We earned high marks from customers, along with valuable feedback on areas for improvement. Leveraging the feedback we received, we have identified technical areas that require further refinement. In addition, as the technologies of interest differ by each automaker, we will pursue more efficient R&D and steadily advance proposals for product solutions that exceed expectations, driving further growth in new businesses and winning a higher share of major customers' products.

Scene from Next-Generation Automotive Cabin Exhibition 2024

In terms of generating **further growth in new businesses,**[3] the slowdown in EV demand has postponed development and production plans at automakers and delayed planned orders from new customers. At our European sites, however, order volumes continue to grow, supported by the launch of production of third-row seat frames for the Volkswagen ID. Buzz. Moreover, with an eye toward securing future commercial rights, we have established a joint venture for seat development and parts manufacture with the Krishna Group, the main supplier of automotive seats for Maruti Suzuki vehicles in the Indian market, which is expected to see growing automotive demand. By integrating the two companies' resources, including in technology and expertise, we will actively pursue new orders to acquire new customers and new commercial rights, including with domestic automakers in India.

Opening ceremony for joint venture with the Krishna Group

In order to secure **a higher share of major customers' products,**[4] we are working to further expand orders in our Honda partnership, the most important foundation of our Group operations, while also pursuing new customers and new commercial rights. To increase our share in the Honda business, steady orders for existing commercial rights and expanding orders for new commercial rights are essential. I view this period of rapid change in the automotive industry as an opportunity. We will continue to collaborate with our customers from the early stages of development, proposing competitive solutions to develop attractive products that reflect regional characteristics.

Priority Strategies under the 15th Medium-Term Management Plan

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

1 15th Medium-Term Management Plan ▶ pp. 24–25
2 Next-Generation Automotive Cabin Exhibition 2024 ▶ pp. 26–29
3 Further growth in new businesses ▶ p. 16, pp. 36–37
4 A higher share of major customers' products ▶ p. 15

In terms of our regional strategy for a **V-shaped recovery in North America,**[5] we face profitability challenges due to multiple factors, including increased labor costs and production losses caused by irregular production schedules, as well as persistently high raw material costs. In response, we are carrying out active capital investment in effective measures such as deploying automated equipment across production sites to help reduce production losses. Further, we are working to improve our profit structure by undertaking structural reforms that extend beyond production areas to include back-office operations. These initiatives have steadily improved profits, and we will continue to enhance profitability by further reducing production losses.

With regard to **restructuring the China business strategy,**[6] the rapid rise of Chinese EV automakers has forced Japanese automakers into a prolonged struggle and an ongoing challenging business environment. Under these circumstances, we anticipated such market shifts early on and have been taking proactive steps, including optimizing staffing, restructuring production bases, and expanding partnerships with local suppliers. Further, we are making steady progress in securing new commercial rights from new customers, acquiring them from Changan Automobile and the Guangzhou Automobile Group. Through the early development and steady production launch of models scheduled to begin in fiscal 2026, we aim to secure even more commercial rights to ensure our continued success in the increasingly competitive Chinese market.

With regard to progress made in the 15th Medium-Term Management Plan, we have achieved approximately 70% of our overall goals. Although we have made smooth progress on key strategies, the external environment has changed significantly since our plan was initially formulated, impacting certain strategies. We believe, however, that the direction underlying our strategies remains appropriate at this time. By steadily implementing relevant measures and achieving accumulating results, we will solidify the foundation for our 16th Medium-Term Management Plan (fiscal 2027–2029) to drive greater business growth.

Continuing to grow corporate value

Since its founding in 1960, the TS TECH Group has steadily grown with the expansion of the automotive industry. Despite temporary declines in sales caused by global financial crises and natural disasters, we have overcome each of these challenges to build the solid business foundation we have today.

Today, however, the automotive industry as a whole is confronting a challenging environment, and we recognize that the Group has reached a plateau in its growth. Since we formulated our 15th Medium-Term Management Plan, production volume plans and other factors on which our profit targets are based have changed significantly. New measures to ensure sustainable business growth are now required to achieve our 2030 Vision.

The TS TECH Group is currently exploring various possibilities for further expanding our business scale, including growth investments such as M&A in our areas of expertise, leveraging our capital resources. As we prepare for the 16th Medium-Term Management Plan, we are formulating strategies based on these initiatives so that our stakeholders can look forward to continued growth.

Newly implemented measures will take a certain amount of time to yield results. In the meantime, we continue to steadily advance shareholder returns as originally planned, based on our shareholder return policy. The final fiscal year of the 15th Medium-Term Management Plan calls for steadily increasing dividends, targeting a DOE[*1] of 3.5% or more, and returning approximately 50 billion yen to shareholders through flexible share buybacks and retirements over three years. At this time, we expect to meet these shareholder return targets and, going forward, will continue to strive to continuously grow corporate value by implementing appropriate shareholder return measures, including maintaining and improving the DOE.

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

=

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

Growing corporate value with sustainability initiatives

Given that the challenging market environment is expected to persist, I believe a sustainability-driven business structure is essential to achieving further business growth. This does not, however, represent a major shift in our corporate policy. It is simply a matter of deepening our practice of the **TS TECH Philosophy,**[7] in other words, delivering on the value of our existence. This philosophy, which calls for us to be "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all," has always been fundamentally aligned with sustainability, and our Group has consistently maintained an approach of growing together with society.

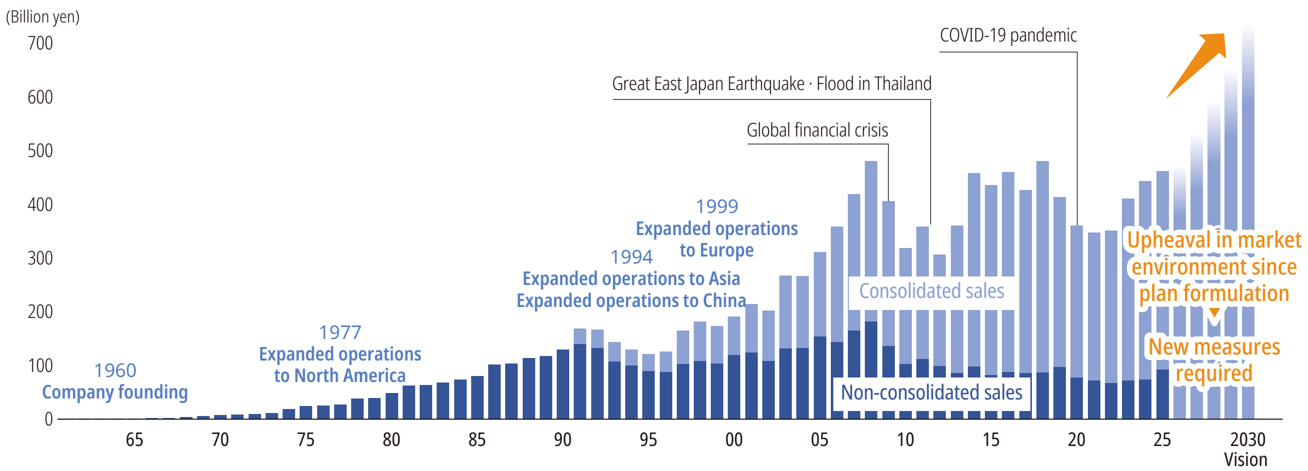
Specifically, we have identified **material issues**[8] based on this philosophy and established 2030 targets with corresponding KPIs to help realize a sustainable society. As a member of the automotive industry directly involved in CO_2 emissions, we consider addressing climate change a particularly urgent priority. We have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)[*2] and are working to enhance our disclosure practices. In addition, we began expanding our scope of disclosure in fiscal 2025 to include the **Taskforce on Nature-related Financial Disclosures (TNFD)[*3] initiative,**[9] and we are strengthening our consideration of biodiversity and natural capital. Leveraging these international frameworks, we will accurately reflect taskforce recommendations in our management strategy and risk management to accelerate our sustainability initiatives.

Being "A company sincerely appreciated by all" is not simply a matter of being appreciated by customers, business partners, shareholders, and local communities. I firmly believe that we must be a Group in which our employees — the very source of the value creation needed to succeed in the automotive industry of the future—feel joy and fulfillment in their work and experience true growth. To ensure this, it is essential that we **create an environment in which every employee is able to continue to embrace challenges.**[10] One initiative designed to achieve this is our employee-driven job rotation scheme, available to all employees including managers. Under this scheme, employees are interviewed regarding their desired transfer destinations, and if a match is found between individual preferences and internal staffing needs, the transfer is carried out. This encourages employees to be more actively involved in building their careers. Another employee-centered initiative is our internal job posting system. It allows employees to apply for internal career hiring opportunities across all departments. In terms of our approach to creating a comfortable work environment, we are also focused on improving systems that support flexible working arrangements, including removing monthly limits on the use of the telecommuting system in line with individual circumstances such as caregiving responsibilities. In addition, we introduced a new trust-based stock compensation program for managers, similar to an employee stock ownership plan, and to commemorate our 65th anniversary, we distributed 65 shares of treasury stock as restricted stock compensation to all employees, including general staff. These initiatives aim to boost employee motivation while fostering a mindset that contributes to enhancing corporate value from the same perspective as our shareholders. Through these and other efforts, we are working to create a multifaceted environment that accommodate our employees' diverse values and working styles.

In conclusion

The TS TECH Group will continue to leverage its organizational strength to drive further business growth while contributing to a sustainable society. We are committed to building a resilient corporate structure that can flexibly respond to change. Even amid an increasingly uncertain business environment, we are steadily taking steps toward a promising future. Moving forward, we will continue to grow alongside society, striving tirelessly to enhance corporate value through sustainable value creation and a spirit of continuous challenge. Through these efforts, we aim to remain a company sincerely appreciated by all stakeholders. We appreciate your continued support.

History of growth



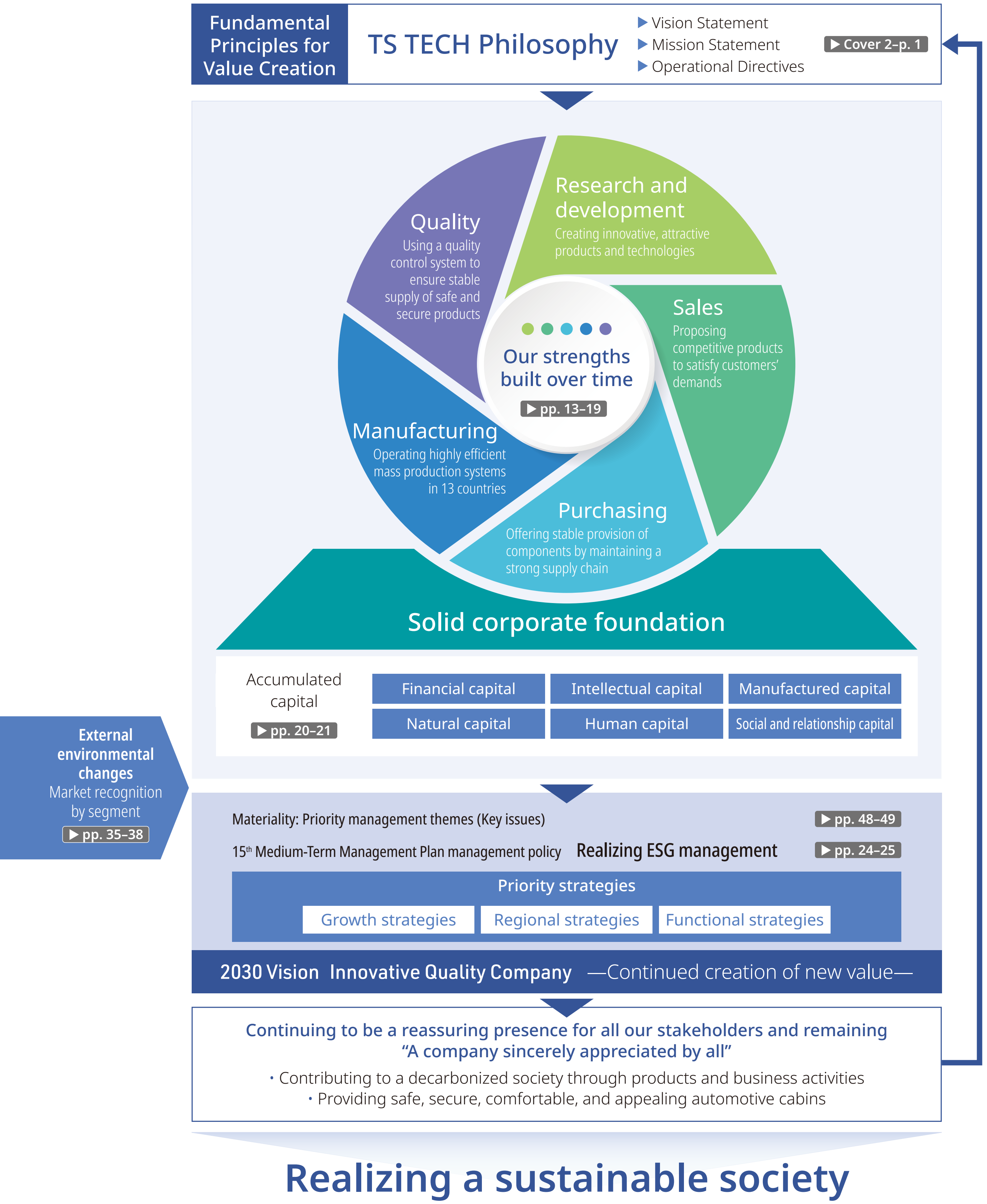
5 V-shaped recovery in North America ▶ pp. 38–43
6 Restructuring the China business strategy ▶ p. 36

1. Dividend on equity ratio (DOE) = Total dividends / Shareholders' equity (Equity attributable to owners of parent)
2. The Task Force on Climate-related Financial Disclosures is an international framework for identifying, assessing, and disclosing risks and opportunities presented by climate change.
3. The Taskforce on Nature-related Financial Disclosures is an international framework for identifying, assessing, and disclosing risks and opportunities related to natural capital and biodiversity.

7 TS TECH Philosophy ▶ pp. 2–3
8 Material issues ▶ pp. 48–49
9 Taskforce on Nature-related Financial Disclosures (TNFD) initiative ▶ pp. 67–69
10 Create an environment in which every employee is able to continue to embrace challenges ▶ pp. 52–55

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.



Our Strengths Built over Time

Solid Corporate Foundation

Over many years, the TS TECH Group has established a solid base of technological capabilities for creating safe, secure, comfortable, and appealing products through manufacturing excellence. We have also built a global product supply system capable of responding quickly to environmental changes and market diversification. In addition, as "A company dedicated to realizing people's potential," which is one of our vision statements, we have fostered a corporate culture of respect for the individuality and abilities of each employee, thereby encouraging continuous growth and the embrace of challenges. As the source of our corporate competitiveness, this corporate culture contributes directly to innovating technology and improving quality.

Our corporate foundation is built on our proven technological capabilities, global supply system, and a corporate culture deeply rooted in our corporate vision statement of being "A company dedicated to realizing people's potential." Leveraging this strong corporate foundation, we will continue to take on the challenges involved in realizing infinite possibilities, creating new value and achieving sustainable growth.

History of Our Strengths

1950s	Seat division of Teito Fuhaku Kogyo Corporation (TS TECH predecessor) begins production of Honda motorcycle seats
1960s	After launching manufacture of automotive seats for Honda at Asaka Plant (current headquarters location), seat division of Teito Fuhaku Kogyo spins off to form Tokyo Seat Co., Ltd. Focusing on developing new customers, production of seats for Suzuki and Yamaha Motor automobiles and motorcycles begins at Hamakita Plant (now Hamamatsu Plant)
1970s	After establishing multiple domestic subsidiaries, Tokyo Seat accelerates business expansion by establishing a subsidiary in North America, marking first Group overseas venture
1980s	Non-consolidated number of employees surpasses 1,000; development capabilities reinforced with introduction of 2D CAD, 3D measuring devices, and body pressure measurement system
1990s	New R&D facility established in Tochigi region; development function strengthened on all fronts, including design, prototyping, mold manufacturing, and safety evaluation Foundation for regional segment-based business operations laid with expansion into Asia, China, and Europe
2000s	Consolidated number of employees surpasses 10,000; global competitiveness activities strengthened, including incomparable quality initiatives and business structure reform lines
2010s	Policy of building a foundation for ESG management adopted in the 13th Medium-Term Management Plan; ESG management initiatives strengthened across environmental, social, and governance areas
2020s	Cross-industry collaborations leveraged and software development capabilities enhanced to accelerate value creation through total automotive cabin coordination

Secrets behind TS TECH Strengths

Unrelenting pursuit of manufacturing excellence and solid financial foundation built over years

The relentless pursuit of manufacturing excellence embedded in the TS TECH Philosophy is the source of our strong corporate foundation. In addition to pursuing safety, comfort, product appeal, and quality, our philosophy calls on each employee to approach their work with a sincere and creative attitude. Permeating every aspect of our products, this spirit lies behind our numerous products, earning high praise from our customers around the world and serving as the source of the TS TECH Group's competitiveness.

Another major strength of the Group is the solid financial foundation that we have established over many years. Our stable profit structure and strategic capital policy enable us to maintain a flexible framework capable of responding to economic fluctuations and market uncertainties. This financial foundation enables us to make long-term capital investment and R&D, driving our continuous pursuit of many challenges.

Reinforcing Our Strengths

Enhancing competitiveness through strategic resource allocation

By strategically allocating resources, we are working to boost competitiveness in order to achieve sustainable corporate value growth. We are particularly focused on allocating limited management resources with precision to key areas for corporate growth, including reorganizing subsidiaries in Japan, constructing a new Production Technology Building on the Saitama Plant premises, and introducing initiatives such as an employee stock incentive program. This precise allocation of resources aims to boost the competitiveness of our businesses and build an even firmer foundation for the future.

With these initiatives, we will reinforce both quality and quantity of our six forms of capital—most notably, manufactured, intellectual, and human—to further bolster corporate sustainability and growth.

Research and Development

The TS TECH Group is determined to achieve its materiality goals and 2030 targets in order to further enhance corporate value. To do so, we will develop advanced technologies leveraging our strengths: safety, the environment, and the creation of attractive products. We will accomplish this by vigorously pursuing the development of new value in the domain of next-generation vehicle interiors. Using a rapid decision-making structure, we are enhancing various initiatives to promptly deliver competitive products to customers by identifying and responding to social changes and needs.

As "A company dedicated to realizing people's potential," which is one of our vision statements, we will develop the next generation of engineers and generate new innovations based on diverse ideas, as we move to realize sustainable growth by developing groundbreaking technologies.

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 ■ Developing system software that goes beyond those of a typical parts manufacturer ■ Developing environmentally friendly products and manufacturing technologies to help build a sustainable world ■ Ensuring reliable quality assurance from the outset of development

History of Our Strengths

1990s	Focused on development to reduce environmental impact and accelerated initiatives on product weight reduction technologies
2000s	Strengthened the foundation and framework for collision safety evaluation and technology development by introducing a dynamic sled testing facility
2010s	Enhanced development of electrical device technologies such as seat heaters and air conditioning to enhance product appeal and comfort
	Achieved the No. 1 ranking in Japan for comprehensive patent strength in seat technology among all automotive manufacturers and suppliers (still No. 1 today)
2020s	Creating appealing products and technologies for the entire vehicle interior; strengthening systems and software development capabilities with the aim of further enhancing product appeal
	Focusing on cultivating advanced engineers and developing electronic control units (ECUs)
	Strengthening environmental technology development capabilities; promoting the development of environmentally friendly steel materials, product application technologies, and proprietary products that contribute to recycling

Secrets behind TS TECH Strengths

New technologies and creation of new value underpin competitive superiority

To maintain our competitive edge, we have consistently conducted thorough benchmark surveys to set targets for the weight and quantity of individual component parts, driving forward technology development in seat frames and comfort-focused features. As a result, our lightweight, high-rigidity seat frames and products, which offer both comfort and safety, have gained market recognition. Meanwhile, this has helped to foster highly skilled engineering talent.

In recent years, we have focused on solving user challenges and creating new value in vehicle interiors, working closely with our customers to devise unique products exclusive to TS TECH. For example, we are actively promoting vibration control technology that can alert drivers to danger, air conditioning control technology, and the use of electric furnace steel and recycled resins that help to reduce environmental impact. In all these efforts, we seek to help build a sustainable mobility society and enhance corporate value.

Reinforcing Our Strengths

Creating comfortable interiors for the era of autonomous driving

As autonomous driving technology advances, automotive usage is diversifying, ushering in an era where software creates new value. The TS TECH Group is adapting to these changing times by striving to provide innovative interior products, starting with seats that are optimal and comfortable for each individual user. Building on core seat frame technologies and the elemental technologies supporting comfort and safety that we have developed over the course of many years, we are working to establish a framework capable of proposing functional devices as systems that adapt to the ways in which people spend time in vehicle interiors in accordance with automotive evolution, and to bring these to market quickly.

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 share to at least 70% of all the automobile seats sold to the Honda Group by 2030, thereby ensuring 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 is leveraging its global network of 45 companies in 13 countries worldwide and rapidly proposing and bringing new products to market. These new products look ahead to the diversifying needs of each region, and in such, they will further enhance customer satisfaction.

Satoru Munemura

Director, 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 markets, environments, and customer needs, and swiftly proposing new measures to resolve issues

History of Our Strengths

1950s	TS TECH's sewing technology was first recognized through the production of Honda's work uniforms, which led to the start of the motorcycle seat business
1960s	With Honda's entry into automobile manufacturing, TS TECH began domestic production of automobile seats and door trims, establishing the foundation for our current business structure
1980s	Established an automobile interior products manufacturing plant in Ohio, USA, and commenced overseas local production of products for Honda
1990s	Began sales activities in the Asian region with the establishment of TS TECH (THAILAND) CO., LTD., which would become a key production base in the region
2000s	Commenced regional management through TS TECH NORTH AMERICA, INC. (now TS TECH AMERICAS, INC.) and strengthened sales functions in the Americas
	Established GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD. and strengthened production and sales functions in the China region
	Through these initiatives, we established local sales frameworks in various regions around the world.

Secrets behind TS TECH Strengths

Strong partnerships built up over many years

The TS TECH Group began doing business with Honda, our current principal customer, during the era of our predecessor, Teito Fuhaku Kogyo Corporation. Since then, we have established sales bases not only in Japan but further afield in the Americas, Asia, and China. As Honda's business has expanded, we have grown alongside it by building a strong and trusted partnership with Honda as our key customer. By maintaining sales bases in each region, not only have we responded swiftly to customer needs but we have also won more market share in each region by focusing on key models and offering optimal proposals in response to changes in the business environment. Amid ongoing environmental changes, we aim to further evolve our strong partnerships with Honda into a solid foundation for business growth and manufacturing excellence. By accurately responding to shifting conditions and addressing region-specific challenges, we will continue to deliver proposals that exceed customer expectations.

Strong partnerships	+	Human resources Global sales structure
Approximately 70 years of doing business with Honda		Global sales bases 4 regions / 15 bases

Reinforcing Our Strengths

Enhancing sales functions for business reforms

The value demanded of automotive interior products is undergoing a transformation, driven by advances in autonomous driving technology and heightened environmental awareness, including the promotion of carbon neutrality. The TS TECH Group views this transformation as an opportunity and will actively propose high-value-added products that enable more comfortable experiences in vehicle interiors. What is more, we will promote sustainable business practices in consideration of the environment by pursuing product development that takes into account the entire product life cycle, including not only manufacturing but also disassembly and reuse. To execute these initiatives more rapidly and reliably, we will analyze what resources are lacking within the TS TECH Group from various perspectives, while actively considering the selection of new partners and the utilization of external resources.

Sales (New Businesses)

The business environment surrounding the TS TECH Group is undergoing rapid change, particularly in the Chinese market. To achieve steady, ongoing business growth, it is essential that we expand our acquisition of commercial rights in the "new businesses" domain, which encompasses business with customers beyond the Honda Group.

As we strive 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. To this end, we will aim to expand our new businesses by securing optimal resources in coordination with each regional headquarters, while providing "attractive products sincerely appreciated by all" that capture the needs of 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"
- Ongoing sales activities based on existing commercial rights
- Expanding commercial rights through tie-ups with local business partners in China
- Strengthening order acquisition activities with a focus on the Suzuki Group through our Indian joint venture company

History of Our Strengths

1960s	Established Hamakita Plant (now Hamamatsu Plant); commenced business with Suzuki and Yamaha Motor, laying the foundation for the solid relationships that continue to the present
1970s	Established TRI-CON INDUSTRIES, LTD., for local production of motorcycle seats for Kawasaki in North America, for our first overseas expansion
2010s	Opened a new sales base in Germany; acquired commercial rights for the Volkswagen Group through proactive sales activities Opened a new development and sales base in Detroit; acquired new commercial rights through proactive sales activities with U.S. automakers
2020s	Established the New Business Management Division with the aim of conducting flexible and agile sales activities in coordination with overseas bases Established joint venture companies in China and India, strengthening sales activities targeting local automobile manufacturers

Secrets behind TS TECH Strengths

Strategic technical sales using a global framework

Driven by proactive overseas expansion, the TS TECH Group has grown to become a global enterprise with bases in 13 countries. Each base operates autonomously, establishing optimal supply chains and highly efficient production systems for each location. Leveraging these regional foundations, through information gathering and analysis via marketing in coordination with each base, we identify commercial rights to target, and propose products that align with customer needs by drawing on the technological capabilities we have cultivated over the years. As a result, we have accumulated a track record of orders, including regionally optimized power seat frames for Asia and detachable rear seats for the European market. We will continue to deploy technical sales activities that fully demonstrate the strengths of each base in order to fulfill our Mission Statement: "We shall provide comfortable, high-quality products at competitive prices to our customers worldwide."

Reinforcing Our Strengths

Enhancing technical sales activities through tie-ups with business partners

To conduct sales activities with even greater precision in order to acquire new commercial rights at each of our bases, we are proactively advancing collaborations with business partners with detailed knowledge of regional circumstances. In 2025, aiming to expand our business in India, where the automotive market is on a growth trajectory, we established the joint venture company KRISHNA TS TECH AUTO PRIVATE LIMITED with the Krishna Group, a major seat supplier to Maruti Suzuki. By sharing the technologies and extensive experience the two companies have amassed, we are building a product development structure that will generate further added value. We are vigorously deploying order acquisition efforts targeting new customers and new commercial rights acquisitions among automobile manufacturers and others in India.

Purchasing

As the business environment surrounding our Group and the value demanded of automobiles undergo rapid transformation, the continuous evolution of our supply chain is critical to further growing corporate value. Moreover, to remain "A company sincerely appreciated by all" whose presence is valued by all our stakeholders, it is also important to strengthen ESG management initiatives across the entire supply chain.

In the purchasing domain, we will build a robust, sustainable supply chain while further strengthening partnerships with our suppliers, based on the three axes of "supply chain restructuring for enhanced competitiveness," "initiatives for prediction and prevention to ensure stable supply," and "CO_2 emissions reductions."

Satoru Munemura

Director, 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
- Building supply chains toward 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

History of Our Strengths

1990s	Began purchsing activities in the Asian region with the establishment of TS TECH (THAILAND) CO., LTD., which would go on to become a key production base in the region In Japan, consolidated the purchasing functions that had been located at each individual domestic plant, establishing a centralized purchasing system; laid the foundation for a resilient supply chain
2000s	Commenced regional management through TS TECH NORTH AMERICA, INC. (now TS TECH AMERICAS, INC.) and strengthened purchasing functions in the Americas Established GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD. and strengthened purchasing functions in the China region Through these initiatives, we established local purchasing frameworks in various regions around the world.
2010s	Building on the foundation of our solid local purchasing system expertise, enhanced global competitiveness by newly assigning cost management functions to each region
2020s	Established the Corporate Sales and Purchasing Division through integration with the Corporate Sales Division to strengthen purchasing management functions and maximize added value

Secrets behind TS TECH Strengths

Building a supply chain capable of adapting to environmental changes

The cost structure of automobiles is undergoing a major transformation in line with the shift to next-generation vehicles, including the expansion of the EV market and advances in autonomous driving technology, with customer needs becoming more sophisticated than ever before. Moreover, the impact on procurement costs from recent rises in energy prices and labor costs has been substantial, requiring the construction of a supply chain capable of flexibly responding to such external environmental changes. Even under these circumstances, we are constantly optimizing our supply chain by streamlining complex commercial channels, implementing initiatives to reduce production losses caused by procured parts, and expanding the onboarding of competitive new parts manufacturers. Furthermore, through benchmarking and close dialogue with our customers, we are working to establish a framework that enables us to address fundamental challenges more effectively, supported by efforts to foster a culture of continuous improvement among our employees.

Reinforcing Our Strengths

Enhancing partnerships with business partners

Collaboration with business partners dealing with everything from steel to resin materials, and the strong relationships we maintain with them, are strengths for the Group. We will continue to work to further strengthen these partnerships in order to forge a competitive, sustainable supply chain. In addition to our existing co-creation activities starting from the early stages of development, we are working diligently to eliminate losses and ameliorate issues attributable to us, in order to further create competitiveness and expand mutual benefits. We are also working together with our business partners to improve not only their production sites but also their corporate structure. Through these activities, we will build a supply chain trusted by all our stakeholders together with our business partners, and leverage it for future growth.

Manufacturing

Strengthening our corporate structure through further development of our manufacturing—the core business of the Group—will be essential for achieving our 2030 Vision. To this end, we are developing a high-efficiency production structure that can consistently leverage our competitive edge over rival firms, in order to establish a solid foundation for supporting the growth of our business.

We are advancing sustainable manufacturing globally under the guiding concept of integrating design and production. Our efforts focus on three key pillars: promoting automation of production lines in manufacturing, strengthening organizational capabilities through the horizontal deployment of best practices in management, and building a sustainable production structure through ongoing energy-saving initiatives in the environmental domain.

Yukihiro Yamanouchi

Managing Officer, Corporate Manufacturing Division Executive General Manager

Basic Policies on Value Creation

- Developing high-efficiency, sustainable manufacturing
- Providing innovative production technologies to Group companies and strengthening oversight capabilities
- Building highly efficient production lines using automation and more advanced equipment and molds

History of Our Strengths

1960s The Suzuka Plant, Gyoda Plant (now Saitama Plant), and Hamakita Plant (now Hamamatsu Plant), are established; mass production of products for use in motorcycles and four-wheeled vehicles commences

1990s The Engineering Center is established in Tochigi Prefecture, to provide integrated support for all processes from R&D to mass production, and to resolve technological challenges occurring in production

Our mold production capabilities for both development and mass production are significantly enhanced. In particular, the establishment of in-house mold manufacturing technologies makes a major contribution to improving product quality and shortening lead times

2000s The introduction of jig lines, in which seats are fixed to jigs before being assembled, improves production efficiency while also ensuring quality is delivered

"Business structure reform lines" operate with automated component conveyance and an automated shipping system that enables TS TECH to maintain its own unique production framework, independent of fluctuations in customers' production schedules

2010s A manufacturer of press-formed molds is brought into the Group as a subsidiary, with steps taken to ensure higher efficiency and quality levels in the manufacture of seat frame components

A highly automated jig-conveyor production line for door components is developed in-house and operates at full scale. The line contributes to cost reduction and the internalization of core manufacturing technologies

2020s Seat frame welding process starts on fully automated production lines in which all processes can be completed by robots

As part of our global mother plant functions, seat assembly and verification lines are established at the Saitama Plant to accelerate the early stabilization and refinement of manufacturing processes

Secrets behind TS TECH Strengths

Pursuing rigorously high-efficiency, high-quality manufacturing

To achieve high-quality and cost-competitive manufacturing, the Group has established an integrated in-house system covering everything from the development of molds and automation equipment to production. This structure enables high-cycle molding of resin components, optimized yield in press-formed parts, and labor-saving operations through the use of robotics. In addition to introducing digital technologies into production facilities, we are enhancing productivity and operational strength by developing equipment that reflects on-site feedback and by sharing and deploying improvement initiatives across the Group. To pursue high-efficiency and high-quality manufacturing, we have centralized production technology development within our Engineering Center, which oversees prototype and mass production line design. This structure enables us to quickly feed back production-related challenges—closely linked to quality, cost, and delivery (QCD)—into product specifications.

Reinforcing Our Strengths

Strengthening our initiatives for optimizing production through the establishment of a new Production Technology Building

We are establishing a new Production Technology Building on the premises of the Saitama Plant to accelerate efforts to advance manufacturing technologies and optimize our production systems in collaboration with the Engineering Center. The facility will serve as a central hub for next-generation manufacturing, equipped with pilot lines that enable early verification and integration of product specifications.

Through this facility, we are also promoting the deployment of digital and new manufacturing technologies across all production sites, including those overseas. At the same time, we are accelerating the in-house development of production equipment and strengthening our ability to tailor facility specifications and optimize production systems to meet the specific needs of each site—ultimately enhancing our overall profitability.

Quality

Among the many components used in vehicles, the Group's products are among those positioned closest to passengers and play a vital role in ensuring their safety. For this reason, we recognize that without delivering reliable quality that guarantees safety, we cannot earn the trust of our customers—nor can we enhance our corporate value.

To achieve sustainable corporate growth, we are leveraging our accumulated expertise while promoting digital transformation to deliver next-level quality assurance through predictive detection and the reduction of human error. In addition, we are working closely with our business partners to raise quality awareness across the entire supply chain and to ensure consistently high standards, aiming to remain "A company sincerely appreciated by all."

Yoshiaki Kida

Operating Officer, Corporate Quality Assurance Division Executive General Manager

Basic Policies on Value Creation

- Providing safety and security to all customers
- Delivering a stable supply of products with the same high level of quality worldwide
- Ensuring consistently high quality in the products we develop and manufacture
- Enhancing our quality assurance systems through digital transformation

History of Our Strengths

1980s As part of efforts to strengthen our corporate foundation, the Quality Division is leading company-wide quality improvement initiatives that engage all employees

Reexamination of raw materials and production processes is contributing to enhanced product competitiveness

1990s The Group is expanding its "TC Circle" quality control activities globally. The TC Circle World Tournament functions as a forum for summarizing and sharing best practices across the organization

The TC Circle program—our Group-wide, bottom-up initiative to improve quality and streamline operations—has been sustained to this day

2000s The concept of a "Good Quality Company," set forth in the Group's long-term vision, lays the foundation for a corporate culture that prioritizes quality above all else, with the aim of achieving world-class standards

Quality improvement initiatives are being implemented across all manufacturing sites under the theme of "Incomparable Quality." These efforts include proactive investment in equipment and fostering a stronger awareness of defect prevention

2020s Quality improvement efforts are being accelerated through quality improvement meetings with business partners, enhanced quality awareness initiatives, and the introduction of camera-based inspection systems into manufacturing processes

Secrets behind TS TECH Strengths

Quality assurance structure further enhanced through close partnership between production sites and the Corporate Quality Assurance Division

For a company committed to quality-focused manufacturing, quality defects represent a serious risk that can lead to a loss of customer trust. Behind every defect lie not only dozens of minor issues but also hundreds of near-miss incidents. Recognizing this, we have built a structure that enables proactive defect prevention by raising quality awareness across the Group. This effort is driven by four key pillars: global quality assurance training, enhanced responsiveness to problems and issues, misconduct prevention, and quality awareness initiatives.

To further strengthen our quality framework, we have appointed quality assurance officers at each production site to ensure consistent global standards. In addition, the Corporate Quality Assurance Division in Japan provides strong support for quality improvement activities at all locations.

Reinforcing Our Strengths

Quality control that does not depend on humans

While machine-based inspection processes are increasingly being adopted, certain tasks—such as operational checks and pass/fail evaluations—still rely on human inspectors. As a result, the risk of quality defects due to human oversight or judgment errors remains. To eliminate these risks, we are advancing digital transformation by systematically converting our accumulated expertise into data. This enables the development of systems capable of detecting early signs of abnormalities and identifying subtle changes that may go unnoticed by the human eye. Through these efforts, the Group is building a proprietary quality assurance framework that minimizes dependence on human judgment, ensuring both high efficiency and consistently high product quality.

Accumulated Capital

The TS TECH Group operates a global network spanning 13 countries, delivering value to society through products that prioritize comfort and safety—primarily seats and interior components for automobiles and motorcycles.
In the future, we aim to create sustainable corporate value by strengthening our various forms of capital, achieving both business growth and the resolution of social issues.

Capital	Input (Fiscal 2025)	Initiatives for strengthening capital	Business growth: Creating new value	Business growth: Increasing profits	Business growth: Reducing the cost of capital
Financial Capital	■ Revenue: 460.5 billion yen ■ Operating income: 16.4 billion yen ■ Cash flows from operating activities: 28.7 billion yen ■ Equity ratio: 75.3%	■ Efforts under our 15th Medium-Term Management Plan ■ Building a highly efficient, high-quality production system ■ Utilizing automation and AI to increase efficiency	■ Strategically allocating resources to address changes in the external environment ■ Developing next-generation technologies with speedy R&D including collaboration with partners ■ Expanding sales efforts to acquire new customers	■ Introducing products that are competitive in emerging markets ■ Expanding revenue by achieving growth in the CASE domain ■ Curtailing fixed costs through disciplined investment management ■ Improving asset efficiency by appropriately reviewing cross-shareholdings and reducing cash on hand	■ Maintaining financial soundness ■ Improving capital structure by strengthening shareholder returns based on share buybacks and other measures ■ Making timely and appropriate investment decisions through the Board of Directors
Intellectual Capital	■ R&D expenses: 19.4 billion yen ■ Number of patents held in Japan: 1,881 ■ Number of patents held overseas: 963	■ Developing fundamental technologies that support comfort and safety ■ Fostering personnel with advanced R&D capabilities	■ Adapting to customer needs and creating unique products not offered by competitors ■ Helping to build a sustainable mobility society	■ Developing system and software solutions that transcend the conventional role of a parts supplier ■ Using patented technologies to strengthen the competitiveness of products	■ Focusing R&D efforts on strategic priorities to drive effective initiatives ■ Optimizing development resources through collaboration with partners and other stakeholders
Manufactured Capital	■ Global production system with 47 production sites in 12 countries ■ Production techniques cultivated through years of mass production of seats and interior components for automobiles and motorcycles ■ Capital expenditures: 21.6 billion yen	■ Establishing a new Production Technology Building at our Saitama Plant to accelerate efforts to improve production technology and optimize production systems ■ Horizontally deploying digital technologies and new production technologies	■ Standardizing energy-saving technologies and adopting next-generation energy-saving technologies ■ Promoting energy-free automation using *karakuri* mechanisms	■ Expanding sales and pursuing profits by leveraging a global system of production and supply ■ Reducing costs through continuous production line innovation and operational efficiency improvements ■ Contributing to energy and resource conservation	■ Horizontally deploying cost-reduction initiatives worldwide ■ Reducing inventory and logistics costs by ensuring a stable supply system
Natural Capital	■ Initiatives to reduce environmental impacts, including CO_2 emissions ■ Energy input: 1,540 TJ ■ Water intake: 441,784 m^3	■ Reducing CO_2 emissions by utilizing energy audits conducted by external organizations ■ Actively utilizing steel produced in electric furnaces and recycled resins, helping to reduce environmental impact ■ Improving effectiveness by holding carbon neutrality seminars led by external experts	■ Helping to build a sustainable mobility society ■ Advancing lightweighting technologies while improving comfort and safety	■ Reducing energy costs by adopting energy-saving measures and renewable energy to help build a carbon-neutral society ■ Securing stable profits by creating a sustainable supply chain that complies with laws, regulations, and societal norms	■ Curtailing costs by reducing energy costs ■ Reducing environmental compliance costs through rigorous waste management
Human Capital	■ Number of consolidated employees: 14,163 (Non-consolidated: 1,634) ■ Code of conduct based on our corporate philosophy, the TS TECH Philosophy ▶ pp. 2–3	■ Enhancing human resource capabilities by recruiting diverse personnel and offering tiered and selective training programs ■ Strengthening motivation for growth through aptitude assessments and fostering a sense of ownership via employee stock ownership plans and other initiatives ■ Further instilling and embodying our corporate vision statement of being "A company dedicated to realizing people's potential"	■ Driving innovation through diverse perspectives and capabilities ■ Achieving organizational transformation by fostering self-directed employee growth	■ Creating businesses founded on innovation ■ Improving operational efficiency through IT talent development ■ Enhancing product appeal through software development talent cultivation	■ Enhancing productivity by increasing employee engagement ■ Improving productivity by aligning workforce deployment with employee capabilities and aspirations ■ Optimizing the workforce to match production volume and production capacity
Social and Relationship Capital	■ Relationships of trust built with stakeholders ■ Number of IR/SR meetings held with financial analysts and institutional investors: 233 ■ Partnerships and collaborative frameworks ■ Number of business partners: 628 (domestic and international) (Companies subject to our sustainability compliance verification)	■ Strengthening trust-based relationships with stakeholders through dialogue	■ Expanding value by forging a common purpose ■ Creating unprecedented added value for products by capturing synergies across different businesses	■ Proposing products and solutions that transcend conventional boundaries ■ Stabilizing supply by deepening partnerships, and reducing production costs with risk management	■ Eliminating information asymmetries through timely disclosure and dialogue with stakeholders ■ Promoting productivity improvement and cost reduction through integrated supply chain initiatives

Output (Targets)

Financial targets (fiscal 2030)

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

▶ p. 25

Shareholder returns (15th Medium-Term Management Plan)

Dividends: Implementing sustained, stable returns unaffected by business results

Acquisition of treasury stock: Flexible acquisition and appropriate retirement of approx. 20 billion yen in treasury stock

Non-financial targets (fiscal 2030)

Materiality

- Innovative technology development expenses as a percentage of R&D expenses: vs. FY2021 +10%
- Seat supplier IQS rating*1: 2.0P
- CO_2 emissions reduction rate*2: vs. FY2020 -50%
- Waste reduction rate*3: vs. FY2020 -50%
- Water intake reduction rate and environmental impact from wastewater*4: vs. FY2020 -50%
- Environmental impact: "0"
- Establishment of the TS TECH Fund (matching gift program)
- Engagement rating*5: AAA
- Supplier sustainability guidelines compliance rate*6: 100%
- Percentage of management positions held by diverse human resources*7: 35.0%
- Corporate Governance Code compliance rate: 100%

▶ pp. 48–49

Outcomes / Related SDGs

Offering innovative and appealing products

- Providing safer, more comfortable interiors by developing next-generation technologies
- Achieving sustainable mobility by offering high-added-value features designed for next-generation vehicles

Manufacturing in harmony with nature environment

- Mitigating global warming by reducing CO_2 emissions
- Increasing the use of environmentally friendly materials
- Contributing to a decarbonized society through our products and business operations

Improving human capital and engagement

- Empowering employees to grow and take on challenges in alignment with the TS TECH Philosophy
- Improving engagement by creating an environment that maximizes the capabilities of diverse personnel

Corporate actions to foster trust with society

- Providing compliance training and ensuring thorough compliance with laws and regulations
- Conducting human rights due diligence in global procurement activities
- Engaging in collaborative initiatives with local communities

5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

*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

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.

15th Medium-Term Management Plan Fiscal 2024–2026

Growth strategies	Priority strategy (1) ▶ pp. 26–29 Securing cabin coordination capacity	Priority strategy (2) ▶ p. 16, pp. 36–37 Further growth in new businesses	Priority strategy (3) ▶ p. 15 A higher share of major customers' products
Regional strategies	Priority strategy (4) ▶ pp. 38–43 V-shaped recovery in North America	Priority strategy (5) ▶ p. 36 Restructuring the China business strategy	Priority strategy (6) ▶ p. 37 Strategic growth in new businesses in Europe
Functional strategies	Priority strategy (7) ▶ p. 17 Supply chain restructuring	Priority strategy (8) ▶ p. 29, p. 62 Enhancing efforts to develop environmental technologies	Priority strategy (9) ▶ p. 18 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 FY2018–2020	14th Medium-Term FY2021–2023	15th Medium-Term FY2024–2026	16th Medium-Term FY2027–2029	2030 Vision
Management policy	Building a foundation for ESG management	Corporate evolution through ESG management	Realizing ESG management	Coming soon	Statement: 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 2020 results

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

Fiscal 2023 results

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

Fiscal 2026 targets

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

As of May 14, 2025
▶ pp. 24–25

Driving innovation that withstands external changes

Fiscal 2030 targets

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

▶ pp. 24–25

ESG management: Identifying material issues / Setting KPIs and targets for 2030 → Achieving KPIs and targets for 2030

Core of business operations: TS TECH Philosophy — Vision Statement — A company dedicated to realizing people's potential — A company sincerely appreciated by all

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

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 will always strive to be a reassuring presence for all our stakeholders and a company sincerely appreciated by all.

Management policy Realizing ESG management			
Priority strategies			Initiatives and progress
Growth strategies	1	Securing cabin coordination capacity	• Creating attractive cabin products and technologies Next-Generation Automotive Cabin Exhibition 2024 Active co-creation with companies from other sectors Enhancing systems and software development capabilities Development of electronic control device components such as seat-integrated ECUs Training of advanced engineers ▶ Secured multiple commercial rights for advance development, laying a foothold for obtaining commercial rights for new vehicle models
	2	Further growth in new businesses	• Strategic acceptance of orders for target commercial rights Securing commercial rights for derivative models that incorporate technologies from existing ordered models Securing orders for advanced development on future models by proposing next-generation technologies in advance ▶ Established joint venture with the Krishna Group to acquire additional commercial rights from Maruti Suzuki
	3	A higher share of major customers' products	• Working to further expand our share and boost corporate value Steadily receiving orders for next-generation shared frames Strengthening competitiveness by internalizing ECUs, transducers, and other key technologies ▶ Anticipating achievement of a 70% share, considering changes in the market environment
Regional strategies	4	V-shaped recovery in North America	• 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 Reducing costs by consolidating indirect business management to improve operational efficiency ▶ Achieving profit improvement targets through loss reduction and efficiency gains across all areas
	5	Restructuring the China business strategy	• New initiatives not bound by existing businesses Building new partnerships aiming to secure new customers Expanding use of local manufacturers to lower costs and reduce procurement risks Revamping development systems to respond to the market environment ▶ Steadily launching mass production of new business commercial rights while maintaining high profitability
	6	Strategic growth in new businesses in Europe	• Further business expansion with European automakers Sales development with Poland as a key station Securing parts orders in preparation for increased production volume ▶ Actively conducting broad-based sales activities while pursuing new business opportunities to improve profitability in Poland
Functional strategies	7	Supply chain restructuring	• Toward a sustainable supply chain Balancing stability and profitability through risk visualization and efforts to promote local procurement Working with business partners to reduce supply chain CO_2 emissions volume (Scope 3) ▶ Optimizing parts procurement in Japan and overall procurement operations in the United States
	8	Enhancing efforts to develop environmental technologies	• 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 ▶ Proposing solutions to customers in preparation for mass production, and advancing development toward further evolution
	9	Building high efficiency production structures	• Building a production structure capable of outperforming competitors Continuous evolution of production lines through introduction of digital transformation and AI, and automation Improvement of production management efficiency through system reviews, etc. ▶ Globally deploying production technologies and cost-reduction initiatives
Foundation	Human resources strategies/Financial strategies ▸ pp. 30–33 /Earning a reputation as a quality leader/Promoting and firmly establishing sustainability		

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

Progress on financial goals

The consolidated earnings forecast for fiscal 2026, the final year of our 15th Medium-Term Management Plan, is expected to fall short of the targets: revenue of 430 billion yen, operating income of 16.5 billion yen, and an operating margin of 3.8%.

This shortfall is primarily due to significant changes in the automotive industry environment since the targets were set. These include sluggish sales by Japanese automakers in China, revised production plans for new models such as EVs, and persistently high material and labor costs in the Americas. As a result, profitability improvements remain at an early stage.

Given these developments, we recognize the considerable challenges in achieving our financial goals for 2030. Nevertheless, we remain committed to reassessing our strategies and financial targets proactively, while staying attuned to changes in the business environment.

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

Materiality KPIs ▸ pp. 48–49		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%**
	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%**
	Waste reduction rate	vs. FY2020 **-16%** (Total)	vs. FY2020 **-25%**	vs. FY2020 **-50%**
	Water intake reduction rate and environmental impact from wastewater	vs. FY2020 **-13%** (Total)	vs. FY2020 **-15%**	vs. FY2020 **-50%** **"0" environmental impact**
	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**
	Supplier Sustainability Guidelines compliance rate	**97%** (Subject: 126 domestic suppliers)	**100%** (Subject: Domestic and international suppliers)	**100%** (Subject: Domestic and international suppliers)
	Percentage of management positions held by diverse human resources	**32.5%**	**33.3%**	**35.0%**
	Corporate Governance Code compliance rate	**100%**	**100%**	**100%**

Pursuing further growth in new businesses

To expand its business in the growing Indian automotive market, the TS TECH Group has established a joint venture with the Krishna Group, the main supplier of automobile seats for Maruti Suzuki. The new company, KRISHNA TS TECH AUTO PRIVATE LIMITED, will focus on the development and production of automotive interior components.

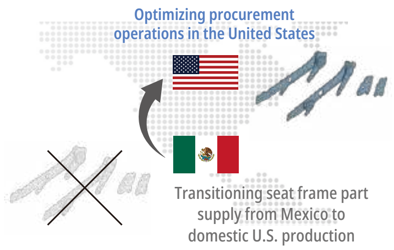
By combining the technologies and extensive know-how of both companies, we aim to establish a product development system that delivers greater added value. Through this, we will actively pursue new orders from Indian automakers and secure new commercial rights from existing customers.


Office opening ceremony

Restructuring the supply chain

To further enhance cost competitiveness, the Group is restructuring its supply chains both domestically and internationally. In Japan, we have improved operational efficiency by consolidating three parts-production subsidiaries into a single entity.

In the Americas, we are establishing an optimal supply chain based on regional trends. As part of this effort, we have shifted production of certain seat frame parts from Mexico to the United States to strengthen cost competitiveness.



Creating New Value for the Next Generation

TS TECH's goal of being an "Innovative quality company—continued creation of new value" is part of its 2030 Vision and drives its efforts to deliver new value to customers. To accomplish this, we are leveraging the wide range of technologies for seats and interior components we have developed over the years to meet the needs of today's ever-changing business environment. As part of our efforts, we held Next-Generation Automotive Cabin Exhibition 2024 at the Tokyo International Forum in November 2024, showcasing how our new interior spaces can help create the future of the automobile.

Overview of Next-Generation Automotive Cabin Exhibition 2024

The Next-Generation Automotive Cabin Exhibition is an event designed to enhance TS TECH's corporate value by presenting new concepts for vehicle interior spaces to stakeholders, incorporating a wide range of innovative technologies.

Held for the second time in November 2024—two years after its inaugural event in 2022—the exhibition responded to customer feedback requesting to see how interior components operate within actual vehicles. To meet this request, we showcased three cutaway models that embodied our vision for unprecedented cabin environments inside real vehicles. These were presented alongside eight other next-generation products designed to meet the diverse needs of today's mobility landscape, for a total of 11 exhibits.

Prior to the main exhibition, we held a pre-event for automakers, which was attended by 11 companies, including Honda Motor Co., Ltd. The event proved to be a valuable platform for future business expansion. Visitors who experienced our latest technologies provided favorable feedback, with comments such as, "We got a real sense of how the seating domain business has expanded to encompass a wider area," and "It was refreshing to see new proposals that addressed the entire cabin space, not just seating."

Scene at Next-Generation Automotive Cabin Exhibition 2024

Exhibited products	Values delivered
Family Comfort Cabin	By offering a wide variety of seat arrangements, this interior creates mobility experiences that help family members develop deeper bonds with each other.
Generation Z Cabin	With a design that allows opportunities both for "sharing with others" and for "personal time," this cabin is compatible with a wide range of lifestyles.
Child Fun Cabin	Offering seat arrangements that suit the needs of parenting, this interior allows families with young children to travel in comfort and peace of mind.
Health Care Seat	This seat provides a health-conscious and comfortable seating experience, thanks to a function which helps improve posture, plus the femtech function.
Heart Rate Display and Vibration Seat	This seat provides vibration stimulation in response to the heart rate of the passenger, to support safer driving and improve the entertainment experience.
Fatigue Level Estimation AI Seat	This seat can boost the performance of e-sports athletes by visualizing fatigue levels.
Sustainable Seat and Door Trim	By reducing the number of different components and materials and making use of plant-derived materials, we contribute to reducing CO_2 emissions and improving recyclability.
Sustainable Motorcycle Seat	We are delivering a reduced environmental footprint while ensuring user comfort by using plant-derived urethane and post-industrial materials.*1
Next-Generation Architecture ECU*2	Next-Generation Architecture ECU uses scalable control technologies to ensure flexible compatibility with the evolution of vehicle functions in the age of the SDV.*3
Seat with High-Efficiency Ventilation	This seat delivers reduced energy consumption and costs while maintaining comfort, through the use of flow channel design to minimize energy loss.
Tough and Functional Off-Road Buggy Seat	This seat ensures a comfortable seated posture even when driving a buggy through harsh environments, delivering both functionality and durability.

*1 Post-industrial materials: Materials generated during the manufacturing process before products reach the market.
*2 ECU: Electronic Control Unit. A unit which controls a system via electronic circuits.
*3 SDV: Software Defined Vehicle. A vehicle whose functions and performance are defined and controlled by software.

Technology that evolves to serve humans: new cabins envisioned by TS TECH

Family Comfort Cabin

Kotaro Tomioka
Development Leader
New Product Development Department

Designing a space that will turn a family's travel time into their "enjoyable moments"

We have incorporated some innovative seat arrangement functions into the limited space of a cabin, with the aim of creating a minivan space where the whole family can spend time in comfort. To the long slide seat rail, which moves backwards and forwards, we have also now added a horizontal slide function, allowing the space to be used in various ways depending on the situation. The face-to-face mode, which rotates the front seats automatically, was a particularly difficult challenge for a minivan of this size with a center pillar construction. However, thanks to our technical expertise and the creative ingenuity of our team members, we have succeeded in creating new opportunities for family interaction. It was the requests we were hearing from people currently raising children that prompted us to develop this design. This development initiative was inspired by feedback from families with young children, who voiced concerns about boredom during traffic jams, overcrowded service areas, and fatigue from long journeys. Our goal was to address these everyday challenges through technology.

In designing the cabin, we went beyond a "children-first" approach to create a comfortable space for adults as well—an environment that serves as a relaxing "living space" for the entire family.

Face-to-face mode

A space that creates new experiences and values

Among our diverse seat arrangement options, the "zigzag mode" features a staggered seat layout that enables clear lines of sight between parent and child, fostering a sense of security and encouraging communication. Seats are equipped with built-in speakers and vibration devices that synchronize with audio and video content to deliver immersive entertainment experiences.

Additionally, the seats include game control functions that connect to smartphones, allowing children to engage in physically interactive gameplay using the seat as a controller. For adults, the Health Care Seat developed by TS TECH supports comfortable activity after long journeys by incorporating a sensing function and air cell device that help reduce fatigue and improve posture. It also features a femtech mode that gently warms the pelvic area to relieve tension and ease menstrual discomfort, addressing the specific needs of female passengers.

Zigzag mode

Femtech function

Creating new value through technical innovation and internal collaboration

To realize the face-to-face seating mode, we focused on designing a layout optimized for vehicle packaging in models with the commonly used center-pillar structure, while also taking manufacturing costs and mass-production feasibility into account. Flexible seat arrangements within limited cabin space were made possible through coordinated control using long slide seat rails, combined with integrated control for all these functions via our proprietary electronic control unit (ECU). Despite encountering technical issues just before the exhibition, our team members took initiative and successfully brought our envisioned cabin space to life.

Driving innovation in mobility experiences

The product we have developed is not merely a concept for display—it marks a meaningful step toward realizing the future potential of minivans.

We will continue refining each technology with the aim of integrating them into production vehicles, while proposing cabin experiences that offer greater freedom and richness for all passengers. As cabin possibilities continue to expand alongside technological evolution, we see the Family Comfort Cabin as a milestone—not a destination—on our journey to creating a future where both children and adults can truly enjoy the experience of mobility. We will continue listening to user feedback as we move forward.

Generation Z Cabin

Kiichi Maegawa
Development Leader
New Product Development Department

Designing a cabin that empowers young people to express their individuality

We developed the Generation Z Cabin with the aim of creating mobility environments that empower young people to express their individuality, in alignment with the values of Generation Z. This cabin features a design that sparks excitement even before boarding, along with emotionally responsive features that reflect the unique preferences of younger users—distinguishing it from conventional vehicle interiors.

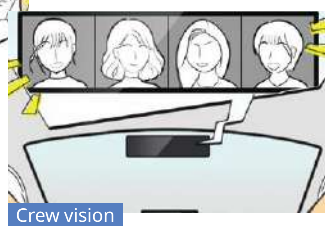
Generation Z, born between the late 1990s and around 2010, includes individuals who experienced the COVID-19 pandemic during their student years. Having grown up with limited opportunities for face-to-face interaction, they place importance on balancing public and private identities. We believe that understanding and embracing these values is key to designing spaces that appeal to this generation.

Spaces that deliver new experience value

The Generation Z Cabin features two modes. The first is "friendship mode," which focuses on shared enjoyment during travel. This mode features a seat layout that minimizes barriers between front and rear seats, enabling natural face-to-face communication. A central table-shaped display presents suggestions from an AI character—such as destinations and music—encouraging group interaction among passengers. Additionally, the rearview mirror is designed to reflect the facial expressions of rear-seat passengers, supporting active communication during travel.

Friendship mode

Communication seats



Crew vision

The second mode, "womb mode," is intended to provide personal time. In this mode, passengers can adopt a fetal position for relaxation, using a "hugging cushion" stored in the door. The cushion expands rhythmically to simulate breathing and deliver warmth. The seat, equipped with air cells, gradually transforms to embrace the passenger from behind, while a canopy emerges from overhead to create a private, secure space. When the air cells are activated, a calming scent is released, and an AI character appears on the monitor inside the canopy to offer calming messages. This design surrounds the user with warmth and scent, creating a deeply reassuring environment.

Womb mode

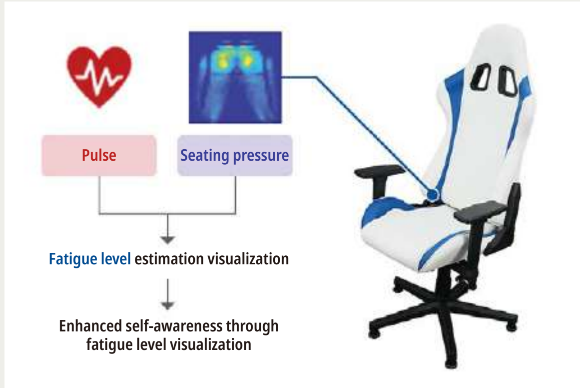
Fetal position

Young employees driving value creation: Challenges and future outlook

I was appointed as a development leader in my third year at TS TECH, and although I initially felt uncertain about whether our ideas could truly be realized, my peers and I continued to refine and test our concepts through trial and error. At the exhibition, we received positive recognition from multiple automakers for the successful realization of our concepts, which made us realize that delivering tangible value is key for conveying our vision to customers. I believe this outcome reflects TS TECH's corporate culture of empowering young employees to take on challenges. Looking ahead, we will continue to advance our technologies toward commercialization, while incorporating feedback from the younger generation to further evolve the mobility experience. Through expanding the possibilities of vehicle interiors, we aim to create future mobility spaces that enable authentic self-expression for all users.

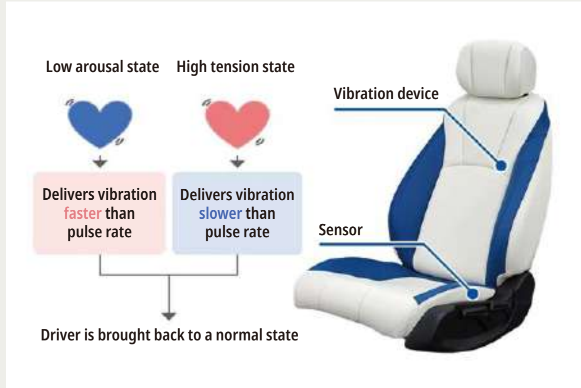
Innovations perfectly adapted to user lifestyles and environments

Fatigue Level Estimation AI Seat



In 2023, we entered into a business partnership with KICONIA WORKS, Inc. to jointly develop a fatigue level estimation algorithm using seating pressure data from seat sensors and heart rate data from smartwatches. By conducting proof-of-concept testing aimed at applying the system to e-sports, we confirmed that visualizing fatigue levels helped improve player performance. Looking ahead, we aim to apply this technology to vehicles to support safer driving.

Vibration Seat with Heart Rate Display



This seat senses the passenger's heart rate using sensors embedded in the seat and a smartwatch worn on the wrist, and delivers vibration stimuli synchronized with the detected pulse rate to help stabilize emotional state and support safer driving.

The seat also supports entertainment applications—for example, by delivering vibration stimuli faster than the passenger's heart rate during dramatic scenes in in-vehicle video content, enhancing the sense of tension and immersion.

Sustainable Seat and Door Trim

Traditionally, seat covers have been manufactured using a wide variety of materials, which complicates recycling. By reducing the number of components and materials used, we have created a simplified material structure that facilitates easier recycling after disassembly. We also optimized the seat structural to ensure comfort even when using plant-based materials. For door trim, we adopted single-material decorative components, enabling recycling without separation process. Finally, our shift from petroleum-derived to plant-derived materials is also contributing to a reduction in product-related CO_2 emissions.

Sustainable Motorcycle Seat

We are contributing to the reduction of product-related CO_2 emissions by increasing the use of plant-derived urethane in seat cushions, partially replacing the traditionally used petroleum-based materials. Despite this shift, we have maintained the same level of seating comfort as previous levels. In addition, the resin frames used in seat structures incorporate not only virgin materials but also scrap resin generated during manufacturing processes at TS TECH and other companies, further enhancing sustainability initiatives.

Financial Strategies

Taking on the challenges of our changing business environment to achieve qualitative growth while increasing corporate value

Hiroshi Naito
Director, Operating Officer
Corporate Business Administration Division Executive General Manager

Interim evaluation of the 15th Medium-Term Management Plan

In April 2023, we set a management policy of "realizing ESG management" and launched the 15th Medium-Term Management Plan (fiscal 2024–2026), which features nine priority strategies. Since that time, however, there have been some major changes in the business environment, including changes in geopolitical risks, continuing high prices of energy and raw materials, and rising labor costs. In particular, the level of uncertainty in the automobile industry has grown at a speed faster than anticipated, including stalling growth in the EV market and changes in the trade policies of the United States.

In fiscal 2025, the second year of the 15th Medium-Term Management Plan, the TS TECH Group recorded higher revenue but lower operating income. While the depreciation of the yen contributed to increased revenue, this was partially offset by several one-time factors, including production declines—particularly in China—and impairment losses in Europe. As a result, revenue reached 460.5 billion yen (up 18.8 billion yen year on year), while operating income declined to 16.4 billion yen (down 1.0 billion yen).

In the Americas region, where we are promoting our "V-shaped recovery in North America" strategy—one of our key priorities—profitability has continued to improve steadily. We achieved revenue and profit growth for the second consecutive year, with revenue reaching 263.5 billion yen (up 23.4 billion yen year on year) and operating income amounting to 6.1 billion yen (up 2.8 billion yen). These results, achieved despite headwinds such as rising raw material and labor costs, reflect progress in building a profit structure resilient to environmental changes, including the introduction of automation equipment and reductions in production losses.

In China, where we are pursuing our priority strategy of "Restructuring the China business strategy," revenue declined to 70.8 billion yen (down 16.7 billion yen year on year) and operating income to 7.4 billion yen (down 2.5 billion yen), due to a decline in Japanese automakers' vehicle sales amid the rise of local Chinese EV manufacturers. Despite the decline in both revenue and profit, the segment maintained a relatively high operating margin compared to other regions. Looking ahead, we expect the business environment to remain challenging. To stay competitive in the Chinese market, we will continue to optimize our production structure, reduce costs by leveraging local suppliers, and accelerate efforts to secure new commercial rights from local automakers.

For fiscal 2026, the final year of the 15th Medium-Term Management Plan, we are projecting revenue of 430 billion yen (down 30.5 billion yen year on year) and operating income of 16.5 billion yen (up 100 million yen), factoring in earnings pressures such as production declines—particularly in the Americas and China—and foreign exchange effects. To achieve these targets, we will continue implementing cost-reduction initiatives. Despite ongoing volatility in the business environment, the Group's profit structure has continued to evolve steadily. Looking ahead, we will advance a range of initiatives aimed at expanding sales—including in new business domains—and further strengthening profitability.

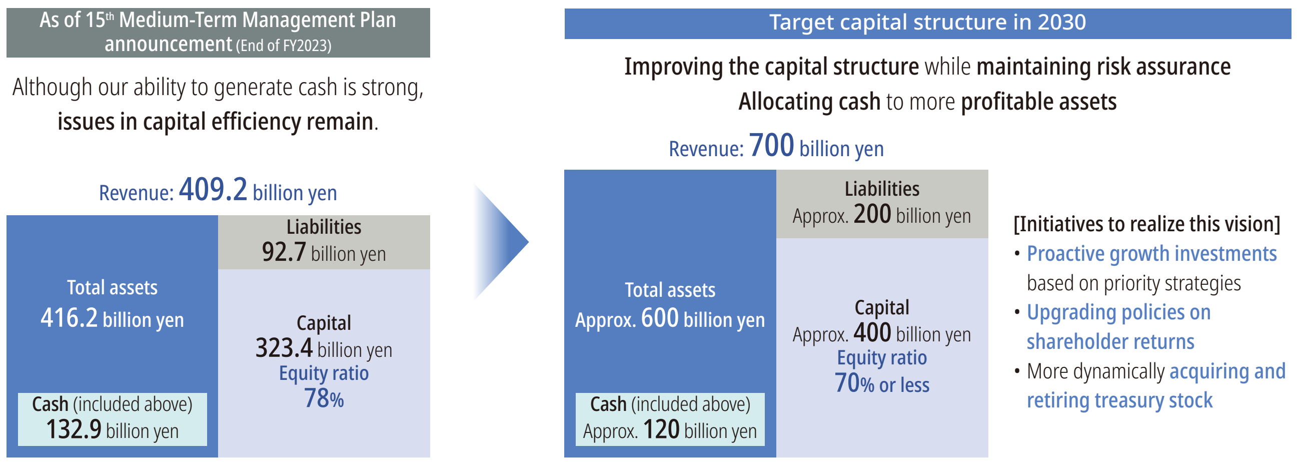
Strategically allocating resources for sustainable growth

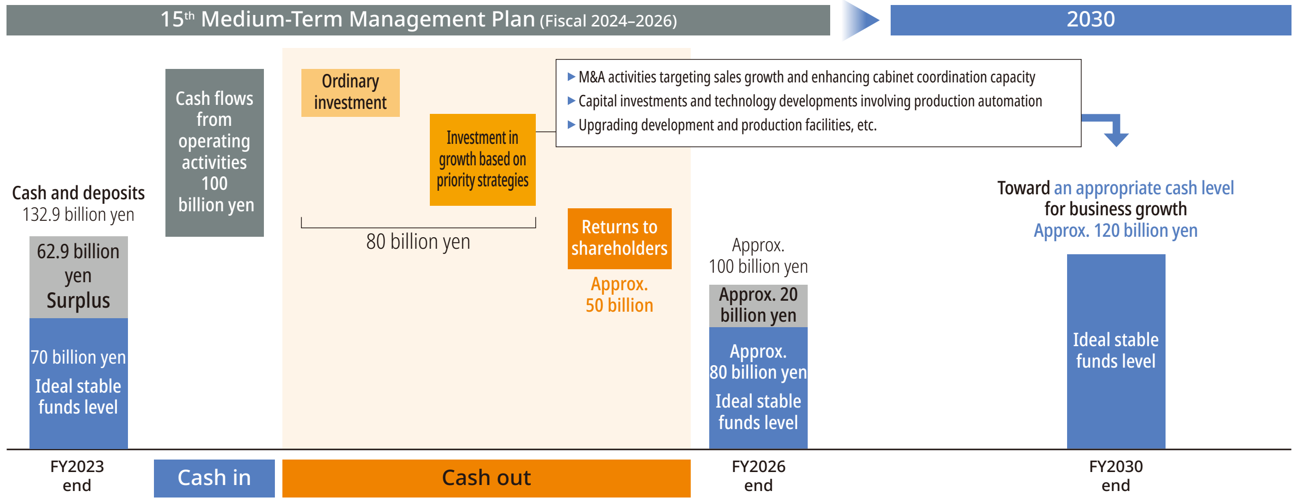
Backed by the solid financial foundation we have built over time, the Group has worked to improve its capital structure while maintaining sound financial health, in pursuit of our 2030 Vision. We will maintain this momentum by allocating cash to higher-return assets, aiming to drive further growth.

Specifically, looking ahead to fiscal 2030, we have defined an appropriate level of cash reserves based on the scale of business operations we envision. By strategically allocating funds in excess of that level to growth investments and shareholder returns, we aim to further enhance corporate value.

In terms of growth investment, in addition to the capital required for regular business operations, we are advancing a wide range of initiatives, including expanding new business opportunities (such as those with Maruti Suzuki India Limited), securing cabin coordination capabilities centered on next-generation technologies, deploying production automation equipment and automated warehouse systems, and revamping our development and production frameworks. By strategically allocating limited management resources to business domains with strong profitability and growth potential, we aim to generate returns that exceed our cost of capital. At the same time, we remain committed to delivering stable and sustained shareholder returns, while improving capital efficiency and enhancing shareholder value.

As EV market growth slows, automakers are revising their strategies, leading to delays of approximately three to five years in the launch of new vehicle models. In addition, the number of models is expected to decline due to development freezes. These trends are expected to intensify competition among interior product suppliers. We view this transitional period as an opportunity to build future earning power and lay the foundation for success beyond 2030. To achieve high-quality growth, we are focusing on initiatives such as optimizing the value chain, investing in advanced technologies and human capital, and leveraging digital technologies including AI. Through strategic capital allocation, we aim to drive sustainable business growth and improve profitability over the medium to long term.





Returns for our shareholders

At TS TECH, delivering returns to shareholders is positioned as a key management priority. Based on our fundamental policy of implementing sustained, stable returns unaffected by business results, independent of short-term performance, we plan to steadily increase dividends to achieve a DOE* of 3.5% or more (approximately 30 billion yen) by the end of the 15th Medium-Term Management Plan (fiscal 2026). In addition, through flexible acquisition and retirement of treasury stock totaling 20 billion yen, we plan to deliver total shareholder returns of approximately 50 billion yen over the three-year period of the 15th Medium-Term Management Plan.

Based on this policy, the dividend for fiscal 2025 was 83 yen per share (up 10 yen year on year), and we plan to increase it to 90 yen per share in fiscal 2026 (up 7 yen year on year). This would mark 14 consecutive years of dividend increases and is expected to achieve a DOE* of 3.5% or more.

We acquired 15 billion yen in treasury stock during fiscal 2025 and plan to acquire an additional 5 billion yen in fiscal 2026,

Development of the basic policy for shareholder returns

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

Implementation of shareholder returns

May 2024–November 2024	June 2025–March 2026	May 2025
Tender offer/market purchases	Market purchases	Retiring of stock
Approx. 15 billion yen	Approx. 5 billion yen	12 million shares
Implementation complete	Implementation currently underway	Implementation complete

for a total of 20 billion yen. At the end of May 2025, we retired 12 million shares previously acquired. These actions are progressing as planned under the 15th Medium-Term Management Plan, which targets total shareholder returns of 50 billion yen over three years. Although major changes are anticipated in the business environment going forward, we will maintain our basic policy on shareholder returns, aiming to deliver sustained, stable returns for shareholders from medium- to long-term perspectives.

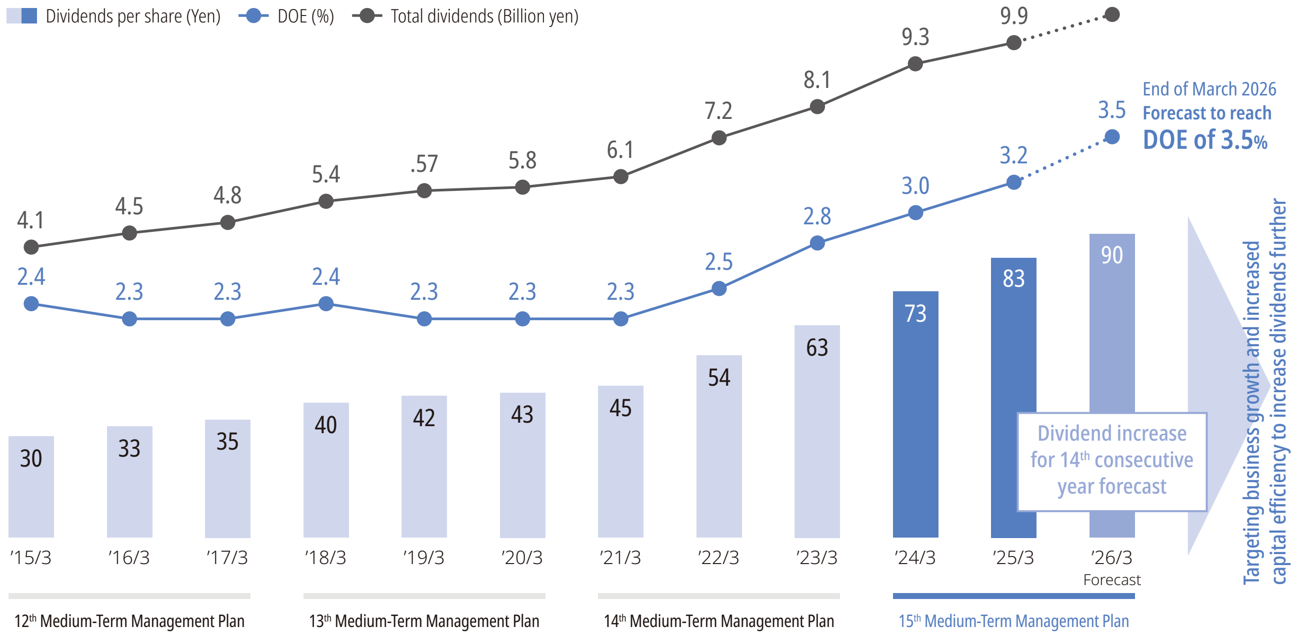
* Dividend on equity ratio (DOE) = Total dividends / Shareholders' equity (Equity attributable to owners of parent)

Toward sustainable enhancement of corporate value

As of March 31, 2025, TS TECH's price-to-book ratio (PBR) stood at 0.65 (stock price: 1,680 yen), a level we recognize does not sufficiently reflect stakeholder expectations. This is attributable to several factors, including the challenging conditions facing the automotive industry as a whole, a gap between our profit targets under the 15th Medium-Term Management Plan and actual performance, caused by production cuts at automakers, and continued ROE below our cost of capital—highlighting the need to improve capital efficiency.

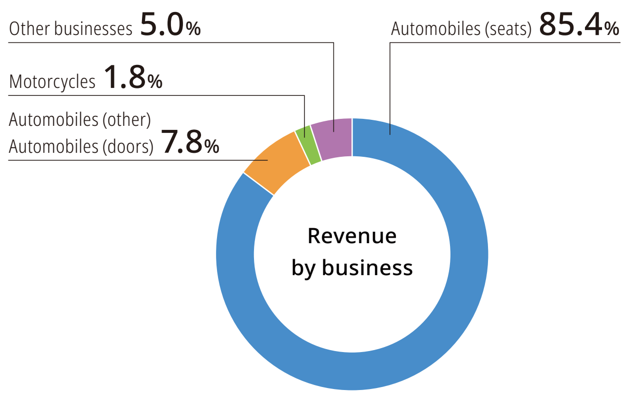
To overcome this situation, it is essential to improve our ROE—our earning ability—beyond the cost of capital. Achieving this will require the steady execution of our nine priority strategies and greater resilience in responding to changes in the business environment. In particular, organizational strength that enables us to swiftly and flexibly plan and implement initiatives is critical. To support this, we are actively investing in digital technologies and, in line with our TS TECH Philosophy of being "A company dedicated to realizing people's potential," enhancing our investments in human capital and employee engagement. These efforts are key to driving sustainable growth and long-term profitability.

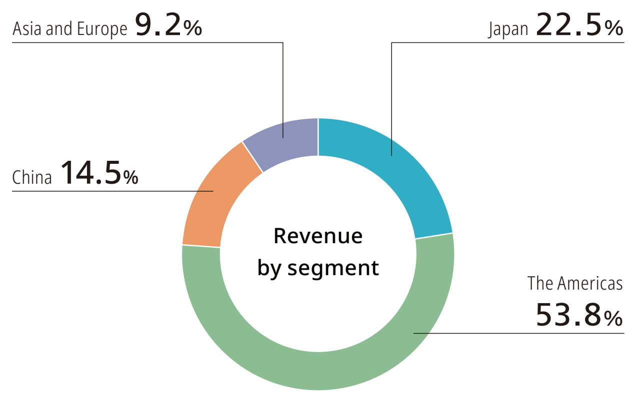
Dividend trend



Note: On April 1, 2021, the Company conducted a two-for-one stock split of its common shares. Dividend amounts shown in the chart are calculated on the assumption that the stock split had been in effect since the beginning of the fiscal year ended March 31, 2015.

By enhancing our ability to generate returns and improve capital efficiency, through all these initiatives, we will achieve a PBR of 1 at the earliest opportunity, aiming to fulfill the role expected not only by the capital markets but by all our stakeholders as "A company sincerely appreciated by all." Going forward, we will continue to make unremitting efforts to achieve this goal.





Results by segment for fiscal 2025

Japan

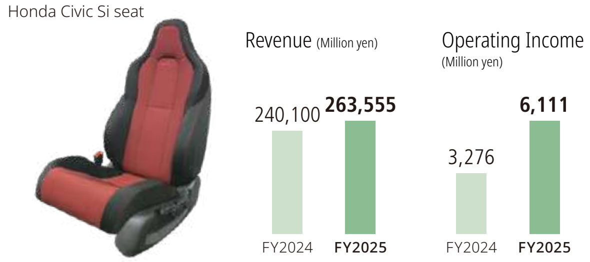
This fiscal year, we began producing seats for the new Honda Freed, rear seats for the new Honda N-Box Joy, and other models. By stepping up the automation of production lines, consolidating domestic subsidiaries responsible for component production, promoting technological co-creation, and streamlining processes, we will establish a more efficient production structure.

Honda Freed seat

The Americas

This fiscal year, we began producing seats for the new Honda Civic Si and other models. We are working steadily to improve profits by introducing automated facilities, and improving the utilization rates by reducing production losses. We will work hard to boost profitability by advancing the automation of production lines, looking ahead to the launch of next-generation models.

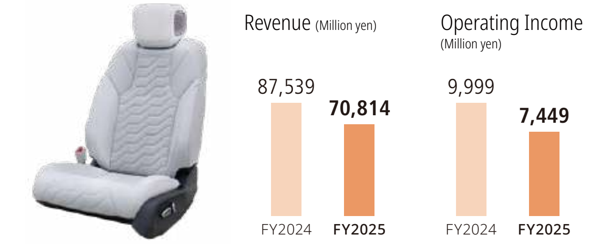
Honda Civic Si seat



China

This fiscal year, we began producing front seats for the new Honda S7 and other models. To strengthen TS TECH's presence in the increasingly competitive Chinese market, we are working with competitive local suppliers, setting in place an agile local development framework adapted to local needs, and working to increase our share of business with major customers and to secure new commercial rights.

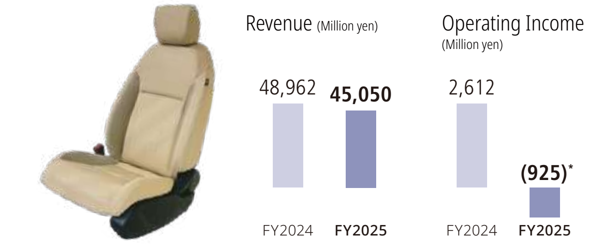
Honda S7 front seat



Asia and Europe

This fiscal year, we began producing front seats for the new Honda Amaze and other models. In the Indian market, which is growing dramatically, we have not only expanded production capacity by establishing a new plant but have also made the decision to establish a joint venture with the Krishna Group, a major supplier of seats to Maruti Suzuki India, with the aim of securing further commercial rights.

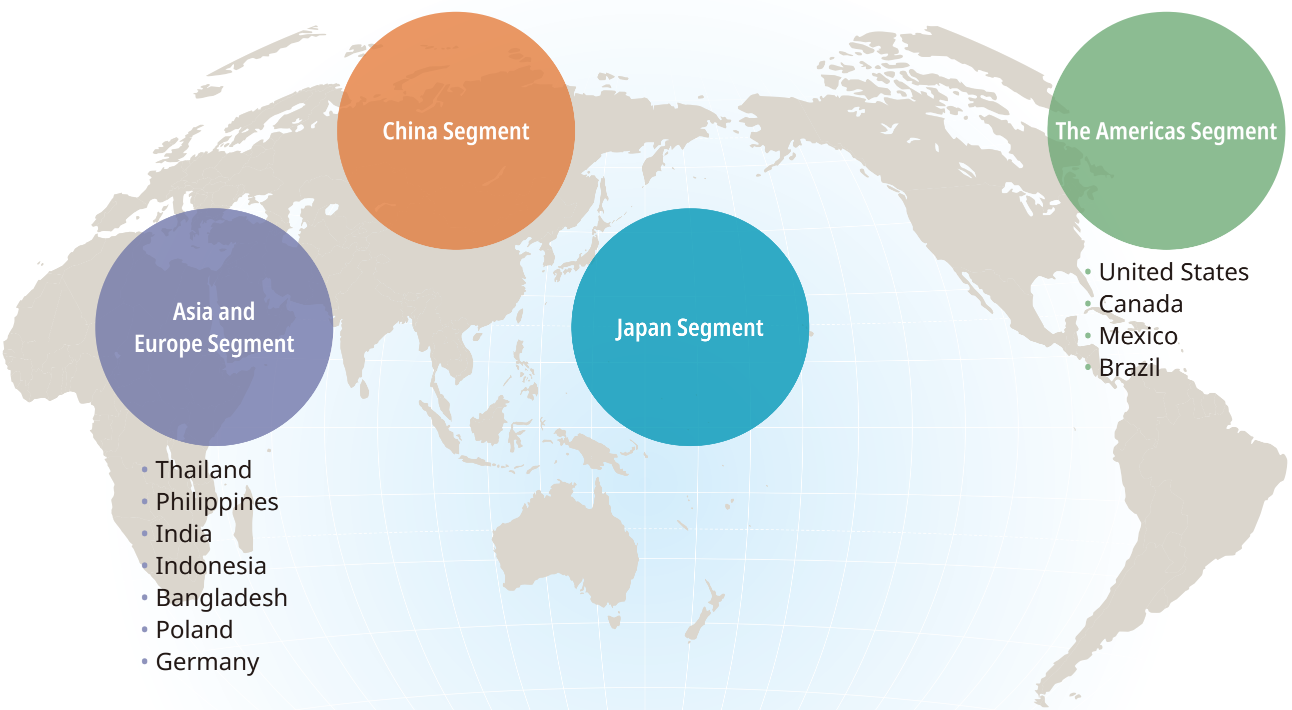
Honda Amaze front seat



* Includes impairment loss on fixed assets at the consolidated subsidiary in Poland

Generating Value in Four Regional Segments

The TS TECH Group organizes its business operations into four regional segments, with Japan as one of them. We are committed to achieving sustainable business growth by expanding our business opportunities, introducing automation equipment, reducing production losses, and improving cost efficiency.



13 countries **45** companies **14,163** people

	Japan	The Americas	China	Asia and Europe
Number of affiliated companies in the TS TECH Group*1	8	16	9	12
Number of employees*2 (People)	2,274	8,232	1,769	1,888
Motorcycle business revenue*3 (Million yen)	4,379	300	—	3,523
Automobile business revenue*3 (Million yen)	68,547	254,123	68,019	38,533
(Seats)	65,439	225,794	66,545	35,424
(Interior products)	3,108	28,329	1,474	3,109
Revenue from other businesses*3 (Million yen)	15,069	7,921	—	95
Total*3 (Million yen)	87,995	262,345	68,019	42,153
Capital expenditures (Million yen)	6,330	11,588	1,597	2,138
Revenue (Million yen)	110,467	263,555	70,814	45,050
Operating income (Million yen)	10,359	6,111	7,449	(925)
Operating margin (%)	9.4	2.3	10.5	—

As of the end of March 2025

*1 This number includes TS TECH, its subsidiaries, and major overseas affiliates.
*2 This number includes employees of TS TECH and consolidated subsidiaries.
*3 Inter-segment transactions are eliminated by offsetting and only revenue from sales to external customers is presented.

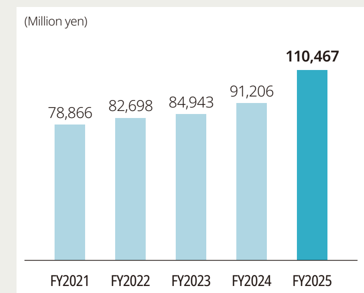
Segment Market Analysis

As the market environment in each region and the global situation continue to change, the business environment in each segment where the TS TECH Group operates is also undergoing significant transformations. In order to respond accurately and effectively to these changes, we have incorporated regional strategies into the 15th Medium-Term Management Plan, and are accelerating measures tailored to the characteristics of each region.

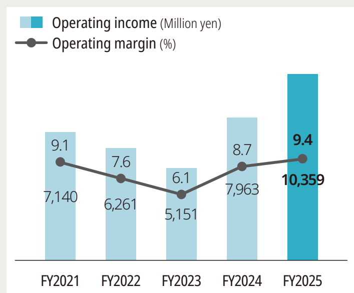
Japan Region

Japan region in figures

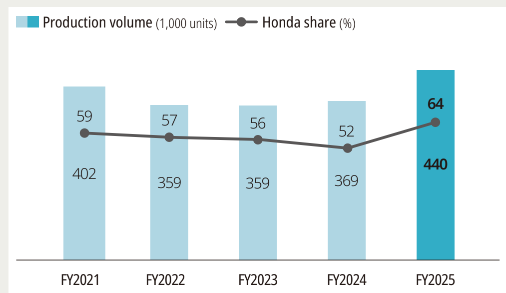
Revenue



Operating income / Operating margin



Honda automobile seat production volume / Honda share



Market Analysis

Demand in Japan's automobile market continues to shrink due to structural societal changes, including a falling birthrate, an aging society, an overall population decline, and a trend among younger generations moving away from car ownership. Moreover, the automobile market is already mature, and demand is mainly driven by vehicle replacement. Against this backdrop, product development tailored to the diversification of customer needs and their evolving lifestyles will significantly influence sales trends. In response, competition among automakers has intensified, and in addition to cost competitiveness, the overall strength of their products, including quality, fuel efficiency, comfort, and safety, is now under scrutiny. In addition, changes in the external environment, such as increases in material prices and logistics costs, are also adding risks to profitability.

Furthermore, as a result of production site optimization efforts by our customers, there has been an increase in cases in which foreign-manufactured models are supplied to the domestic market. Consequently, within the TS TECH Group, the composition of production models in the Saitama region is changing, requiring us to adapt to production systems that differ from the traditional ones. On the other hand, in the Hamamatsu region, we have started production of rear seats for the Suzuki Spacia under a newly acquired order, and production operations continue to run steadily.

Current Challenges

Going forward, as the intense competition among automakers continues, it will be crucial to transform the company into a more resilient organization capable of securing stable profits while responding in a flexible manner to fluctuations in our customers' production volumes. In the production domain, it is essential to further expand automation of processes within plants, including part conveyance, assembly, inspection, and shipment. We also need to enhance production efficiency and flexibility in order to build a structure that can swiftly respond to increasingly diversified product needs. Meanwhile, new technological developments, such as automating product inspection through the proactive utilization of AI and other digital technologies and reducing maintenance and troubleshooting workloads through systems that monitor for early signs of equipment problems, will be essential to enhancing our future competitiveness.

Future Goals

In the Japan region, while further improving the production efficiency of each plant, we will also aim to establish a base for developing production technologies that support more stable, highly efficient manufacturing, which will serve as the mother plant for the TS TECH Group.

Specifically, at the newly constructed Production Technology Building at the Saitama Plant, we will conduct preliminary verification of product specifications and manufacturing equipment using pilot lines for new models. Through these efforts, we will ensure a smooth transition from development to mass production, while providing support to our group bases around the world. We will also accelerate research and development to enable the early adoption of digitally enabled manufacturing technologies, and will strive to improve profitability by establishing a highly efficient production system.

China Region

Yuji Otani

Senior Managing Officer
China Segment Executive General Manager

Roadmap for Achieving the Goals in the 15th Medium-Term Management Plan
Priority strategy (2) Further growth in new businesses
Priority strategy (5) Restructuring the China business strategy

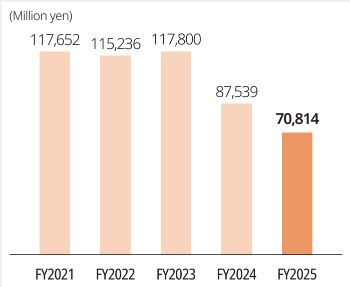
Fiscal 2024 — Step 01: Reformed manufacturing system in anticipation of a decline in production volume
- Reviewed allocation of personnel and workforce optimization in line with production volumes
- Strengthened cost competitiveness by promoting a shift to local procurement and identifying local suppliers
- Reviewed local development systems and improve development speed

Fiscal 2025 — Step 02: Accelerated activities to acquire new business opportunities in order to expand sales
- Strengthened sales promotion activities targeting the Guangzhou Automobile Group and Changan Automobile Group (three commercial rights already acquired)
- Secured local development resources independent of Japan
- Strengthened product verification to optimize specification requirements for parts, materials, and other components in the China region, with the aim to enable more competitive pricing

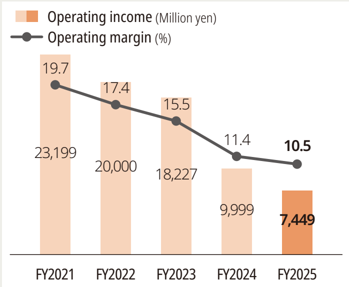
Fiscal 2026 — Step 03: Build development and production systems better tailored to market needs
- Implement rigorous sales improvement activities at manufacturing bases
- Improve development efficiency to keep pace with the rapid development cycles in China
- Strengthen cost competitiveness by optimizing supply chains

China region in figures

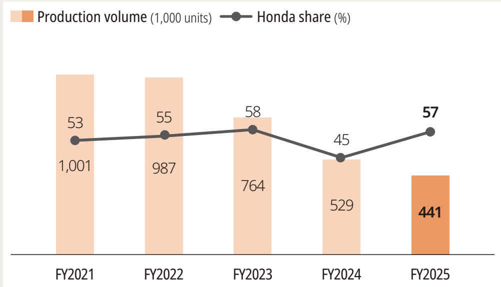
Revenue



Operating income / Operating margin



Honda automobile seat production volume / Honda share



Market Analysis

In the China region, the market environment has been undergoing drastic changes in recent years due to the emergence of Chinese automakers that have swiftly responded to the expansion of the EV market. As a result, Japanese automakers, along with their counterparts from other countries, are facing unprecedented challenges. Even under these circumstances, the TS TECH Group promptly recognized the changes in the market environment and has been working to improve profitability by vigorously pursuing optimization of its production system since 2023. Despite these efforts, however, as in the previous fiscal year, we were forced to report a decline in both revenue and profit for fiscal 2025, due to the impact of significant production cuts by our customers, which exceeded our initial expectations. This remarkable growth of Chinese manufacturers is expected to continue in the future, driven by plug-in hybrid EVs and battery EVs that combine cutting-edge technologies and functionality on par with global automakers with overwhelming price competitiveness.

Current Challenges

The current automotive need in the China region is to combine cutting-edge technologies and functionality with low prices. Against this backdrop, we recognize that the most pressing challenge for the TS TECH Group is to boost our cost competitiveness. Previously, we set our specification requirements for materials and parts in accordance with Japanese quality standards. However, to compete effectively, we must reduce production costs through every possible means—by aligning with the local standards adopted by Chinese automakers, improving manufacturing processes, and lowering fixed costs. In addition, securing new orders to drive sales growth remains a key priority. We also recognize the importance of building a development framework and securing resources that can keep pace with China's uniquely fast development cycles.

Future Goals

The market environment in the China region remains challenging. However, as a vast market that continues to grow even as the number of domestically sold new vehicles has exceeded 30 million, China remains a region of crucial importance to the TS TECH Group in terms of our business strategy. It is precisely during such challenging times that opportunities for significant growth arise. We will further strengthen our trusted cooperative relationships with various automakers, including our main customer, Honda Motor, as well as with our joint venture partners who collaborate with us in business operations. Simultaneously, we will advance key initiatives by concentrating on both strengthening our development and manufacturing capabilities and expanding sales. These initiatives will help us solidify our position in the Chinese market as a supplier of automotive interior products.

Asia and Europe Region

Takahiro Kobori

Managing Officer
Asia and Europe Segment Executive General Manager

Roadmap for Achieving the Goals in the 15th Medium-Term Management Plan
Priority strategy (2) Further growth in new businesses
Priority strategy (6) Strategic growth in new businesses in Europe

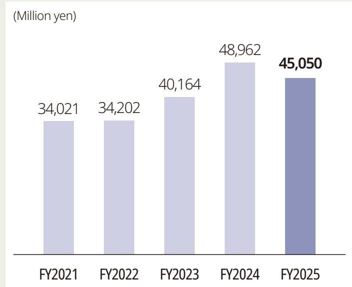
Fiscal 2024 — Step 01: Pursued new market development in Asia and laid the groundwork for future orders
- Worked to strengthen sales efforts to ensure acquisition of orders for new models produced in Asia in the business with Honda
- Developed new customers targeting Japanese, Chinese, and European manufacturers in Asia
- Explored measures to strengthen product development capabilities to support new customer acquisition in India

Fiscal 2025 — Step 02: Invested in further growth and strived to improve profitability
- Worked to cut production costs to maximize profits on orders for new models
- Expanded the manufacturing plant for production of automobile seats for Maruti Suzuki in India
- Signed a memorandum of understanding regarding the establishment of a joint venture company in the development and production fields with a major supplier of Maruti Suzuki in India

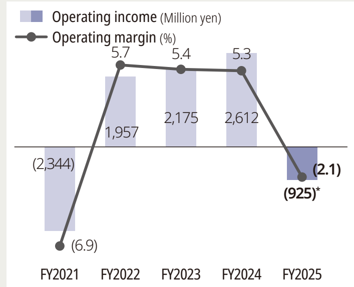
Fiscal 2026 — Step 03: Build a next-generation customer base and strengthen profit generation under the leadership of regional headquarters
- Enhance profit-generation activities across the Asia region, led by the regional headquarters in areas such as sewing operations
- Conduct order acquisition activities to secure commercial rights from new customers in Thailand
- Establish a joint venture company in India, and acquire new customers by leveraging development capabilities that respond to regional needs

Asia and Europe region in figures

Revenue

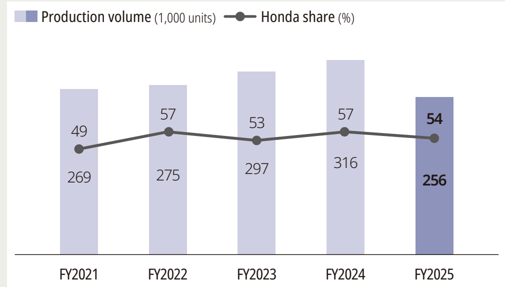


Operating income / Operating margin



* Includes impairment loss on fixed assets at the consolidated subsidiary in Poland

Honda automobile seat production volume / Honda share



Market Analysis

The market environments in Thailand, Indonesia, and India, the TS TECH Group's key Asian production hubs for automobile seats, are diverging. While automobile production in Thailand and Indonesia peaked in 2018 and has stagnated since, annual production in India exceeded six million units in 2024 and is expected to continue growing substantially in the future. The rise of Chinese automakers backed by government-led EV promotion policies in each country and the growth of Korean and local manufacturers in India are causing significant fluctuations in the automobile market shares across those countries. In this environment, the TS TECH Group, whose main customer is the Honda Group, continues to face intense competition in each country. Meanwhile, the EV market in Europe has plateaued, and development schedules among European automakers are being delayed, contributing to rapid and ongoing changes in the regional market environment.

Current Challenges

The automotive market in Asia is expected to continue growing in the future, and expansion of sales in this region will become a crucial driver of the sustainable growth of the TS TECH Group. However, as the brand power of Japanese automakers shows signs of weakening, maintaining our traditional business model, which targets only a limited customer base, could limit our future opportunities. As an urgent priority, we must explore new approaches that do not rely on past success models and work to acquire new customers and new commercial rights. Furthermore, contributing to profits through cross-regional cost reductions that leverage the characteristics of the Asian region, where we operate across multiple countries, will be essential to enhancing the competitiveness of the TS TECH Group.

Future Goals

Acquiring new customers and new commercial rights is our highest priority in Asia. In 2025, we established a joint venture company for seat development and automobile part manufacturing with the Krishna Group, a major seat supplier to Maruti Suzuki, which holds a leading share in the Indian automobile market. By leveraging the joint venture's development capacities tailored to local needs, we will aim not only to strengthen and expand the Maruti Suzuki account but also to secure new orders from domestic Indian automakers. We have also revamped our existing sales structure in Thailand and established a business development unit at the regional headquarters, which has begun implementing new approaches to engage potential customers. We will strive to ensure that these initiatives deliver tangible results, positioning the Asia region as the growth engine of the TS TECH Group.

The Americas Region

Yasushi Suzaki

Director, Senior Managing Officer
Americas Segment Executive General Manager

Roadmap for Achieving the Goals in the 15th Medium-Term Management Plan
Priority strategy (4) V-shaped recovery in North America

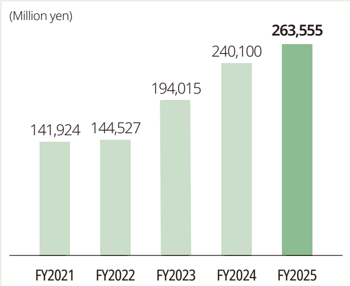
Fiscal 2024 — Step 01: Established policies for V-shaped recovery in North America profitability
- Promoted automation in manufacturing processes
- Reduced costs by improving the manufacturing structure
- Reconfigured production and procurement allocations

Fiscal 2025 — Step 02: Executed established initiatives
- Introduced and tested automated equipment in advance for next-generation models
- Reduced costs further through continued production system improvement
- Expanded new procurement sources

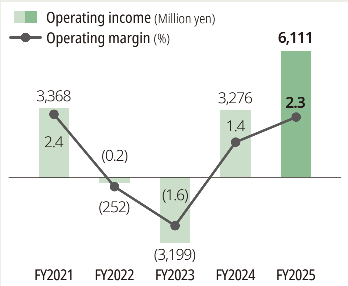
Fiscal 2026 — Step 03: Further develop the Americas region
- Expand automated production equipment to additional areas
- Improve the production system through outsourcing
- Reorganize procurement structures by strengthening partnerships

The Americas region in figures

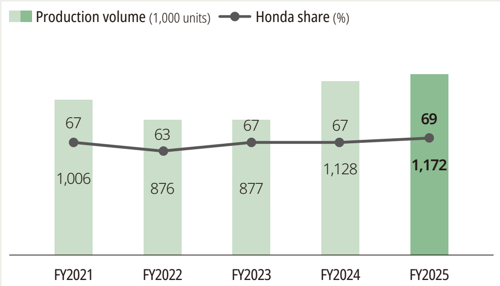
Revenue



Operating income / Operating margin



Honda automobile seat production volume / Honda share



Market Analysis

Annual new vehicle sales in the United States, the largest automotive market in the Americas, exceeded 16 million units in 2024, marking the highest level since before the COVID-19 pandemic. This indicates that the market is gradually recovering. Despite expectations for continued steady growth going forward, the shift in U.S. environmental policies has slowed EV sales, resulting in revisions to our customers' development plans, increasing market uncertainty. Furthermore, depending on U.S. trade policy trends, it may become necessary to revise and reconfigure production allocations across the entire supply chain, raising concerns about potential disruption throughout the industry. On top of this, labor costs continue to rise due to wage increase demands from the United Auto Workers, among other factors. Together, these developments create complex challenges that require a flexible response.

Current Challenges

We recognize that, in order to achieve "V-shaped recovery in North America," which is one of the priority strategies under the 15th Medium-Term Management Plan, we must address the key challenges of advancing automation and enhancing operational efficiency, while reducing reliance on human labor. Amid uncertain market trends, including industry-wide production allocation revisions and the uncertain progress of EV adoption, establishing a production system capable of flexible response is an urgent priority.

Compliance with environmental regulations, such as achieving carbon neutrality and the mandatory use of recycled materials, represents an unavoidable challenge over the long term. In the face of these environmental changes, it is also crucial to secure stable procurement for parts and materials, as well as reliable logistics.

Future Goals

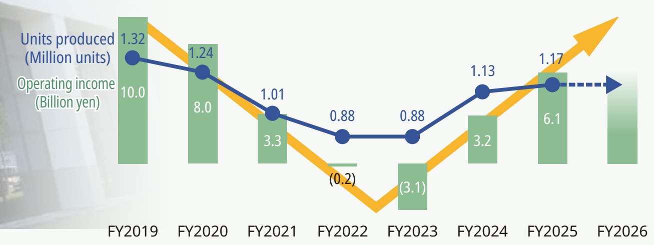
We are gradually establishing a production system that can flexibly respond to fluctuations in the volumes of both EVs and gasoline-powered vehicles. At the same time, we are promoting the development of a supply chain capable of stable parts procurement under any circumstances. By building a resilient and high-margin operating model that can withstand environmental changes, we aim to achieve a strong V-shaped recovery in profitability.

Enhancing the profit structure in the North American region is not merely a short-term objective aimed at addressing immediate challenges. We believe that it will serve as the foundation for strengthening the TS TECH Group's overall profit structure with a future-oriented, long-term perspective. Going forward, we will continue to pursue rigorous efficiency improvements through automation and other initiatives, striving to achieve a transformation toward a highly profitable structure.

Special Feature on the Americas

Initiatives for a V-Shaped Recovery in North America

The Americas region is a vital strategic base for the Group, accounting for approximately 50% of total sales. Amid mounting pressure on profitability due to recent changes in the business environment, TS TECH has positioned a "V-shaped recovery in North America" as one of the key strategies in its 15th Medium-Term Management Plan and is actively pursuing initiatives to achieve this goal. In this feature, we speak with local employees in the Americas about the current situation and their efforts toward realizing this recovery.



How are the changes in the automotive industry perceived in the Americas?

Paul Brumfield
TS TECH AMERICAS, INC.
Executive Vice President

With over 30 years of experience and a proven track record in the industry, Paul now serves as Executive Vice President, where he is driving innovative approaches to support business growth.

Paul: The automotive industry in the Americas is currently being significantly affected by external influences, including shifts in government policy and the diversification of consumer preferences. In recent years, the transition to electric vehicles (EVs) has accelerated, prompting the industry to intensify its efforts in this area. At the same time, however, policy reversals—such as the withdrawal of EV mandates and the loosening of emissions regulations—have led to signs of a resurgence in gasoline-powered vehicles. These developments reflect the rapid and unpredictable changes occurring in the business environment, with ripple effects spreading throughout the supply chain. In this increasingly uncertain landscape, it is more important than ever to detect early signs of change and respond with agility and speed.

What is the current status of the V-shaped recovery in North America initiative?

Paul: A V-shaped recovery in North America is one of the key pillars of our regional strategy under the 15th Medium-Term Management Plan. Although this goal remains central, customer production plans have continued to fluctuate due to a combination of factors, including a sharp decline in production volumes during the COVID-19 pandemic and ongoing semiconductor shortages.

In such an uncertain environment, flexibility in responding to changing customer needs is essential. However, prolonged volatility may lead to employee turnover and, as a result, a potential increase in internal costs.

In response to the urgent need to improve profitability, we have further accelerated our ongoing initiatives toward high-efficiency production. By actively introducing new automation equipment—from assembly to shipping—we are improving production efficiency and driving cost reductions.

Richard Orr
TS TECH AMERICAS, INC.
Corporate Administration
Vice President

With a background in product development, Richard now leads the corporate administration division, where he is driving initiatives to support a V-shaped recovery in North America, particularly in non-production functions.

Richard: At the same time, improving employee retention has become a key priority. Recent changes in the external environment have brought about significant shifts in employees' work styles and values. In particular, since the COVID-19 pandemic, there has been a growing emphasis on work-life balance and personal time. As a result, overtime and weekend work are increasingly linked to higher turnover rates.

In light of these circumstances, we have been steadily working to simplify and streamline business processes—not only in the production division but also in indirect departments such as human resources, accounting, and others—as part of our commitment to respecting work-life balance and fostering a workplace where employees feel safe and comfortable. Precisely because we are operating in such a challenging business environment, we remain deeply grateful to our employees who continue to work with us, and we are committed to improving workplace conditions and boosting motivation.

What is your vision for the future of TS TECH in the Americas?

Richard: Our goal is to further enhance operational efficiency by promoting the use of AI and digital transformation. Through rapid, data-driven decision-making, we aim to remain resilient and continue taking on challenges without giving up, even in the face of adversity.

Paul: The most important factor in future business operations will be the ability to flexibly adapt to change as needed. As we continue our transformation toward a more resilient corporate structure, we remain committed to cherishing the colleagues who have stood with us through past challenges.

Special Feature on the Americas

Inside the Front Lines of Profitability Recovery in North America:

Challenges Taken On by the People Leading the V-Shaped Recovery

Among all segments of our Group, the Americas region faced one of the most challenging business environments. Yet, it was able to achieve a swift V-shaped recovery in North America—thanks to the dedication of employees across various functions who worked tirelessly toward this goal.
In this feature, we speak with local team members about the challenges they encountered and how they overcame them.

What specific initiatives have you undertaken across different areas to drive the V-shaped recovery in North America?

Steve: Under the TS TECH Group's 15th Medium-Term Management Plan, one of our key strategic priorities continues to be achieving a V-shaped recovery in North America. To realize this, our Americas operations have focused on three core initiatives.

First, we are enhancing production efficiency while maintaining high product quality. By integrating these elements at a high level, we have built a system that ensures stable supply and minimizes production losses.

Second, we are driving profitability through VA/VE (Value Analysis/Value Engineering) activities. Cross-functional teams from development, sales, and purchasing have collaborated to reassess component sourcing and strengthen partnerships with suppliers to improve cost efficiency.

Third, we are expanding our customer base and expanding our new commercial rights. By showcasing our products at automotive technology exhibitions, we have created opportunities for direct engagement with potential customers, leading to new business development.

Joe: While the development department focused on designing products that are easy to manufacture, the sales and purchasing divisions concentrated on cost reduction to enhance product competitiveness. As part of this initiative, we reviewed our supply chain and reidentified competitive suppliers that meet our internal standards. Taking into account the geographical relationship between our plants and suppliers, we prioritized nearby suppliers to improve logistics efficiency and reduce transportation costs. We also visited Group companies and suppliers across the Americas to closely examine procurement routes and design specifications, and other related aspects of individual components, identifying areas for improvement and implementing changes step by step.

Jamie: In the area of production, we have worked to enhance efficiency through automation, while also striving to boost engagement among production employees. Although we continue to expand the scope of automation, this does not mean that all manual processes have been eliminated. We remain mindful that manufacturing is only possible thanks to the dedication of our employees on the production line. By properly recognizing their daily efforts and expressing our appreciation, we aim to foster stronger engagement. This approach helps reduce employee turnover, thereby minimizing the training time and personnel costs associated with workforce changes.

Furthermore, by minimizing disposal costs and production line downtime caused by defective products, we reduce related production losses and overtime, achieving both greater efficiency and improved work-life balance. We believe that creating a comfortable work environment—while embracing the diverse cultures and values of our employees—is based on our corporate philosophy of being "A company dedicated to realizing people's potential."

Tsuge: In terms of our production facilities, we have actively promoted the development of a highly efficient production system through automation. Achieving such efficiency requires improvements on both the software and hardware fronts. On the software side, as previously noted, we have worked to improve the working environment, while on the hardware side, we have focused primarily on implementing automation technologies.

Since the beginning of the 15th Medium-Term Management Plan, we have been facing a persistent labor shortage, and a rapid improvement in this situation is unlikely in the near future. To address this challenge, we must continue advancing automation initiatives. Automation not only improves production efficiency but also contributes to a more comfortable working environment by reducing the need for manual handling of heavy components.

Currently, TS TECH USA CORPORATION has the most advanced automation technologies in the Americas for transporting components and finished products within the plant. We intend to actively deploy these technologies across other sites in the future. ▸p. 43

What was a particularly difficult aspect of achieving a V-shaped recovery?

Steve: In development, we promoted VA/VE initiatives to achieve both cost reduction and ease of manufacturing in our designs. Naturally, customers expect high-quality products at competitive prices. To meet these expectations, we must challenge conventional design approaches and pursue innovative product development without being constrained by past practices.

In addition, the rapidly changing market environment has significantly accelerated the pace of product development compared to just a few years ago. Designing high-quality products within shorter time frames is no easy task. To remain competitive, companies must be able to adapt flexibly—not only in their development methodologies but also in how they allocate personnel and structure their organizations.

Jamie: In production, our biggest challenge was staffing. Customer production schedules were highly volatile, making it difficult for any part of the supply chain to plan accurately. Under these conditions, flexible production became even more critical, and we frequently had to operate on scheduled days off.

In particular, Saturday shifts—which had previously occurred only once a month before COVID-19—became almost weekly for a time. This led to a vicious cycle of rising workloads and continued employee attrition.

Joe: While the impact of COVID-19 played a role in the situation, changes in government economic policies and other external factors have also had a significant effect. When policies shift, customer strategies often follow suit, requiring a coordinated response across the entire supply chain.

Our main customer had initially planned to focus on EV production in the Americas, but in response to changing external conditions, it has revised its strategy to continue producing gasoline-powered vehicles for the time being. We were in the midst of preparing for this transition, and as part of the supply chain, we must build a resilient team capable of responding flexibly to such sudden changes.

Jamie: These challenges could not be resolved by our efforts alone, but we remained committed to finding solutions. We focused on improving our production lines—including automation and other process enhancements—and worked to build systems such as inventory management that can flexibly respond to production fluctuations.

As a result, weekend and holiday work decreased, leading to a more positive atmosphere within the company and contributing to a gradual decline in employee turnover across departments.

Tsuge: Through a range of initiatives—from large-scale investments to improvements on the production floor—we are seeing a positive trend in profitability. A strong directive from management emphasized the need to prepare for a shift in market conditions in which EVs and gasoline-powerel vehicles would grow in parallel.

In line with this directive, we proactively prepared our operations, and as a result, we have made progress in building flexible production lines capable of efficiently manufacturing a wide range of models to meet diverse customer needs. We believe these production lines will become a key driver of our future growth.

Production
Hidekazu Tsuge
TS TECH Co., Ltd.
Seconded to TS TECH USA CORPORATION
Manufacturing
Senior Chief Engineer

Production
Jamie Tuma
TS TECH USA CORPORATION
Vice President

Development
Steve Krantz
TS TECH AMERICAS, INC.
Product Development
Vice President

Sales and purchasing
Joe Doucette
TS TECH AMERICAS, INC.
Corporate Commercial Relations
Executive Chief Administrator

→ Toward Further Improvements

What initiatives are planned for the future?

Steve: To navigate these turbulent times, companies must maintain a high level of competitiveness. If we fail to adapt to the changes ahead, we risk falling behind our competitors. Embracing change and continuing to take on challenges with a flexible mindset will be key to acquiring new commercial rights and gaining new customers.

Jamie: To drive business transformation, we must adopt new perspectives and break free from conventional thinking. By actively leveraging AI and other technologies, software, and systems, we believe we can achieve further improvements not only in production but also across administrative functions such as human resources and finance.

Tsuge: Under the 15th Medium-Term Management Plan, we actively promoted automation across our operations, and we intend to further accelerate the deployment of automation technologies in the next plan. To support continued automation and the evolution of our production lines, we are working closely with the Engineering Center in Japan to streamline equipment testing and other preparatory steps, enabling the early launch of new automated systems.

A Japanese engineer conducting on-site testing

Joe: Teamwork is essential for manufacturing that meets the expectations of all stakeholders. At the TS TECH Group, we foster strong collaboration between Japan and North America, within each site in the Americas, and at times with other regions. This is undeniably one of our core strengths.

In my area, we are further enhancing organizational resilience and flexibility by strengthening collaboration with suppliers. Drawing confidence from the teamwork that has enabled us to overcome numerous challenges, we will continue to move forward as one unified team—advancing our V-shaped recovery and striving for sustainable growth beyond it.

TS TECH AMERICAS, INC

Established: May 1995
Business areas:
General management of Americas region
Research and development
The Americas Head Office

TS TECH USA CORPORATION

Established: December 1994
Business areas:
Manufacturing of seats and seat frames for four-wheeled vehicles

Sustainability line at TS TECH USA CORPORATION plant

As part of our commitment to sustainability, we have established a dedicated production line within the plant to provide a safe and supportive environment for employees with disabilities. By performing tasks aligned with their individual strengths, these team members contribute meaningfully to our manufacturing operations.

This initiative exemplifies how one of our Group's core corporate philosophies—being "A company dedicated to realizing people's potential"—is deeply embedded in our daily operations.

Employees working on the sustainability line

Special Feature on the Americas: Automation and Efficiency in Production Processes in the Americas

As part of our efforts to achieve a V-shaped recovery in North America, we are developing a highly efficient production system for each production site. One specific example is the adoption of automation equipment by TS TECH USA CORPORATION, our primary production site in the United States.

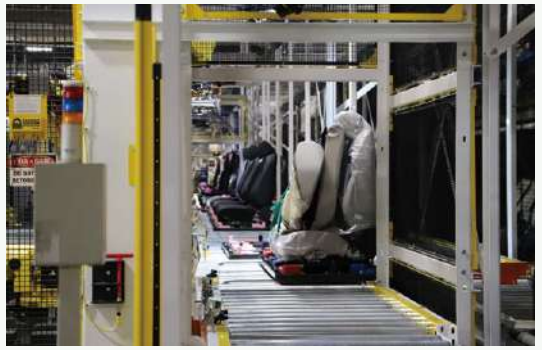
Autonomous Mobile Robot (AMR)

In fiscal 2023, we introduced AMRs into the factory to perform autonomous parts conveyance between production processes. In the past, we used magnetically guided automated guided vehicles (AGVs) and embedded magnets in the floor to mark the conveyance routes. However, this necessitated construction when changing or building new routes, and caused issues with annual repair costs and the time required for bringing routes on line. The new AMRs we introduced use a built-in camera to automatically grasp the layout of the factory and move autonomously. This has eliminated the need for construction when changing the factory layout, and allowed for more flexible operation. As a result, we were able to reduce the labor required for transport by 25% under our 15th Medium-Term Management Plan and curtail annual repair costs to 1/6th of what they were previously. Moreover, AMRs can move 40% faster than AGVs, helping to make internal factory logistics significantly more efficient.

Automated Storage and Retrieval System (ASRS)

When manufacturing products, the model and specifications (such as equipment and color) must be delivered in alignment with the customer's production schedule and delivery format. Previously, we assembled front and rear seats on separate production lines and stored them together on a single pallet in an automated storage and retrieval system (ASRS), which allowed for non-manual storage and retrieval. These were then shipped at the appropriate time according to the customer's production sequence.

However, under this method, if one production line was halted for quality inspection, the other line also had to stop, resulting in idle time. Prolonged production instability led to increased overtime, which significantly impacted operational efficiency. To address this, we are currently expanding the ASRS and reconfiguring the factory layout to make each production line independent. We have established a system in which completed front and rear seats are stored separately, and retrieved individually from the ASRS before shipment to be placed on pallets. This enables more flexible production on each line and is expected to reduce production losses. In addition, we plan for the stabilization of production to help reduce our employee turnover rate by decreasing overtime hours and holiday work.



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. 52–55	• Global distribution of the message from the Representative Director across all Group sites • Engagement survey • Various education and training sessions • Interviews about transfer requests through regular feedback meetings with supervisors • 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, financial analysts, and individual shareholders
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. 57–59	• 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 (224 programs around the world in fiscal 2025). 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

Relationships with customers

Offering new interior spaces for next-generation vehicles

The automotive industry is undergoing dramatic changes in both market conditions and technology. To respond flexibly to this evolving environment, it is essential to accurately identify customer needs and proactively propose products that exceed expectations. In this context, opportunities for dialogue with customers that incorporate product and technology proposals are becoming increasingly important.

In November 2024, we held our second Next-Generation Automotive Cabin Exhibition, presenting proposals to automakers both inside and outside Japan. Building on the valuable feedback received during the previous event, we provided visitors with the opportunity to experience products that embody our envisioned technologies within actual vehicles. In the future, we will continue to position such dialogue-based forums as a driving force for sustainable growth, refining our proprietary technologies and proposing even more appealing products. ▸pp. 26–29


Next-Generation Automotive Cabin Exhibition 2024

Relationships with shareholders and investors

Building mutual trust-based relationships through information dissemination and dialogue

We actively engage in IR activities to help shareholders and investors gain a thorough understanding of the Group's business performance and management policies. We promptly publish financial results and provide timely disclosures through our website, and hold regular meetings with financial analysts and institutional investors in conjunction with quarterly earnings announcements.

We place strong emphasis on appropriate information disclosure and two-way communication, conducting over 230 investor engagements annually. In March 2025, we also hosted factory tours for individual shareholders, offering valuable opportunities to observe actual production lines and gain deeper insight into our initiatives to enhance quality and production efficiency.

In the future, we will continue to engage in ongoing dialogue to build stronger relationships of trust and increase our corporate value.


Individual investors listening to process explanation during plant tour

Relationship with local communities

Social contribution activities rooted in local communities

The Group engages in social contribution activities tailored to each locality, based on the Group Vision Statement of being "A company sincerely appreciated by all."

In fiscal 2025, each of our locations in the United States collaborated with local fire departments to donate Christmas presents to children in need. We are also expanding initiatives to support the healthy development of children around the world. These include computer guidance for local students by employee volunteers at TS TECH (THAILAND) CO., LTD., and baseball clinics hosted by the baseball club at our Saitama Plant for local elementary and junior high school students.

Toy drive activity held in the Americas

Sustainability

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
*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 2025	Main agenda items
1st Meeting: May 30, 2024	• Discussed quantitative assessment of climate-related risks and opportunities for the Group, as well as information disclosure • Discussed the establishment of an internal award program (Social Contribution Activities Award)
2nd Meeting: October 31, 2024	• Discussed revision of TS Code of Conduct and Directives, and Basic Environmental Policy • Reported on measures concerning climate change and biodiversity • Reported on donations by the TS TECH Fund
3rd Meeting: March 19, 2025	• 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 • Shared challenges identified from social demands and ESG external evaluation results

Initiatives to Foster Awareness of Sustainability

Embodying its vision statement of "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all," the TS TECH Group carries out initiatives across different regions to help address diverse social issues and contribute to the realization of a sustainable society. We hold an annual internal awards ceremony featuring the Sustainability Award and the Social Contribution Activities Award to select exemplary practices from these initiatives and share them throughout the company. We recognize and honor employees who have contributed to our activities, aiming to boost individual motivation and foster awareness of sustainability.

Sustainability Award

This program recognizes initiatives that contribute to achieving materiality KPIs and resolving social issues through business activities. For fiscal 2025, we selected the following two cases as exemplary practices and recognized and rewarded the employees who worked on these initiatives.

1. Initiative to reduce environmental impact through the development of original recycled resin

The development of recycled resin materials that can be used at a similar cost to conventional materials is expected to contribute to reducing environmental impact.

2. Launch of electricity sales operations at the Thailand site and initiatives to reduce environmental impact through solar power generation

We have secured a difficult-to-obtain electricity sales license and established the Group's first new business venture in this area. Going forward, we expect this venture to contribute to improving profitability and reducing environmental impact in the Thailand region.

Social Contribution Activities Award (newly established in March 2025)

This annual award program recognizes and honors initiatives addressing social issues that cannot be resolved through business activities alone. It encompasses all corporate-led social contributions across our TS TECH Group, including those overseas. For the inaugural fiscal 2025, the Sustainability Committee screened numerous candidates and selected and awarded 15 projects.

Environmental field	1 project
Education support field	6 projects
Regional contribution field	8 projects

Social Contribution Activities Award: Examples of recipients

Forest conservation activities in collaboration with local communities
Tochigi workplace

Educational activities integrating community sports and community childcare support
Honda Cars SAITAMAKITA CO., LTD.

Rice packing activity in collaboration with a food assistance platform
TS TECH (HONG KONG) CO., LTD.

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

Procedure for Identifying Material Issues

Surveys ▶ **Identification and organization of issues** ▶ **Prioritizing of issues** ▶ **Consultations with outside experts** ▶ **Selection of materiality** ▶ **Approval by management**

- **Surveys**: Based on international standards and guidelines such as the GRI Standards and the core subjects of ISO 26000, we studied identification methods.
- **Identification and organization of issues**: Each department identifies risks and opportunities in the external environment and within the company based on business plans, etc. The Corporate Planning Division, which serves as the lead, consolidates these findings and identifies and organizes issues along both business and social axes
- **Prioritizing of issues**: Issues were evaluated and prioritized in terms of their importance to stakeholders and their importance to the TS TECH Group.
- **Consultations with outside experts**: We exchanged opinions with outside experts on the issues identified to verify their scope and validity.
- **Selection of materiality**: Out of 24 items, eight material issues were selected to be addressed by the TS TECH Group.
- **Approval by management**: Prior to submission to the committee, discussions are held with the involvement of senior management. The proposal is then approved by the Executive Committee and submitted to the Board of Directors, where further deliberation is conducted, and resolved if deemed appropriate

Category	Related SDGs	Material issues	Vision	Materiality	Materiality KPIs	14th Medium-Term Management Plan results	15th Medium-Term Management Plan		2030 targets
							Fiscal 2025 main initiatives	Targets	
Society	8, 9, 12	Providing attractive, innovative new products and technologies that exceed society's expectations	• We will create new value that exceeds the expectations of customers and help to build safe, secure, and prosperous societies by providing attractive, high-quality automobile interiors.	Developing attractive, innovative technologies	Innovative technology development expenses as a percentage of R&D expenses	vs. FY2021 +2.6%	• R&D based on a vision of next-generation cabin spaces • Eco-friendly R&D	vs. FY2021 +3%	vs. FY2021 +10%
				Improving product quality	Seat supplier IQS rating*1	8.8P	• Improvement activities targeting obstacles to exterior quality • Ongoing exterior quality improvement committee activities	7.0P	2.0P (stable high levels)
Environment	6, 7, 12, 13, 15	Reducing impact by practicing environmentally friendly manufacturing to build a sustainable world	• Aiming for a decarbonized society, we will work to contribute to reducing our environmental impact by pursuing energy savings and effective use of resources, starting with product design and continuing throughout every stage of the product life cycle. • We will strive to ensure that all of our employees have a high level of environmental awareness, while working to protect the environment and conserve ecosystems based on the concept of "giving greenery back to the earth."	Responding to climate change	CO_2 emissions reduction rate*2	vs. FY2020 -16%	• Lateral deployment of energy conservation measures • Studying regionally optimized use of renewable energy and drafting plans for adoption	vs. FY2020 -25%	vs. FY2020 -50%
				Recycling and effectively using resources	Waste reduction rate*3	vs. FY2020 -16% (Total)	• Studying recycling of major waste • Surveying trends to reduce water intake and studying related measures	vs. FY2020 -25%	vs. FY2020 -50%
					Water intake reduction rate and environmental impact from wastewater*4	vs. FY2020 -13% (Total)	• Preparing checklists on water leakage, etc., and implementing inspections • Surveying trends to reduce water intake and studying related measures	vs. FY2020 -15%	vs. FY2020 -50% "0" environmental impact
				Harmoniously co-existing with nature	Establishment of the TS TECH Fund (matching gift program)	Program survey Study of plans	• Establishing the TS TECH Fund • System operations and donations to nature conservation organizations • Publicizing donations internally and externally	Establishing a TS TECH Group donation program	Establishing a TS TECH Group donation program
Corporate foundation	5, 8, 9, 5, 17	Respecting diversity and developing structures to maximize individual abilities	• We will respect the human rights of all stakeholders and offer rewarding working environments in which each and every employee makes the most of their diverse talents. • We will engage in diversity-positive, highly transparent management to fulfill our corporate social responsibility (CSR), achieve sustainable business growth, and enhance corporate value.	Respecting human rights	Engagement rating*5	C	• Lateral deployment of collected improvement case studies • Development and implementation of action plans	BB	AAA
					Supplier Sustainability Guidelines compliance rate*6	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)
				Reforming work styles to make the most of diversity	Percentage of management positions held by diverse human resources*7	32.5%	• Continuing proactive mid-career hiring	33.3%	35.0%
				Strengthening governance	Corporate Governance Code compliance rate	100%	• Formulating a Human Rights Policy and implementing human rights due diligence • Proactive disclosure in corporate governance reports	100%	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

Interview with the Chairperson of the Sustainability Committee

Continuing to be "A company sincerely appreciated by all" by staying attuned to change and maximizing the potential of each person

Satoshi Hirano
Operating Officer
Corporate Administration Division Executive General Manager
Appointed the Chairperson of the Sustainability Committee in April 2025

Please introduce TS TECH's sustainability initiatives during the midpoint year of the 15th Medium-Term Management Plan.

The TS TECH Group has identified key material issues to prioritize in its efforts to help build a sustainable society. We have set KPIs and 2030 targets and are actively pursuing initiatives to achieve them. In fiscal 2025, the midpoint of the 15th Medium-Term Management Plan (fiscal 2024–2026), we advanced these initiatives largely in line with the original plan and achieved tangible results.

In the Environment category, we established an Environmental Working Group as a subcommittee of the Sustainability Committee. This has created a framework enabling the entire TS TECH Group to work with steadier momentum toward achieving carbon neutrality and promoting resource circulation. This working group conducts specialized and multifaceted discussions on the horizontal roll out of energy-saving measures, the study and planning of methods to introduce renewable energy methods tailored to community characteristics, and the promotion of water intake reduction and waste recycling, thereby enhancing the effectiveness of its activities. Furthermore, in December 2024, we made a donation to the Nature Conservation Society of Japan through the TS TECH Fund matching gift program, which we launched in the same year. This series of initiatives have been recognized, and we earned a Leadership level A- rating in the climate change category from CDP, an international nonprofit organization that evaluates environmental initiatives.

In the categories of Social and governance under our Corporate Foundation, we recognize that while progress has been made across various initiatives, certain targets—such as improving employee engagement—still present significant gaps. As fiscal 2026 marks the final year of the 15th Medium-Term Management Plan, all relevant departments will work in close coordination with the Sustainability Committee to clearly identify current challenges, implement agile and effective measures, and ensure these efforts translate into tangible outcomes.

	Materiality KPIs ▸pp. 48–49	14th Medium-Term Management Plan results	15th Medium-Term Management Plan targets	2030 targets
Corporate foundation	Engagement rating	C	BB	AAA
	Supplier Sustainability Guidelines compliance rate	97% (Domestic business partners: 126)	100% (Domestic and international business partners)	100% (Domestic and international business partners)
	Percentage of management positions held by diverse human resources	32.5%	33.3%	35.0%
	Corporate Governance Code compliance rate	100%	100%	100%

(Note) Partial excerpt

How are you proceeding with human capital management?

The TS TECH Group upholds "A company dedicated to realizing people's potential" as one of its core principles, believing that people are the decisive factor in a company. With this thinking, we are enhancing our training programs and introducing employee stock compensation plans, among other initiatives, to create a multifaceted environment where diverse talent can demonstrate their capabilities to the fullest.

Above all, we regard the safety and health of our employees as the top priority in our human capital management, and are committed to establishing and continuously improving a safe workplace environment where all employees can work with peace of mind. Specifically, we systematically conduct risk assessments based on an Occupational Health and Safety Management System (OHSMS) to identify potential hazards within the workplace and to plan and implement countermeasures.

Basic procedures of the risk assessment process

1. Determine the scope and units for risk assessment
2. Identify sources of hazards
3. Estimate risks (rank by frequency, likelihood, and severity)
4. Assess risks (determine if residual risks are acceptable) ➡ If unacceptable, reassess
5. Mitigate risks: Determine control measures
6. Initiate implementation and monitor ⇒ Monitor the effectiveness of control measures

From the perspective of health, we collaborate with our occupational physicians to provide tailored support based on employees' health checkup results and working hours. To cite one example, we strive to prevent physical and mental health issues while maintaining overall well-being by implementing proactive consultations with occupational physicians and following up with reexaminations at medical institutions.

Furthermore, at each site, the Safety and Health Committee, composed of representatives from labor and management, holds regular meetings for management and labor union representatives to exchange opinions. Through sharing each other's initiatives, both sides work together to create a safe workplace environment. Furthermore, in addition to safety and health training at the time of hiring, we are focusing on enhancing employee awareness of occupational safety and health by enriching our training programs. This includes upskilling training for risk assessment personnel and mental health care education for line managers.

We obtained ISO 45001 certification at all domestic business sites in September 2024 to promote these occupational health and safety initiatives more systematically. Furthermore, for the TS TECH Group, with sites in 13 countries worldwide, occupational health and safety is recognized as a common theme requiring global commitment. Currently, 11 out of our 35 companies, including consolidated subsidiaries, have obtained ISO 45001 certification, and our plan is to gradually expand the number of certified sites. We will continue to build and maintain a safe and secure workplace environment for all employees, striving to create an environment where each individual can demonstrate their abilities to the fullest.

Please share your resolve for the future with a view to the 2030 targets.

Fiscal 2026 marks the final year of the 15th Medium-Term Management Plan, which incorporates "realizing ESG management" as a core management principle. It represents the culmination of ESG management initiatives pursued since the 13th Medium-Term Management Plan (fiscal 2018–2020). We realize ESG management cannot be accomplished solely through the intentions of the management team and select departments. It is crucial that awareness of these challenges permeates the entire TS TECH Group, and that all employees take action proactively. Under this thinking, to further cultivate employees' sustainability awareness, we established the Sustainability Award in 2024 to recognize internal initiatives addressing social issues through business activities. In 2025, we also established the Social Contribution Activities Award to recognize initiatives undertaken outside of business activities. Furthermore, to contribute to the realization of a sustainable society through business activities that consider biodiversity, we have initiated efforts to assess the relationship between natural capital and our business activities in accordance with the framework recommended by the Taskforce on Nature-related Financial Disclosures (TNFD). We began disclosing this information starting in September 2025 and continue to expand the scope of our sustainability initiatives both internally and externally.

In the upcoming 16th Medium-Term Management Plan (fiscal 2027–2029), we will continue this course without change, steadily advancing initiatives toward achieving our 2030 targets, while also responding flexibly and in line with the times by accurately recognizing the constantly changing social environment. In recent years, social demands have been increasing for biodiversity and human capital, information disclosure compliant with international standards, and compliance with various third-party assessments. In light of these circumstances, our Group will continue to advance cross-organizational initiatives centered on the Sustainability Committee during the 16th Medium-Term Management Plan period. We will further strengthen our relationships of trust with all stakeholders by providing timely and accurate information disclosure.

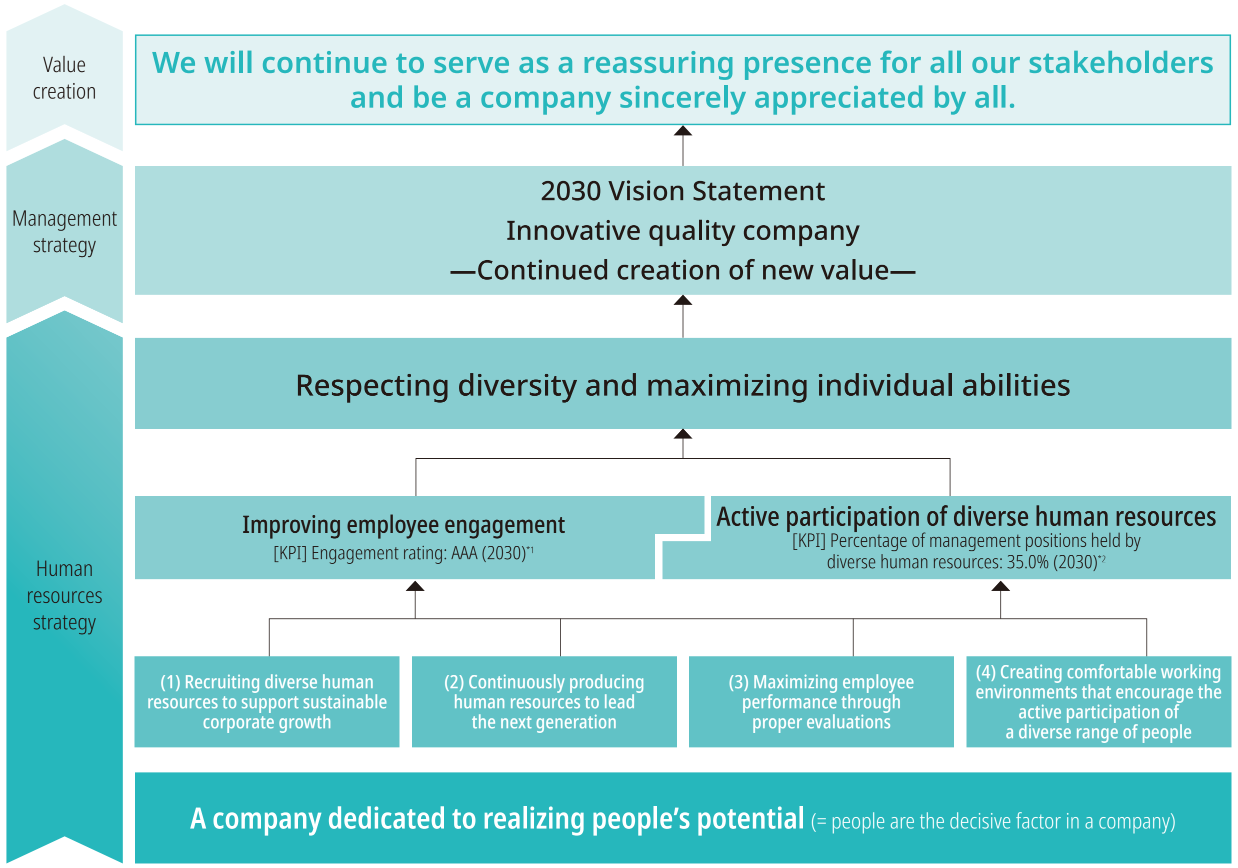
The sustainability we practice is nothing less than the embodiment of our corporate philosophy: to be "A company dedicated to realizing people's potential" and to remain "A company sincerely appreciated by all." To achieve this, we believe it is essential to proactively address various social issues through our daily business activities, rather than launching any special initiatives. As it is people who conduct business activities, hiring and developing diverse talent is crucial for implementing sustainability practices. We will continue to implement measures that enhance engagement and motivation in a sustained manner, striving to build an organization where each and every employee can demonstrate their capabilities to the fullest. By maximizing each person's capabilities, we will drive sustainable corporate growth and contribute to the realization of a sustainable society.

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 third (with a 102.4% 3-year average usage rate) among the 1,715 companies surveyed by Toyo Keizai Inc. in its 2025 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

New perspectives on creating a better organization gained through childcare leave

When I was a section chief, I took about four months of childcare leave following the birth of twins. Although my leave of absence coincided with a busy time of year, my supervisor respected the timing of my request, and thanks to the understanding and proactive cooperation of my colleagues and staff, we were able to put in place a system that allowed me to take childcare leave and focus on raising my children. In addition to the comprehensive systems, I feel that the culture in which employees support each other is one of the company's great attractions.

After returning to work, I took on a new role as a section manager, witnessing the growth of my section members and the evolution of the team, and was greatly inspired by an organization that continues to grow stronger every day. Through my experience raising children, I have also gained a perspective that allows me to empathize more deeply with the feelings of employees who are struggling to balance their work and family lives.

Supported by both the system and the culture, this experience has been a great asset when considering section staff working styles and how to create a better organization. Just as I have been supported by many people, as a manager I will do my level best to create a work environment in which everyone can cope with work and life events with peace of mind in the years to come.

Hiroyuki Abe
Manager
Administration Section
Accounting Department
Corporate Business Administration Division

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 and promoting recruitment activities, 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.

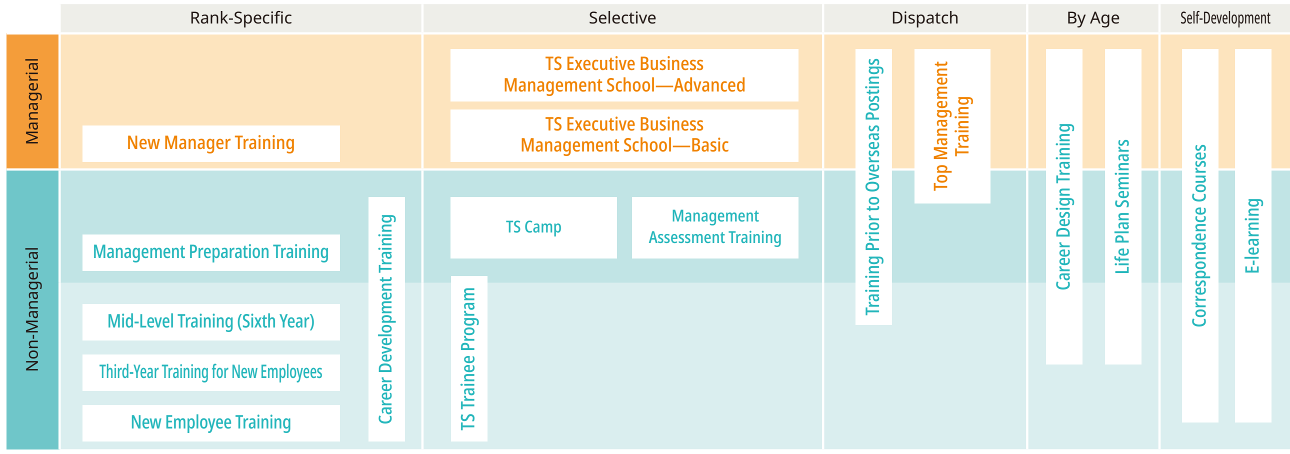
Human Resource Development through Diverse Training Systems

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.

Having installed an e-learning system introduced with the aim of encouraging independent learning and strengthening our in-house training, we are working to build a more effective human resource development system by combining the new system with our existing training system.

Human Resource Development Framework



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 (mindset) to become leaders.

On the Advanced course, which we launched in 2024, 14 participants used 360°appraisals* to form a visual picture of their own strengths and weaknesses as seen through their peers and others around them. On the basis of those results, the course led to changes in their behavior as leaders who can drive their organizations by providing individual coaching.

* A method by which an employee is subject to evaluation by multiple people, including superiors, subordinates, and colleagues

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: 79.0% [Fiscal 2025 (non-consolidated)]

Career Development Support That Encourages Motivation to Grow

To accelerate the autonomous growth of employees, we ask all our employees about their career plans and implement job rotations that take those plans into account. Having also introduced an internal job posting system that allows them to apply directly to departments that are hiring, we are creating an environment in which our employees are able to proactively shape their careers.

Going forward, we will continue to support the career development of our employees, for example by holding regular interviews with their superiors to help them realize their career plans, and by providing training with the aim of improving their superiors' interview skills.

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 2025 (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.

Initiatives designed to improve engagement

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
- Holding of roundtable meetings within divisions

Voice

Optimal utilization of human capital to lead to corporate growth

"A company dedicated to realizing people's potential" is one of the vision statements that the TS TECH Group has adopted. This represents our desire to remain a company where all employees have dreams and passion and can work with enthusiasm, based on the idea that people are the decisive factor in a company.

On the basis of this philosophy, we are reviewing our job rotation (JR) operations as one of the measures to maximize the potential of each and every employee. By changing from the traditional, company-led JR system to one that takes into account the wishes of our employees, we are working to boost employee motivation and bring about human resource assignments that empower employees to maximize their performance. We have also put in place an internal recruitment system, creating a mechanism that allows current employees to apply for positions previously open to external mid-career hire quotas. In this way, we will create an environment in which employees can make proactive career choices on their own initiative while leveraging their own strengths, which we hope will lead to increased motivation within the organization and employee growth.

It is my belief that these initiatives will not only stimulate the vitality of the entire organization but also lead to improved corporate competitiveness through the optimal utilization of human capital. In the years to come, I will continue to promote the creation of a work environment in which each and every employee can shine and thrive.

Satoru Yamaki
Manager
Human Resources Planning Section
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.

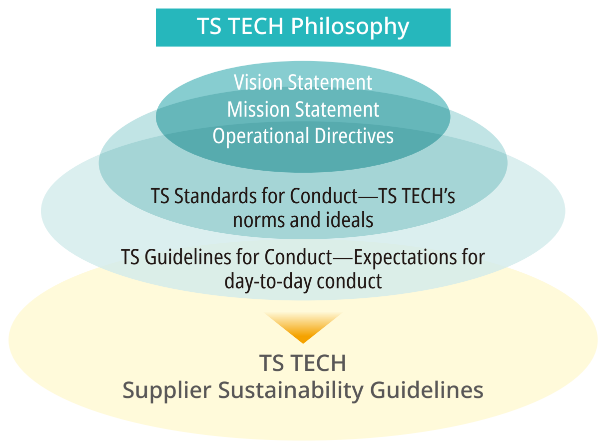
Supply Chain Initiatives

To be a reassuring presence and remain "A company sincerely appreciated by all," there is the need to not only pursue profits through business but also to manage the company from an ESG perspective. Based on the TS TECH Philosophy, our Group aims to realize a sustainable society by promoting initiatives that take into consideration factors such as the environment, safety, human rights, compliance, and social responsibility not only within our own company but along entire supply chains.

Use of TS TECH Supplier Sustainability Guidelines

Our Group has set out the TS TECH Supplier Sustainability Guidelines to share and co-promote our approach to sustainability with our business partners. Having established requirements in six areas—Safety and Quality, Human Rights and Labor, The Environment, Responsible Mineral Sourcing, Compliance, and Information Disclosure—we request that all our business partners comply with the guidelines.

These guidelines are posted on our website and shared with all our business partners, both in Japan and overseas. We also use questionnaires to verify the compliance status of our business partners, and in fiscal 2025, surveyed more than 600 companies at home and abroad. Recognizing this initiative as one of its material issues, the Group continues to implement the questionnaire procedures on a yearly basis while working to build a sustainable supply chain by, for example, checking the status of individual business supplier companies with low compliance rates.



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 for 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 for freedom of association and collective bargaining rights • Adherence to occupational health and safety • Respect for 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

Voice

Responsible manufacturing and corporate value improvements in supply chains

Centered on electrical components for automobile seats, STANLEY ELECTRIC conducts business with TS TECH on a global scale. We have been actively participating in quality initiatives based on the TS TECH Supplier Sustainability Guidelines and fulfilling our role as one link in the supply chain. As a result of these efforts, we were the recipient of the Fiscal 2025 Quality Award.

Having adopted "The boundless pursuit of the Value of Light" as its business philosophy, this company is aiming to contribute to society by providing all its customers with safe and reliable products. By rapidly responding to collaborations on optical technologies and safe and secure products, we will continue to work with TS TECH in the years to come to further strengthen the partnership between our two companies. At the same time, we will bring about sustainable growth in response to major transformations and changes across the industry.

Yasuaki Kaizumi
President and Representative Director
STANLEY ELECTRIC CO., LTD.

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.

パートナーシップ構築宣言

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. Holding an annual conference with major suppliers to explain our medium-term management plan and operating policies and to exchange information, we also present awards to business partners who have achieved excellent results in terms of cost, development, and quality as well as the ESG areas throughout the year.

At the annual conference, we showcase actual products and provide opportunities for delegates to gain firsthand experience of our technologies with the aim of deepening understanding of the company's development policy. Through these initiatives, we will strengthen collaboration with our business partners while promoting the 15th Medium-Term Management Plan along our entire supply chain.

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 gathering and displaying in visual form information in particular from upstream to downstream in the supply chain, we identify procured parts concentrated on a single supplier as "high-risk parts." We then implement initiatives in cooperation with our business partners to prepare for contingencies such as natural disasters and secure alternative procurement sources. In the case of supply chains that are becoming more complex in terms of their distribution channels and hierarchy, we are aiming to minimize overall risk by reviewing their structures and working to consolidate and streamline them.

In response to the increasing frequency of natural disasters in recent years, we have also installed a disaster preparedness information system that combines supply chain information with hazard maps to present potential risks in visual form. We are working to speed up initial response and decision-making under our business continuity plan in the event of an emergency by automatically sending safety confirmation emails to business partners who are expected to be affected by the disaster.

Business partner assessments

To ensure a stable supply of high-quality products to our customers, the Group identifies as especially important those business partners that handle large-scale transactions or irreplaceable parts and conducts an assessment of them once a year. This is a comprehensive assessment that includes QCDDM* and ESG factors.

By prioritizing the selection of business partners with high overall capabilities based on the assessment results, we are also enhancing our Group's competitiveness. Those business partners that are assessed as having scope for improvement are requested to draw up corrective action plans, and each department in the Group collaborates in implementing improvement initiatives, including on-site activities.

* Quality, Cost, Delivery, Development, and Management

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. As part of these efforts, we ask that our business partners utilize energy conservation diagnoses by external organizations to incorporate specialized knowledge and increase effectiveness. Through objective analyses and operational proposals from expert perspectives, we have helped our business partners improve their energy efficiency and reduce CO_2 emissions. Going forward, rather than simply making requests for reductions, we will continue to actively share best practices and work together with our business partners to reduce CO_2 emissions throughout the supply chain.

* Percentage of total Group CO_2 emissions in fiscal 2025

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.


Energy conservation diagnosis

Survey on conflict minerals

The TS TECH Group utilizes mineral resources, such as tin, tantalum, tungsten, and gold, to help create comfortable, safe, and attractive vehicle interior spaces. On the one hand, these are important materials that support the functionality and marketability of our products. On the other hand, they are also known as conflict minerals, and it has been pointed out internationally that they may be a source of funding for armed groups in the Democratic Republic of the Congo and surrounding areas.

Our Group's basic policy is not to use conflict minerals. In procurement, we continuously conduct country-of-origin surveys throughout the supply chain once a year to confirm that our products do not contain conflict minerals. In recent years, we have also expanded the scope of our surveys to include other mineral resources, including cobalt and mica, in striving to further reduce risk and ensure transparency.

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. In the rank-specific training programs that our employees attend, we also provide education relating to anti-corruption and anti-cartel issues, as stipulated under these guidelines.

Environment

Environmental Initiatives

Basic Environmental Policy

Policy

In order to achieve our goal of being "A company sincerely appreciated by all" that is part of our Vision Statement, the TS TECH Group will endeavor to reduce environmental impacts and give consideration to the protection of the global environment in all aspects of our business activities, with a focus on the manufacture of automobile interior parts, and will contribute to the creation of a sustainable society.

Environmental Action Guidelines

1. **Observance of legal and other requirements**
   We will observe environmental laws and environmental standards in all countries and regions, and strive to carry out appropriate management of chemical substances to prevent environmental pollution.

2. **Reduction of environmental impact**
   Based on a life cycle assessment of products during the process from development to procurement, production, logistics, sales, disposal, and reuse, we aim to mitigate the effects of climate change and create a sustainable recycling-oriented society by working to develop environmentally friendly products, save energy, conserve resources, and reduce our environmental impact throughout the supply chain.
   [Initiatives for climate change]
   We will manage emissions of greenhouse gases to achieve carbon neutrality, and will reduce greenhouse gas emissions through efficient use of energy and transition to renewable energy.
   [Initiatives for resource circulation]
   Through the efficient use of resources, including Reduce, Reuse, and Recycle, we will promote sustainable resource management by working to reduce the amounts of water consumed and waste, and to utilize sustainable materials.

3. **Preservation of biodiversity**
   We will consider the impacts of our business activities on biodiversity, promote coexistence with nature and ensure animal welfare. We will also actively carry out environmental protection activities.

4. **Continual improvement of environmental management**
   Based on environmental management system and energy management system, we will set and periodically review environmental targets, and continually improve our environmental and energy performance. We will also prepare the necessary information and resources for that purpose, and strive to utilize products and equipment that improve energy efficiency.

5. **Developing environmental awareness**
   We will strive to improve environmental awareness of our employees through environmental training. We will encourage all business partners to understand and support this policy.

6. **Information disclosure**
   We will proactively disclose information and enhance communication with all our stakeholders.

The policy was approved by Board of Directors in February 2025 (Revised).

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	Materiality 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 in water intake (amount used) at the Group's production facilities and reduction rate in wastewater resulting from manufacturing activities
*4 Environmental impact of wastewater resulting from the Group's manufacturing activities

Initiatives to Strengthen Environmental Management

The TS TECH Group has obtained ISO 14001 environmental management system certification at its global sites and is working to continuously reduce environmental impact across the entire Group. Our domestic workplaces and some overseas sites have obtained ISO 50001 energy management system certification, and we are working to improve energy efficiency and performance to achieve carbon neutrality by 2050.

In fiscal 2025, we implemented environmental law training by experts at our domestic workplaces to strengthen our response to environmental risks.

Internal Environmental Audits

We conduct an internal environmental audit once per year based on environmental and energy impact assessments and past audit results. Internal audits examine the implementation status and effectiveness of environmental and energy consumption reduction measures, compliance with relevant laws and regulations, and the operational status of ISO international standards. The results of these internal audits were also verified during the ISO 14001 and ISO 50001 audits conducted by external certification agencies. In the triennial recertification audit conducted in fiscal 2025, the effectiveness of our management system was evaluated, and our certifications were renewed.

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 2022 to fiscal 2025, there were no violations of environmental laws and regulations.

Compliance status of environment-related laws and regulations (Non-consolidated)

	Environmental violations (Cases)	Environmental fines (Yen)
FY2022	0	0
FY2023	0	0
FY2024	0	0
FY2025	0	0

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, employees responsible for energy management, including those at affiliated companies in Japan, participate in energy conservation training tailored to each production facility provided by the Energy Conservation Center, Japan. This training aims to invigorate energy conservation initiatives and enhance the knowledge of those responsible. 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

Production-focused measures

Our Corporate Manufacturing Division strives to ensure our manufacturing is friendly to the global environment under a policy of "Evolving toward sustainable manufacturing and building a globally efficient production system."

As a key initiative, we are implementing Global Energy Efficiency Diagnostics conducted by an in-house specialist team. This aims to reduce electricity consumption through the introduction of next-generation energy-saving technologies and the utilization of regenerative energy. Specifically, since 2023, with the support of experts in Japan, we have been actively conducting energy-saving diagnostics for our overseas sites and consolidated subsidiaries. Prioritizing sites with insufficient energy-saving measures, we propose locally tailored solutions. Diagnostics are conducted based on standardized energy-saving technologies, and through close collaboration with local staff, we share practical know-how and contribute to human resource development.

Additionally, at production sites, we are strengthening our *karakuri* improvement initiatives that utilize gravity and the principle of leverage to automate tasks 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 advance environmentally friendly manufacturing impact by developing equipment that utilizes regenerative energy, such as a method of generating electricity from a *karakuri* mechanism while also connecting this to enhanced environmental awareness among employees.

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 during facility upgrades and replacements at each site, which helps to reduce CO_2 emissions and groundwater usage.

In fiscal 2025, as part of our initiatives to combat climate change and realize a sustainable society, we installed solar power generation facilities at our Thai subsidiary through an on-site power purchase agreement (PPA)* via the power sales business of our Group company TS TECH ASIAN CO., LTD. This direct supply of electricity enabled us to reduce both electricity costs and CO_2 emissions.

Going forward, the TS TECH Group will continue to actively promote the adoption of renewable energy and combat climate change, thus contributing to the realization of a sustainable society.

* A method where a power generation operator operates solar power equipment on the customer's premises and sells the generated electricity to the customer

Solar panels installed at TS TECH (KABINBURI) CO., LTD.

Development-focused measures

We are focused on reducing the weight of our products as one of the most effective ways of reducing 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.

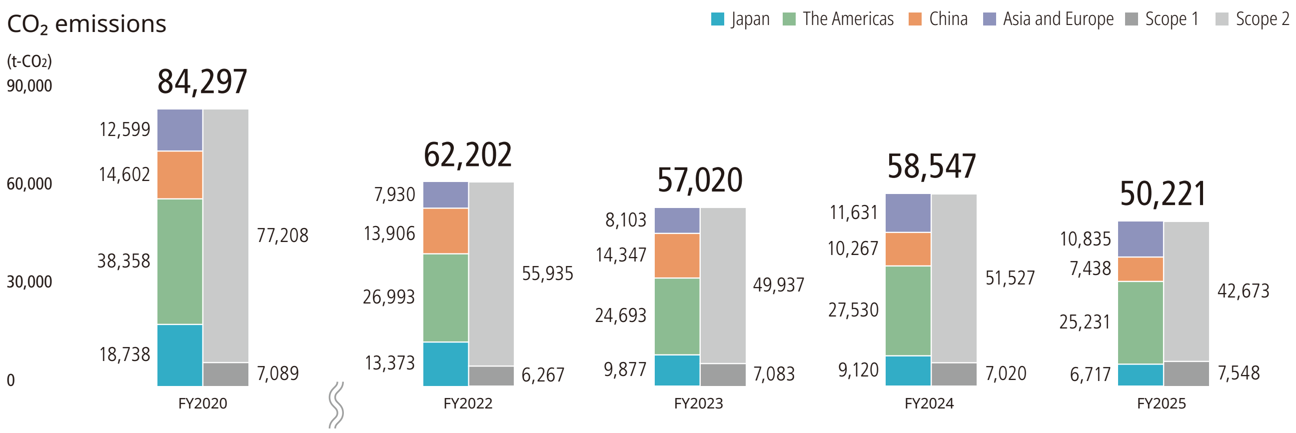
In addition to weight-reducing technologies, we are focusing on reducing CO_2 contained in our products through technologies utilizing cellulose nanofiber (CNF) and other plant-derived biomass materials. We have succeeded in reducing the amount of CO_2 contained in our products by 60% compared to petroleum-derived materials and are continuing our research with the aim of applying this technology to mass production of seats, door trims, and other components. Furthermore, to promote material reuse, we are developing motorcycle seats using recycled materials and structures that can be disassembled more quickly and efficiently.

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 improved energy efficiency (driving range), and an air-conditioned seat that contributes to energy 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)

Trends in environmental results

CO_2 emissions



Scope 3 emissions (Consolidated)

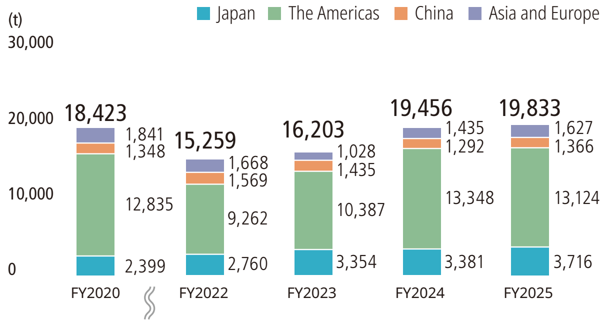
(Unit: t-CO_2)

FY2021	FY2022	FY2023	FY2024	FY2025
2,381,086	2,658,732	2,583,409	2,846,604	3,119,469

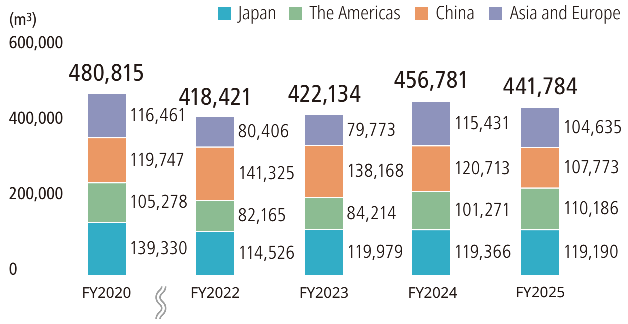
Scope 3 emissions by category breakdown for fiscal 2025

Scope	Category	Emissions (t-CO_2)	Ratio (%)
Scope 1		7,548	0.24
Scope 2		42,673	1.35
Scope 3	1. Purchased goods and services	2,850,863	89.94
	2. Capital goods	31,425	0.99
	3. Fuel- and energy-related activities not included in Scope 1 or Scope 2	10,761	0.34
	4. Transportation and distribution (upstream)	66,560	2.10
	5. Waste generated in operations	3,232	0.10
	6. Business travel	5,303	0.17
	7. Employee commuting	5,896	0.19
	8. Upstream leased assets	0	0
	9. Downstream transportation and distribution	0	0
	10. Processing of sold products	94,914	2.99
	11. Use of sold products	0	0
	12. End-of-life treatment of sold products	50,515	1.59
	13. Downstream leased assets	0	0
	14. Franchises	0	0
	15. Investments	0	0
	Others	0	0
Total		3,169,690	100

Waste generated



Water intake



Consolidated sites are included in the data scope, but certain subsidiaries are excluded. (Fiscal 2025)
• Energy consumption and CO_2 emissions: Data collected from the company and all 36 consolidated subsidiaries
• Waste generated and water intake: Data collected from the company and 35 of 36 consolidated subsidiaries (one subsidiary excluded from data collection)
The revenue of the companies within the data scope accounts for 96% or more of the Group's consolidated revenue for each period concerned.

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 2025 are as follows.

Verification targets	Verification range	Results
Scope 1 and 2 (CO_2 emissions from energy use)	6 sites of the Organization, 5 domestic companies, 30 overseas companies	Scope 1: 7,548 t-CO_2 Scope 2: 42,673 t-CO_2
Scope 3, Category 1 (CO_2 emissions from purchased goods and services)	6 sites of the Organization, 5 domestic companies, 30 overseas companies	2,850,863 t-CO_2
Waste generated (including valuable waste)	6 sites of the Organization, 5 domestic companies, 29 overseas companies	19,833 t
Water intake		441,784 m^3

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.

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. 46

Strategy

Measures to achieve carbon neutrality are essential for realizing 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, the 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 the Group's 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.

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

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	Mitigation	Relevant initiatives and indicators
Physical risks (4°C warming scenario)	Acute	Potential decrease in sales due to suspension of operations at Group sites caused by extreme weather events such as typhoons, torrential rains, and hurricanes	Long	[Impact: Large] The potential decrease in revenue due to a shutdown caused by flooding is estimated to be up to 5 billion yen per affected site.	• Enhancing BCP measures • Taking disaster preparedness measures for production maintenance, including replacement parts production, and coordinating within the Group to enable quick resumption of operations • Site development with disaster risk management in mind • Disaster risk management across the supply chain	• Risk management by the Global Risk Management Committee
Transition risks (1.5°C warming scenario)	Government policies Laws and regulations	Need to adopt renewable energy and increase capital 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.	• More efficient energy use • Investing in efficient equipment to optimize cost-effectiveness	• Building high, efficiency production structures • Long-term environmental goals
		Higher operating costs due to widespread adoption of carbon taxes	Medium	[Impact: Moderate] By 2030, the Group could be paying around 700 million yen in carbon taxes for its emissions.	• Promoting CO_2 reduction measures (energy conservation, adoption of renewable energy, etc.) (With an associated cost of approximately 290 million yen in fiscal 2025) • Improving logistics efficiency	
	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.	• Expanding sales by enhancing sales activities • Improving product development through co-creation with customers	• Enhancing efforts to develop environmental technologies
	Market	Higher raw material procurement costs due to carbon taxes and the need to adopt more eco-friendly materials	Medium	[Impact: Large] By 2030, the Group could be paying carbon taxes of 40 billion yen on transactions with suppliers.	• Enhancing supply chain management • Promoting measures to reduce Scope 3 emissions • Improving logistics efficiency	• Supply chain restructuring
		Potential drop in sales due to a lack of low-carbon and EV products	Medium	[Impact: Large] The market is expected to shift to EVs 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.	• Accelerating development of products for EVs • Developing processing technology for eco-friendly materials • Building high efficiency production lines compatible with new materials and technologies	• A higher share of major customers' products • Enhancing efforts to develop environmental technologies

Risk classification		Identified opportunities	Medium- or long-term	Potential financial impact	Mitigation	Relevant initiatives and indicators
Opportunities (1.5°C warming scenario)	Resource usage efficiency	Decrease in operating costs due to more efficient production processes	Medium	[Impact: Moderate] By 2030, energy conservation measures could yield a cost reduction effect of approximately 500 million yen.	• Continual promotion of energy-saving measures focused on production equipment • Automation of production processes and development of compatible product specifications • Improvement of production processes by utilizing regenerative energy and self-weight	• Building high efficiency production structures • Material issues • Long-term environmental goals
	Products and services	Due to increased demand for low-carbon products, the Group will likely sell more seats for EVs and interior components made from eco-friendly materials	Medium	[Impact: Large] Enhancing product lines compatible for EVs will likely lead to the acquisition of new customers and the expansion of commercial rights. By 2030, the resulting increase in annual revenue could reach 70 billion yen.	• 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
		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.	• Co-creation of technologies and products with companies in other industries for cabin interior coordination • Enhancing system software development	• Securing cabin coordination capacity

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 by installing energy-conserving equipment and utilizing renewable energy at each location. ▸ p. 60

Metrics and targets

		15th Medium-Term Management Plan (FY2024–2026)	Medium-term plan (2030)	Long-term plan (2050)
CO_2 emissions reduction target (Scope 1 and 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.	

Membership in the TNFD Forum

In August 2025, the TS TECH Group endorsed the principles of the Taskforce on Nature-related Financial Disclosures (TNFD) and joined the TNFD Forum, an international organization established to support the TNFD's activities.

We will assess the risks associated with the impact the Group's business activities have on nature and the resulting loss of natural resources. We will incorporate these findings into our management strategy and risk management, strive for appropriate disclosure, and collaborate with stakeholders to advance initiatives related to natural capital and biodiversity.

TNFD Forum Member

Natural Capital and Biodiversity Initiatives

The TS TECH Group has established 2030 targets for materiality (key issues) to realize a sustainable society. Regarding natural capital and biodiversity, we are implementing targets and measures focused on "resource circulation and effective utilization" and "coexistence with nature."

In recent years, it has become crucial to analyze and evaluate the dependence on and impact on nature associated with business activities and to take measures to prevent the loss of natural capital. The Group has also conducted a trial analysis and evaluation.

LEAP Approach

Based on the LEAP Approach[*1] recommended by the TNFD, we conducted analyses related to "Locate" and "Evaluate."

Scoping: Select the scope of analysis

▼

Locate: Locate the interfaces with nature

▼

Evaluate: Evaluate dependencies and impact

▼

Assess: Assess risks and opportunities

▼

Prepare: Prepare to respond and report

*1 A methodology for companies to evaluate and manage their relationship with the natural environment, systematically organizing the steps to achieve nature-positive management

Scoping: Select the scope of analysis

For this analysis, the Group set its scope as its core businesses—automotive and motorcycle operations—based on the results of the ENCORE[*2] assessment tool recommended by the TNFD for evaluating dependencies on and impacts to natural capital, as well as the scale of these operations.

In the value chain, we set the scope as steel and petroleum-derived plastics for key upstream raw materials, referencing the High Impact Commodity List published by the Science Based Targets Network (SBTN).

*2 A tool that visualizes potential dependencies on and impacts to nature

Locate: Locate the interfaces with nature

We identified priority areas[*3] based on the location information of TS TECH Group's business sites.

For identification, we used the following assessment tools recommended by the TNFD.

*3 Areas with significant dependencies on or impact to natural capital as defined by the TNFD

	Criteria for identification of priority areas	Assessment tool
1	Areas critical for biodiversity	■ WWF Biodiversity Risk Filter ■ STAR
2	Areas with high ecosystem intactness	■ Biodiversity Intactness Index
3	Areas experiencing rapid decline in ecosystem intactness	■ Ecoregion Intactness Index
4	Areas with high physical water risk	■ WWF Water Risk Filter
5	Areas where ecosystem service provision is important, including benefits to indigenous peoples, local communities, and stakeholders	■ Critical Natural Asset layers

<Assessment results>
Within the Group, we have identified 20 locations as priority areas.

Multiple areas were confirmed to be important for biodiversity or to have high physical water risks.

Regarding the upstream value chain, we will proceed with assessments to identify risks going forward.

Distribution of priority areas

Evaluate: Evaluate dependencies and impact

We assessed the Group's dependencies on and impact upon natural capital in upstream business activities within the value chain and organized the findings using a heat map. For the assessment, we used the TNFD-recommended tool ENCORE. Please note that our assessment results are based on the initial assessment conducted via ENCORE, with adjustments made to dependencies and impacts considering TS TECH's specific circumstances.

<Assessment results>
The Group analyzed dependencies and impacts separately for the automotive and motorcycle businesses. However, due to the similarity of their business processes, the assessment results were virtually identical.

Although the overall dependency level of the Group was found to be low, we confirmed that it has dependencies on functions such as water purification and flood mitigation.

Regarding impacts, while the negative impact was similarly small, we confirmed that there are impacts to the ecosystem in the category of "emissions of toxic pollutants to water and soil."

We recognized that upstream in the value chain (steel and plastics), both the degree of dependency on nature and the level of impact are generally higher compared to our Group's domain. This is because the most upstream processes for steel and plastics involve activities such as crude oil extraction and mineral resource mining. Regarding dependencies, we recognized that these processes heavily depend on "rainfall pattern regulation" and "water purification." Concerning impacts, we acknowledged that they significantly affect factors such as "emissions of toxic pollutants to water and soil."

Dependency/Impact

ENCORE assessment metrics

VH: Very high
H: High
M: Medium
L: Low
VL: Very low
—: No impact

Group evaluation results (Automotive business/Motorcycle business)

Dependency	Assessment
Water supply	L
Biomass provisioning	—
Global climate regulation services	VL
Rainfall pattern regulation	VL
Local climate regulation	L
Air filtration	VL
Soil and sediment retention	L
Solid waste remediation	L
Water purification	M
Water flow regulation	M
Flood mitigation	M
Storm mitigation	M
Noise attenuation	VL
Other regulating and maintenance services Dilution by atmosphere and ecosystems	L
Other regulating and maintenance services Mediation of sensory impacts	VL

Impact	Assessment
Area of land use	L
Area of freshwater use	—
Area of seabed use	—
Volume of water use	L
Other abiotic resource extraction	—
Emissions of GHG	VL
Emissions of non-GHG air pollutants	L
Emissions of toxic pollutants to water and soil	M
Emissions of nutrient pollutants to water and soil	—
Generation and release of solid waste	VL
Disturbance	M
Introduction of invasive species	—

Value chain upstream assessment results (Steel/Plastics)

Showing very high (VH) results in the ENCORE assessment metrics are excerpted below

	Dependencies	Impacts
Steel	• Rainfall pattern regulation • Water purification	• Emissions of toxic pollutants to water and soil • Generation and release of solid waste • Disturbance
Plastics	—	• Area of freshwater use • Area of seabed use • Emissions of solid, toxic pollutants to water and soil • Disturbance

Future Initiatives

We conducted a pilot analysis and evaluation focusing on the Group's automotive and motorcycle businesses, as well as upstream steel and plastics in the value chain. Through this analysis, 20 priority areas were identified within the Group.

In our assessment of dependencies and impacts, we confirmed that the TS TECH Group's manufacturing processes have low dependencies on ecosystem services and that any negative impacts are minimal. However, we believe it is important to continue striving to reduce environmental impacts. The Group is advancing initiatives such as introducing environmentally friendly equipment and improving production efficiency to achieve its long-term environmental goals for 2050. In addition to forest conservation activities at each site, we have also launched unique programs like the TS TECH Fund, driving progress toward "coexistence with nature." Going forward, we will advance our assessment of risks and opportunities based on the evaluation results obtained through this LEAP Approach and the Group's current initiatives, striving to further promote biodiversity and natural capital responses.

Green Ecosystem Conservation Activities

The TS TECH Group is implementing activities tailored to each region's characteristics to realize "coexistence with nature," a key materiality focus. We continuously implement environmental conservation activities such as tree planting, thinning, and land preparation at all Group sites, including overseas, contributing to the preservation of the global environment.

Tree planting activity at TS TECH (THAILAND) CO., LTD.

Since 2011, we have been continuously advancing tree-planting activities in collaboration with local communities, aiming to restore damaged natural environments and combat climate change. By fiscal 2025, we had planted 23,099 trees to expand green spaces.

Tree planting

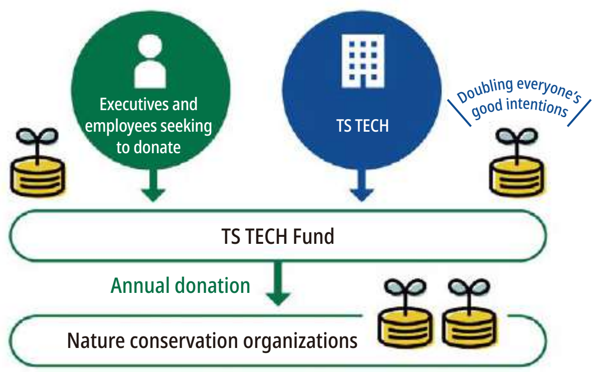
Tree planting

Support Activities Aimed at Coexisting with Nature

With the goal of "coexistence with nature," the TS TECH Group operates the TS TECH Fund, a donation program for nature conservation organizations utilizing a matching gift system, We collect donations from officers and employees who support our activities, and the company matches these donations. This allows employees and the company to stand united in supporting nature conservation programs. For fiscal 2025, we made a donation to the Public Interest Incorporated Foundation The Nature Conservation Society of Japan. The donation will be used for activities including protecting endangered species and their habitats in Japan as well as initiatives for regional revitalization utilizing nature.

<Donation results for fiscal 2025>

Recipient	The Nature Conservation Society of Japan Public Interest Incorporated Foundation
Donation amount	3,965,600 yen



Governance

Corporate Governance

TS TECH's philosophy is to be "A company sincerely appreciated by all," including every stakeholder, 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

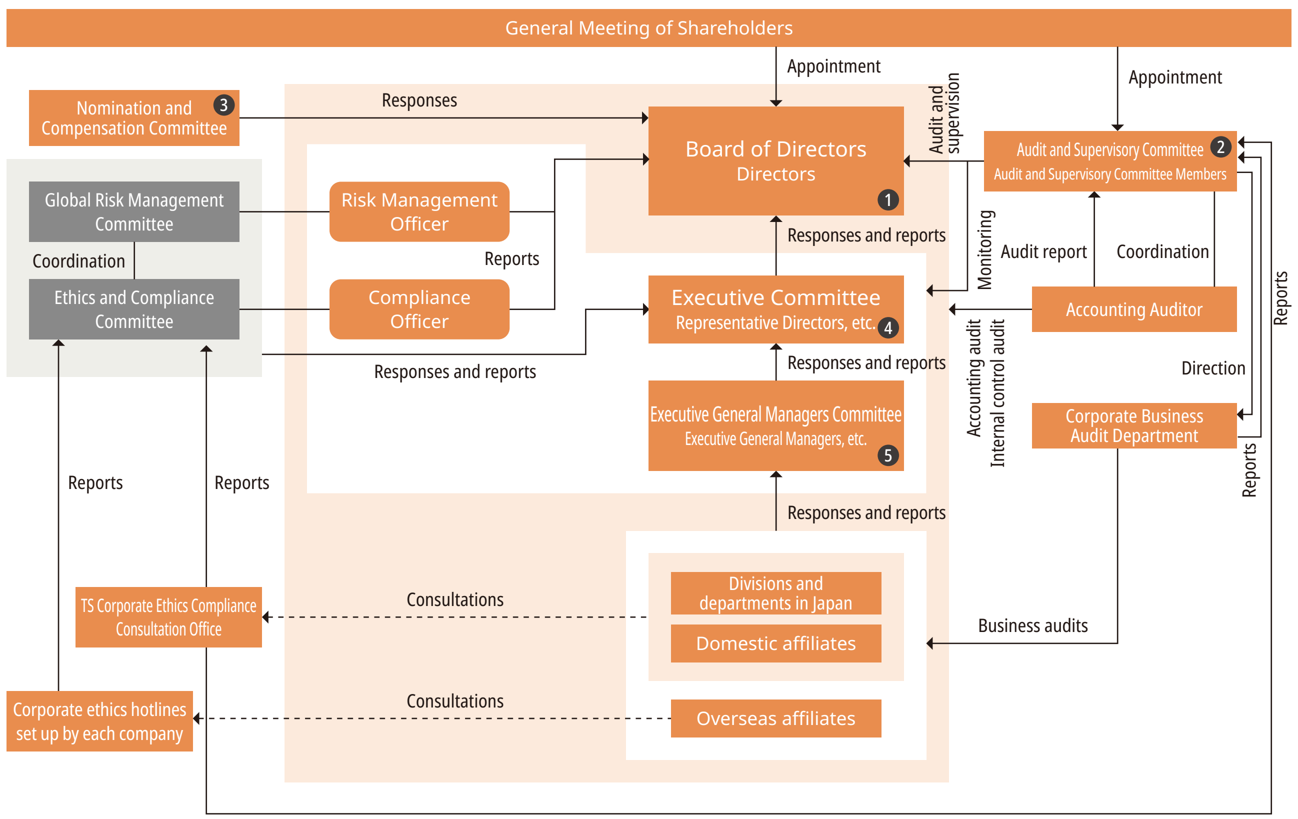
The Board shall take appropriate responsibility for the establishment of mid- to long-term management policies and oversight of directors, and it shall work to build systems to enable transparent, fair, and resolute decision-making.

(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



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 representative directors and three outside directors (of which two directors who are Audit and Supervisory Committee members). 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 13 executive general managers and regional general managers. This committee discusses policies, plans, and governance related to operations in each division to maintain efficient operations.

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 when necessary.

Group Governance Structure

The TS TECH Group shares the TS TECH Philosophy, including its vision statement and mission statement, its basic policies on corporate governance and its approach to establishing internal control systems, and its management targets, striving to enhance its corporate governance structure.

Additionally, based on the standards stipulated by TS TECH, important management issues at subsidiaries must be reported to and approved by TS TECH and subsidiaries must also regularly report their earnings and financial status.

Furthermore, subsidiaries have established policies concerning organizational structure, division of duties, and authority, enabling swift decision-making and efficient execution of duties. We also conduct routine risk and compliance verification measures, and other risk mitigation activities alongside compliance promotion initiatives. Should the risk of losses materialize, we promptly collaborate with the company to minimize the impact.

The TS TECH Audit and Supervisory Committee, when necessary, collaborates with the internal audit departments and Audit and Supervisory Committee members of major subsidiaries to audit the execution of duties by directors of subsidiaries. Furthermore, our internal audit department conducts operational audits of major subsidiaries and evaluates internal controls related to financial reporting in accordance with the Audit and Supervisory Committee's instructions and internal regulations, reporting its findings to the Audit and Supervisory Committee.

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.

Cross-Shareholdings

The TS TECH Group does not hold shares solely for the purpose of securing stable shareholders. 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 similar considerations. 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 meaningful. The significant cross-shareholdings currently held by the company were judged necessary following the aforementioned deliberation by the Board of Directors.

Furthermore, regarding the exercise of voting rights for shares held, we respect the management policies of the relevant companies while confirming for each proposal whether it contributes to the TS TECH Group's medium- to long-term corporate value, and make a comprehensive determination. We also note that the exercise of voting rights is implemented following internal approval procedures and upon the final decision of the Representative Director, President.

Compliance Framework

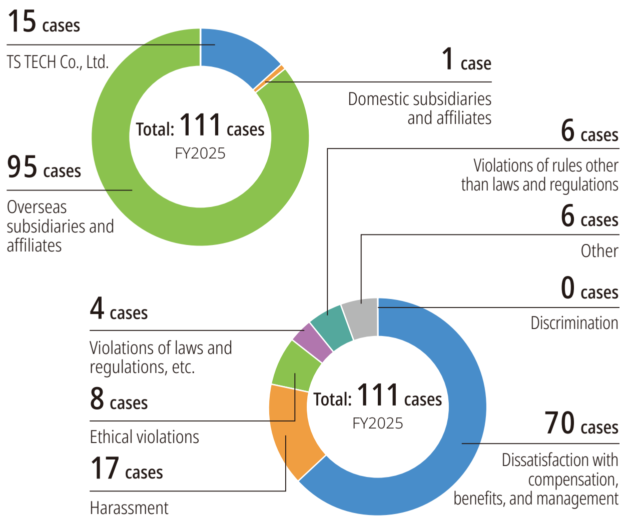
Based on the TS TECH Philosophy, the Group established the TS Standards for Conduct (TS TECH's norms and ideals as an organization) and TS Guidelines for Conduct (expectations for day-to-day conduct for individual executives, officers, and employees). Regular education is provided to ensure the entire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

A director or executive officer 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 TS TECH Corporate Governance (TSCG) self-verifications and deliberations of important ethics and compliance issues by the Ethics and Compliance Committee.

Additionally, we have established Corporate Ethics Hotlines as whistleblowing channels, operated by both an internal department and an external organization independent of TS TECH. When issues are identified, we promptly conduct fact-finding investigations and provide corrective guidance under the direction of the Compliance Officer. Anonymous reporting is permitted, and in accordance with the Whistleblower Protection Act, the confidentiality of reported information is strictly maintained. Disadvantageous treatment based on whistleblowing or cooperation with investigations is prohibited and violations of these provisions will result in disciplinary action. Furthermore, all inquiries and reports submitted to the hotlines are shared with the Ethics and Compliance Committee. The method for using the Corporate Ethics Hotlines is communicated internally to all employees through the Concept Manual distributed to all staff, posting on the company intranet, and rank-specific training programs. We are raising awareness among our business partners through poster displays.

During fiscal 2025, the Group received a total of 111 ethics and compliance cases, including inquiries made to our contact points, across all domestic and overseas subsidiaries and affiliates.

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.

Accordingly, we appropriately implement corrective measures and disciplinary actions for all cases, including harassment, while maintaining continuous operations to foster self-cleansing within the company.

Risk Management Framework

Important management issues are carefully deliberated upon by TS TECH's Executive Committee as well as various advisory committees. Ultimately, after deliberation by the Audit and Supervisory Committee, matters are reported to the Board of Directors, and 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, and we have also established the Global Risk Management Committee, comprising directors and other officers. To prevent risks from materializing, we have implemented a management framework based on the "three lines of defense" model. Through the results of routine compliance and risk verification measures (hereinafter referred to as TSCG self-verification) and discussions on responses to serious risks affecting management that have been identified, we ensure that efforts are continually made to mitigate potential risks.

Additionally, we regularly conduct training sessions for all directors, led by outside legal counsel, covering risk management, compliance, and other relevant topics. Furthermore, for outside directors, we provide regular opportunities to explain the latest risk-related information, including the Group's business activities, recent risk trends, and technological developments as well as the status of countermeasures for identified risks and the results of risk reviews. This ensures they can provide appropriate advice on risk management. As a related initiative, we are implementing e-learning programs such as risk management courses aimed at enhancing risk awareness for all employees.

Moreover, 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 operates, based on their likelihood of occurrence (expected frequency) and impact (potential magnitude) and to solidify the sustainability and stability of the business.

Specifically, each functional headquarters and regional headquarters conducts self-assessments once a year at the first line, reporting the results to the Global Risk Management Committee at the second line. The Global Risk Management Committee reviews the implementation status of risk countermeasures in the previous fiscal year, identifies ongoing and new risks, and selects material risks after conducting a phased assessment of the identified risks (initial assessment/secondary assessment, countermeasures/progress confirmation, etc.).

In addition, by forming regional risk management committees in each region, risk specific to those geographic segments are identified and risk mitigation measures are promptly implemented. 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. The Corporate Business Audit Department, as the internal audit function, serves as the third line of defense. Operating independently from the first and second lines, it objectively verifies risk management systems and initiatives, including their frameworks and implementation status. For fiscal 2025, we identified five major risks and advanced risk mitigation measures.

Risk identification process

■ Self-assessment implementation
(1) Identify risks within each department and company
(2) Evaluate identified risks (likelihood of occurrence × impact)
(3) Aggregate post-countermeasure evaluations as "residual risks"

■ Residual risk organization & identification of Group material risks
(4) Organize by causal factors
- Risks stemming from internal factors such as the environment of each Group company
- Risks stemming from external factors including social conditions

(5) Primarily for risks stemming from external factors, identify "Regional risks" requiring response based on regional characteristics and "Material risks" requiring response across the entire Group

Likelihood of occurrence

Level		Frequency
5	Short term	Once in a year
4	Medium term	Once in three years
3	Long term	Once in 10 years
2		Once in 20 years
1		Once in more than 20 years

Five 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
- Survey of disaster preparedness supplies stockpile status and replacement of supplies

2. IT Security
[Target]
Leakage or loss of information and cyberterrorism
[Main measures]
- Continuous implementation of security education and drills for responding to targeted email attacks
- Cybersecurity countermeasures
(Enhanced monitoring systems, strengthening initial response, establishment of Computer Security Incident Response Team (CSIRT) structure)

3. Stoppage of Parts Supply
[Target]
Raw material supply shortages/production capacity shortages/supplier bankruptcy
[Main measures]
- Strengthen supply chain management to ensure stable procurement of components
- Enhance monitoring of supplier-side financial risks

4. Stoppage of Production
[Target]
Machinery and equipment failure/trade-related, import–export issues
[Main measure]
- Strengthen production equipment management system

5. 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

Impact

Level		Priority standards	Supplemental standards				
		Economic impact	Scope of impact	Human loss	Production impact	Reputational impact	Human rights impact
5	Extremely large	10 billion yen or more	Global scale impact	Death	Extremely large-scale customer production suspension	Loss of reputation from society at large	Irrecoverable, resulting in disability, lasting aftereffects, or fatality
4	Large	1 billion yen to 10 billion yen	Country scale impact	Long-term loss time	Large-scale customer production suspension	Loss of reputation from multiple stakeholders	Time required for recovery
3	Medium	1 billion yen to 100 million yen	Impact beyond TS TECH	Medium-term loss time	Medium-scale customer production suspension	Loss of reputation from certain stakeholders	Issues clearly exist
2	Small	100 million yen to 10 million yen	Impact inside TS TECH	Short-term loss time	Small-scale customer production suspension	Slight loss of reputation	Some impact
1	Extremely small	Less than 10 million yen	Impact in a portion of TS TECH	No loss time	No customer production suspension	No impact	Minor impact

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: 92,534 shares
Meetings of the Board of Directors attended: 100% (17/17 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: 24,649 shares
Meetings of the Board of Directors attended: 100% (17/17 times)

DIRECTOR, SENIOR MANAGING OFFICER
Yasushi Suzaki
Americas Segment Executive General Manager, President of TS TECH AMERICAS, INC.
Number of shares of the company held: 19,842 shares
Meetings of the Board of Directors attended: 100% (17/17 times)

DIRECTOR, MANAGING OFFICER
Satoru Munemura
Corporate Sales and Purchasing Division Executive General Manager
Risk Management Officer
Number of shares of the company held: 10,121 shares
Meetings of the Board of Directors attended: Not applicable

DIRECTOR, OPERATING OFFICER
Hiroshi Naito
Corporate Business Administration Division Executive General Manager
Number of shares of the company held: 7,956 shares
Meetings of the Board of Directors attended: 100% (14/14 times)

DIRECTOR (Outside Director)
Kaori Matsushita
Representative Director, President of K&L Consulting Co., Ltd., Outside Director and Audit & Supervisory Committee Member of Taisei Oncho Co., Ltd.
Number of shares of the company held: 1,846 shares
Meetings of the Board of Directors attended: 100% (17/17 times)

DIRECTOR (Outside Director)
Hiromi Wada
Representative Director of HIROZ Co., Ltd., Outside Director of SHIMANO INC., Outside Director of NTN Corporation
Number of shares of the company held: Not applicable
Meetings of the Board of Directors attended: Not applicable

DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER
Yoshikazu Ariga
Number of shares of the company held: 12,715 shares
Meetings of the Board of Directors attended: Not applicable
Meetings of the Audit and Supervisory Committee attended: Not applicable

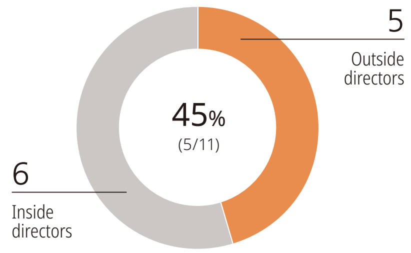
DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Hajime Hayashi
Chairperson of the Nomination and Compensation Committee, TS TECH
Representative of Sazanka Law Office
Number of shares of the company held: 2,093 shares
Meetings of the Board of Directors attended: 100% (17/17 times)
Meetings of the Audit and Supervisory Committee attended: 100% (17/17 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: 2,454 shares
Meetings of the Board of Directors attended: 100% (17/17 times)
Meetings of the Audit and Supervisory Committee attended: 100% (17/17 times)

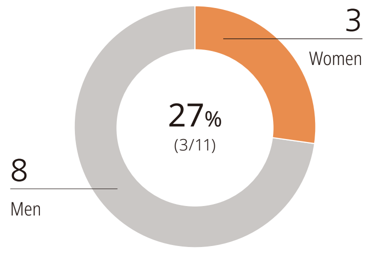
DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Kenichi Naito
Number of shares of the company held: 592 shares
Meetings of the Board of Directors attended: 100% (17/17 times)
Meetings of the Audit and Supervisory Committee attended: 100% (17/17 times)

Note: Positions and number of shares of the company held: As of June 20, 2025 (Date of Appointment as Director at the 79th Annual General Meeting of Shareholders)
Attendance of each meeting: April 1, 2024–March 31, 2025

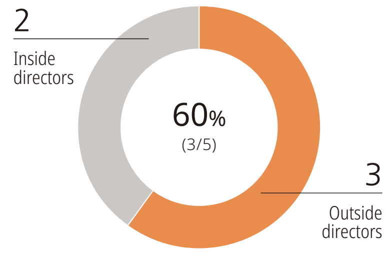
Percentage of outside directors on the Board of Directors



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 (Nomination and Compensation Committee)	●	●	●		●	●				
Eiji Toba Representative Director, Senior Managing Officer (Nomination and Compensation Committee)	●	●	●		●	●		●		●
Yasushi Suzaki Director, Senior Managing Officer		●	●			●	●			●
Satoru Munemura Director, Managing Officer		●	●			●		●		●
Hiroshi Naito Director, Operating Officer	●	●	●	●			●			
Kaori Matsushita Director (Nomination and Compensation Committee, Outside directors, Independent directors)		●	●						●	
Hiromi Wada Director (Outside directors, Independent directors)		●			●				●	●
Yoshikazu Ariga Director, Audit and Supervisory Committee Member		●	●			●		●		
Hajime Hayashi Director, Audit and Supervisory Committee Member (Nomination and Compensation Committee, Outside directors, Independent directors)										●
Tomoko Nakada Director, Audit and Supervisory Committee Member (Nomination and Compensation Committee, Outside directors, Independent directors)			●						●	●
Kenichi Naito Director, Audit and Supervisory Committee Member (Outside directors, Independent directors)		●	●	●						●

■ Nomination and Compensation Committee ■ Outside directors ■ Independent directors

Selection of Directors

The regulations for candidates for director positions stipulate that candidates should have strong 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 to identify the skills required for directors, 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 aim of further motivating 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
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. She has served as Chairman of the Board of Directors from June 2025.
Hiromi Wada	Ms. Hiromi Wada has extensive experience and insight centered on development and technology domains at a general electric manufacturer, currently serving as an outside director at other companies, which provides her with management experience. We selected her as outside director, in the expectation that she can contribute to 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 representative directors. 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 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 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 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 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 personal qualities. Following a 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 2025 is detailed below.

- Average percentage for the past three terms for consolidated revenue: 130.1%
- Average percentage for the past three terms for consolidated operating income: 76.8%
- Rate of change in dividend amount: 127.4%
- Rate of change in number of months of employee bonuses: 100.0%

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 annually. These evaluations of effectiveness have been conducted continuously since fiscal 2019. This is the seventh of these evaluations.

Fiscal 2025 evaluation process

1. Each director conducts a questionnaire-based self-evaluation (March 2025)

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 2025)

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.
- Although we have consistently refined our methods for providing advance explanations of Board of Directors' meeting agenda items and ongoing information to outside directors, there remains a gap in the evaluations given by inside and outside directors regarding the provision of more specialized industry trends and market information relevant to our business, as well as the state of discussions on human resources strategy. This indicates room for improvement in the methods of information provision and the expansion of Board of Directors' meeting deliberation topics.

Future initiatives

- Following the evaluation results, conduct discussions among directors to align the perspectives between internal and outside directors (three sessions in total were held between June and July 2025).
- To further leverage the expertise of outside directors and enable the Board of Directors to focus on discussions regarding long-term strategy, we will review the methods for conducting Board of Directors' meetings and provide advance explanations to deepen understanding of each agenda item.
- 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 regarding 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, and other relevant topics.

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.

Discussion between Outside Directors

Kenichi Naito
Independent Outside Director
Audit and Supervisory Committee Member

Hajime Hayashi
Independent Outside Director
Audit and Supervisory Committee Member

Tomoko Nakada
Independent Outside Director
Audit and Supervisory Committee Member

Progress of governance reform from an external perspective

Board of Directors continues to evolve, placing importance on diversity

Hayashi: Looking back at our corporate governance reforms, since the appointment of an outside director as chairman of the Board of Directors in fiscal 2021, we have been steadily evolving our governance functions year by year. Key events include transitioning to a company with an Audit and Supervisory Committee and establishing a Nomination and Compensation Committee in fiscal 2022, and Tomoko Nakada becoming our first female outside director. There are a variety of approaches to governance reform, but I believe that strengthening the role of outside directors is one of the most important factors that contributes to ensuring the soundness and transparency of management. The company introduced an outside director system in fiscal 2016. However, in today's rapidly changing business environment, I feel that it is becoming increasingly important to ensure diversity among our directors, to incorporate multifaceted knowledge, and to make swift and accurate management decisions.

Nakada: When I was first appointed as a director, although outside directors did make statements, I would not say that lively discussions took place. Subsequently, Kaori Matsushita, who has been involved in promoting diversity by utilizing diverse human resources, Kenichi Naito, who served as an auditor at a manufacturer, and Hiromi Wada, who has been active on the front lines of product development, have all become directors. Drawing on their respective areas of expertise, they have been actively speaking out, and the frequency of comments from outside directors has now increased dramatically. Director Hajime Hayashi, a lawyer, expresses his strong opinions from a legal perspective at crucial times without being swayed by those around him. I, as a lawyer too, serve as an outside director for another company and make recommendations not only from the perspective of the law but also from the perspectives of shareholders and investors. I believe that ensuring diversity among directors is valuable in realizing deeper and more careful discussions from a variety of perspectives.

Naito: To fully leverage the diversity of the Board of Directors, it is essential to have an environment where all participants can engage in open and active discussions—something our company has successfully established. Usually, the information gap between full-time directors and outside directors tends to widen. However, materials and minutes from Executive Committee and Executive General Managers Committee meetings not attended by outside directors, along with internal audit records maintained by the Corporate Business Audit Department, are regularly stored on a secure internal network with controlled access. These resources are accessible remotely, enabling outside directors to stay informed about the company's activities. With regard to meetings of the Audit and Supervisory Committee, full-time Director Yoshikazu Ariga provides thorough explanations of key topics discussed in internal meetings, which greatly enhances the clarity and depth of the information available to us.

For matters requiring careful deliberation, the initial presentation at the Board of Directors' meeting typically consists of an overview and an exchange of opinions among directors. The topic is then revisited at the following meeting for more in-depth examination and formal deliberation. If a highly complex issue is both understood and resolved on the spot, it would be difficult to claim that it has been thoroughly considered. Conducting high-quality discussions is essential from a risk management perspective, and it is commendable that the company places importance on this process.

Nakada: I believe that a corporate culture in which our opinions are respected can also be said to be emblematic of the efforts that have been made to ensure the soundness and transparency of Board of Directors' meetings. If an opinion is not aligned with the actual circumstances, President Yasuda and the other full-time directors provide a thoughtful explanation. Conversely, if the opinion is well-founded, it is promptly adopted. To give a recent example, the Securities Report for fiscal 2025 was disclosed two days before the General Meeting of Shareholders. With regard to this matter, as I had been saying that the Company should also be making preparations ever since the government at the time mentioned early disclosure of securities reports in 2024, I immediately proposed its implementation after the request came from Minister of Finance Kato in March 2025, and President Yasuda immediately made the decision, making early disclosure a reality.

Individual initiatives that led to strengthened governance

Hayashi: One of the most memorable initiatives in fiscal 2025 was the company's efforts related to compliance. Having served as a compliance advisor for various organizations, I know that complacency—believing that everything is going well—can lead to unexpected problems, and deeper investigations often reveal lingering issues. Since joining the Board as an outside director, I have not observed any major concerns at the company. However, I remain vigilant to the possibility of underlying risks and believe that ongoing, detailed scrutiny is essential.

The Audit and Supervisory Committee conducts governance evaluations at the end of each fiscal year in accordance

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 (incumbent)
June 2020	Auditor, TS TECH
June 2021	Director, TS TECH (Audit and Supervisory Committee Member) (incumbent)
June 2023	Chairperson of the Nomination and Compensation Committee, TS TECH (incumbent)

with the basic policy of TS TECH's internal control system. In the draft evaluation for fiscal 2025, all items were initially assessed as having no issues. However, considering that several minor cases were observed that could potentially lead to compliance concerns, I revised the assessment to "Improvement Required," even though the issues did not warrant public disclosure. In addition, I proposed improvements to the Company's internal announcement procedures for disciplinary actions, as the conventional approach was deemed insufficient to deter similar incidents.

Naito: The basic policy of TS TECH's internal control system also stipulates that the role of the Audit and Supervisory Committee is to audit subsidiaries in cooperation with the Corporate Business Audit Department. I therefore reviewed the audit content of the subsidiary from the perspective of an auditor (Audit and Supervisory Committee member) at a manufacturer where I had previously served and proposed expanding the content with regard to occupational health and safety and equipment maintenance. The sections relating to the maintaining of production are the lifeline for us as manufacturers, and we must keep a close eye on them even in subsidiaries. Another lifeline is quality control. In this regard, reports on quality are submitted to the Board of Directors every month, and the opinions of the directors fed back to operational departments as appropriate, enabling appropriate quality management to be implemented. In the case of quality issues, not only myself, coming from a manufacturing background, but also Tomoko Nakada's comments have contributed to subsequent improvements in quality.

Nakada: During a discussion on a quality-related issue, I pointed out that there might be room for improvement in the Group's quality management, particularly in employees' awareness of quality and the reporting lines. Subsequently, a Group-wide initiative was launched to raise quality awareness through video content, and the department in charge sought our input during production. Rather than focusing solely on technical knowledge, I suggested incorporating relatable near-miss examples to make the message resonate more deeply with employees. I reviewed the draft, provided comments and edits, and some of my suggestions were reflected in the final video. While this may not typically be the role of a director, I believe that establishing a system in which serious issues—whether related to quality or otherwise—are properly communicated from the front lines to senior management is a vital aspect of governance. I hope that my active involvement as an outside director helped reaffirm the importance of this approach.

Future aspirations

Naito: In addition to the quality awareness activities, the department in charge and the Audit and Supervisory Committee actively exchanged opinions on the comprehensive review of the basic policy of TS TECH's internal control system that was conducted in fiscal 2025 and were able to implement highly effective revisions. The revised policy clarifies the auditing and supervisory functions of the Audit and Supervisory Committee and enables prompt and efficient management decisions and the execution of duties. Going forward, the Audit and Supervisory Committee will work in accordance with this policy, utilizing the specialized knowledge of each committee member, and will work with executive departments to ensure the effective operation of the governance system.

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) (incumbent)

Nakada: TS TECH is an excellent but little-known company that makes an impact to me as I had no idea that such a great company existed. All the Company's employees are incredibly talented, receive excellent benefits, and are enthusiastic about their work. A conscientious company, while operating on a global basis, TS TECH remains a warm-hearted company that values the Japanese sense of obligation and human feelings. Also cooperative in providing information to us, the outside directors, the company is evolving its systems to create an environment in which it is easier for outside directors to voice their opinions. To ensure that this wonderful company continues to grow sustainably and increases its corporate value over the medium to long term, I will continue to provide frank opinions to the Board of Directors and top management from my objective perspective as an outside director. I will also strive to ensure even greater management soundness and transparency by conducting appropriate audits and supervision.

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 (incumbent)
Apr. 2017	Academician of the International Academy of Estate and Trust Law (incumbent)
Dec. 2020	Representative of Tokyo Heritage Law Firm (incumbent)
June 2021	Director, TS TECH (Audit and Supervisory Committee Member) (incumbent)
June 2023	Outside Director and Audit & Supervisory Committee Member, ADVANTEST CORPORATION (incumbent)

Hayashi: The need to expand the scope of information available to outside directors has been consistently identified as an issue in the annual evaluations of the Board of Directors' effectiveness. By addressing this gap, the formulation of the 16th Medium-Term Management Plan (FY2027–2029), scheduled for next year, is beginning to take shape in a way that reflects the diversity of perspectives among our directors.

In parallel, the Nomination and Compensation Committee, which I chair, is engaged in discussions to establish a compensation framework that encourages directors and executive officers to adopt a longer-term perspective and focus on performance. Taking into account evolving social conditions and stakeholder expectations, we are continuously exploring more appropriate system designs through study sessions and active dialogue.

Looking ahead, through the committee's ongoing review of executive compensation and deliberations on the management structure, I remain committed to enhancing governance and driving new value creation—toward our goal of becoming "A company sincerely appreciated by all."

Message

Message from Outside Directors

Leveraging the diversity of our Board of Directors to the maximum extent to achieve corporate growth that can withstand a changing business environment

Kaori Matsushita
Chairperson of the Board of Directors
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.) (incumbent)
June 2020 Outside Director and Audit & Supervisory Committee Member of Taisei Oncho Co., Ltd. (incumbent)
May 2022 Outside Director of Belc CO., LTD.
June 2022 Director, TS TECH (incumbent)
June 2025 Chairperson of the Board of Directors, TS TECH (incumbent)

I was appointed chairman of the company's Board of Directors following the General Meeting of Shareholders in June 2025. I will utilize the knowledge and experience I have cultivated to date to further strengthen governance and strive to continuously improve corporate value.

The automotive industry is currently undergoing a once-in-a-century period of radical change. Technological innovation, symbolized by CASE (Connected, Autonomous, Shared Services, Electric), is redefining the concept of vehicles and transforming the entire supply chain. In fiscal 2025, the entire industry reached a plateau, with growth in the EV market temporarily slowing and consumer demand falling short of expectations. In addition to these factors, changes in the external environment, such as rising raw material and labor costs and U.S. trade policy, had a major impact on the Company's business, posing challenges that are difficult to address through corporate efforts.

Although the uncertainty will remain, new technological innovations are expected to gain momentum. Under the growth, regional and functional strategies outlined in its 15th Medium-Term Management Plan, the company is working to achieve sustainable business growth and improve capital efficiency. Strengthening the company's ability to generate earnings in particular is a common understanding among all members of the management team, and as the Board of Directors we will also be actively involved in improving management indicators such as ROE.

With regard to the Board of Directors, we have been striving for continuous improvement through repeated internal and external discussions based on annual evaluations of our effectiveness. As a result, We have seen steady improvement in the Board's effectiveness. At the present time, the Board of Directors consists of 11 members, six from inside and five from outside the company. Our outside directors have diverse expertise and experience, and from June 2025, we will have three female directors. This represents steady progress toward the government's goal of having female executives account for 30% or more of Board members at Prime Market-listed companies, as outlined in the sections applicable to women in the "Basic Policy on Economic and Fiscal Management and Reform 2023," and demonstrates one aspect of the company's efforts to promote diversity.

As chairman of the Board, I will also draw out the knowledge of each director, who come from diverse backgrounds, encourage constructive and lively discussions, and oversee the Board of Directors' meetings while striving to ensure its soundness and transparency. Also focusing on non-financial areas, such as human capital and sustainability, I will promote management that meets the expectations of all stakeholders.

Having been in the IT industry for 38 years, I have experienced numerous technological innovations and changes in the industrial structure. In my previous position, I worked to create new added value and restructure our business model through a strategic alliance with a major IT company. Although I come from a different industry, I intend to apply my experience in guiding companies through transformation to contribute to TS TECH's continued evolution and growth. I remain fully committed to earning your trust and meeting your expectations with sincerity and dedication.

Contributing to the sustainable enhancement of TS TECH's corporate value through an objective perspective on its manufacturing practices

Hiromi Wada
Newly Appointed Director
Independent Outside Director

Apr. 1983 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
Apr. 2010 Trustee of Panasonic Corporation
Mar. 2016 Trustee of The Linux Foundation, a non-profit standards organization
Aug. 2020 Advisor of Panasonic Corporation Automotive Company (currently Panasonic Automotive Systems Co., Ltd.) (incumbent)
June 2021 Outside Director of Imasen Electric Industrial Co., Ltd., Outside Director of SAKAI CHEMICAL INDUSTRY CO., LTD.
June 2022 Representative Director of i-Golf Studio Co., Ltd. (currently HIROZ Co, Ltd.) (incumbent)
Apr. 2023 Outside Director of SHIMANO INC. (incumbent)
June 2025 Director, TS TECH (incumbent)
Outside Director of NTN Corporation (incumbent)

Having worked for Panasonic for around 40 years, during which time I engaged in a wide range of manufacturing activities, from basic research to product development and quality control, after retiring I served as an outside director at several companies. By gaining experience at one company for a long period of time and then learning about the outside world, I was able to see the differences between companies more clearly and approach corporate management from an objective and multifaceted perspective. At the company's Board of Directors' meetings, I would like to make persuasive proposals based on the knowledge I have gained so far and disseminate insights that are difficult to gain from within a company. I was appointed as a director at the General Meeting of Shareholder in June 2025 and although at this point I may not have attended many Board meetings, I sense that there is no unnatural gap or disparity between the outside and the full-time directors and feel that the meetings are conducted in a healthy and constructive manner, with lively discussions taking place. From now on, it is my intention to deepen my understanding of the company and contribute to agile corporate management that can overcome any buffeting the automotive industry, which is entering a turbulent era, may experience by actively participating in discussions.

In recent years, the automotive industry has undergone significant restructuring, driven by the rise of EV manufacturers and consolidation among suppliers. TS TECH too must embrace transformation to remain competitive. In the final phase of my career at Panasonic, I was involved in the automotive business. Compared to other industries I had worked in, the automotive sector places greater emphasis on supply chain relationships—between OEMs and Tier 1 suppliers, and between Tier 1 and Tier 2 suppliers—making the establishment of strong, trust-based partnerships essential. In this regard, President Yasuda is very proactive, and I feel that he is a leader worthy of this industry. I will do my best to support him in this endeavor.

Furthermore, quality remains the top priority in manufacturing, not just in the automotive industry. Also possessing past experience from having been assigned to a plant as a quality manager, I believe that stable quality is not determined by the accuracy of finished product inspections, but rather by how well productivity and quality are considered from the upstream product design stage onward. At TS TECH, quality-related reports are submitted to the Board of Directors every month, and appropriate measures are implemented depending on the case, regardless of whether they are upstream or downstream. I believe this is an effective initiative from the perspective of governance as well.

Finally, my guiding principles are "fairness" and "customer first." I firmly believe that acting with sincerity and for the benefit of society and others will ultimately yield positive outcomes. This philosophy aligns with TS TECH's Vision Statement of being "A company sincerely appreciated by all." By continuing to embody these values, I will strive to meet the expectations of all our stakeholders.

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

Liabilities

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

Equity

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

2. Analysis of Cash Flows

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

3. Overview of Financial Results

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

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

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

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

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

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

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

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

Consolidated Statement of Financial Position

(Unit: Million yen)

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

See notes to consolidated financial statements.

(Unit: Million yen)

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

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

(Unit: Million yen)

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

See notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of comprehensive income

(Unit: Million yen)

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

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

(Unit: Million yen)

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

See notes to consolidated financial statements.

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

(Unit: Million yen)

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

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(Unit: Million yen)

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

Consolidated Statement of Cash Flows (Continued)

(Unit: Million yen)

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

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

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

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(2) Basis for measurement

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

(3) Functional currency and presentation currency

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

(4) Important accounting judgments, estimates, and assumptions

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

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

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

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

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

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

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

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

(a) Amount recognized in the consolidated financial statements

(Unit: Million yen)

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

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

(b) Major assumptions used for the estimate

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

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

(c) Material impact on the following fiscal year

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

(ii) Recoverability of deferred tax assets

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

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

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

(a) Amount recognized in the consolidated financial statements

(Unit: Million yen)

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

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

(b) Major assumptions used for the estimate

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

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

(c) Material impact on the following fiscal year

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

(iii) Post-employment benefits

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

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

(a) Amount recognized in the consolidated financial statements

(Unit: Million yen)

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

(b) Major assumptions used for the estimate

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

(c) Material impact on the following fiscal year

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

3. IMPORTANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Affiliates

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

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

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

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

(3) Foreign currency translations

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

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

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

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

(4) Financial instruments

(i) Financial assets

(a) Initial recognition and measurement

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

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

(b) Classification and subsequent measurement

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

(A) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

(c) Impairment of financial assets

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

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

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

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

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

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

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

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

(d) Derecognition of financial assets

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

(ii) Financial liabilities

(a) Initial recognition and measurement

The Group initially recognizes financial liabilities on the transaction date.

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

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

(b) Classification and subsequent measurement

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

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

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

(c) Derecognition of financial liabilities

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

(iii) Offsetting a financial asset and a financial liability

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

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

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Intangible assets

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

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

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

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

(9) Leases

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

(i) Lease as lessee

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

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

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

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

(ii) Leases as lessor

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

(a) Finance lease

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

(b) Operating lease

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

(c) Sublease

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

(10) Impairment of non-financial assets
During each reporting period, the Group assesses each asset or cash-generating unit for any indications of impairment, and if any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit.
The recoverable amount is calculated at the higher of the fair value of the asset or cash-generating unit less costs of disposal and the value in use.
Value in use is calculated by discounting the estimated future cash flows to the present value using the pre-tax discount rate that reflects the current market assessments of the time value of money.
If the recoverable amount is less than the carrying amount of the asset or cash-generating unit, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss in net profit or loss.
In terms of impairment losses recognized in the past, assessment is conducted for any indications of the possibility of decrease in impairment, including cases in which the assumptions used to determine the recoverable amount have changed. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated, and if the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment loss is reversed up to the lower of the recoverable amount determined and the carrying amount net of depreciation that would have been determined if no impairment loss had been recognized in prior years.

(11) Non-current assets held for sale
Among assets or asset groups whose carrying amounts are expected to be recovered through a sale transaction rather than continuing use, assets for which sale within one year is highly probable, assets which are available for immediate sale in their present condition, and assets for which the Group's management is committed to a plan to sell, the assets are classified as non-current assets held for sale.
Non-current assets held for sale are not depreciated or amortized and are measured at the lower of the carrying amount and fair value less costs of disposal.

(12) Employee benefits
(i) Post-employment benefits
The Group has adopted defined benefit plans and defined contribution plans.
Defined benefit plans are recognized in the consolidated statement of financial position in the amount of defined benefit plan obligations, which has been calculated at the discounted present value of the amount of estimated future benefits earned by the employee as consideration for services rendered in the past and in the current period under each plan, less the fair value of the plan assets.
The present value of defined benefit plan obligations and related service costs is calculated using the projected unit credit method. The discount rate is determined by reference to market yields on high-quality corporate bonds with similar maturities to the obligations under the plans.
Increases/decreases through remeasurements of defined benefit plan obligations and plan assets are recognized in other comprehensive income.
Prior service costs resulting from plan amendments or curtailment are recognized in net profit or loss at the earlier of the time of amendment or the time at which the related restructuring costs or severance benefits are recognized.
The obligation to make contributions under the defined contribution plans is recognized in net profit or loss in the period in which the employee renders the related service.
(ii) Short-term employee benefits
Short-term employee benefits including wages are recognized in net profit or loss in the period in which the employee renders the related service.
Bonus payments are recognized as liabilities if the Group has a legal or constructive obligation to pay and the obligation can be estimated reliably.
The cost of paid leave is recognized as a liability in the period in which the employee renders the service which will increase the employee's entitlement to future paid leave.
(iii) Other long-term employee benefits
Other long-term employee benefits, including a long-service award system, are recognized as liabilities by estimating the amount of future benefit that employees have earned in consideration for services rendered in the current and prior periods and discounting that amount to the present value.

(13) Provisions
Provisions are recognized if a present legal or constructive obligation exists as a result of a past event that can be estimated reliably and if it is probable that an outflow of economic resources will be required to settle the obligation.
When the time value of money is material, a provision is measured at the present value to which estimated cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the obligation. Increases in the amount of provisions associated with the passage of time are recognized in net profit or loss.

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

(15) Equity
(i) Common shares
The amount of equity instruments issued by the Company is recognized in common stock and capital surplus, and direct issue costs (after consideration of tax effects) are deducted from capital surplus.
(ii) Treasury stock
When the Company acquires treasury stock, the consideration paid, including direct transaction costs (after consideration of tax effects), is recognized as a deduction from equity. When the Company disposes of treasury stock, gains or losses on sales of treasury stock are recognized in capital surplus.

(16) Revenues
(i) Revenue from contracts with customers
The Group recognizes revenue based on the following five-step approach.
Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract(s).
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract(s).
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.
The Group's primary line of business involves the manufacture and sale of seats for automobiles. Revenue pertaining to the sale of these products will be recognized when a product and control of said product are transferred to the customer and the performance obligation is deemed satisfied according to the contract with the customer.
Revenue will be measured as amounts net of discounts and other deductions from compensation agreed upon in the contract with the customer.
(ii) Interest income
Interest income is recognized based on the effective interest method.
(iii) Dividend income
Dividend income is recognized when the right to receive payment of the dividend is established.

(17) Government grants
Government grants are recognized at fair value when and only when there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received.
Government grants relating to revenues are recognized in net profit or loss over the period in which the expenses are compensated by the grants.
Government grants relating to assets are recognized as deferred revenue and reclassified to net profit or loss on a systematic basis over the useful life of the asset.

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

(19) Income taxes

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and one of the following conditions is met:

• The income taxes are levied on the same taxpayer by the same tax authority; or
• The income taxes are levied on different taxpayers, but those taxpayers intend to settle current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

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

(20) Basic earnings per share

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

4. NEW STANDARDS NOT YET ADOPTED BY THE GROUP

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

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

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

5. SEGMENT INFORMATION

(1) Overview of reportable segments

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

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

The categories of reportable segments are as follows.

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

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

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

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

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

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

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

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

(Unit: Million yen)

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

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

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

Other important items

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

Notes: 1. Adjustments of -¥6,566 million for segment profits included an inter-segment elimination of -¥259 million and operating expenses of -¥6,306 million associated with the administration division of the headquarters of the parent, which could not be allocated.

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

Other important items

(Unit: Million yen)

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

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

(4) Information related to products and services

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

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

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

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

(5) Information according to region

(i) Revenue

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

(6) Information according to major customers

(Unit: Million yen)

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

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

6. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows.

(Unit: Million yen)

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

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

7. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows.

(Unit: Million yen)

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

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

8. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows.

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

9. INVENTORIES

The breakdown of inventories is as follows.

(Unit: Million yen)

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

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

10. PROPERTY, PLANT AND EQUIPMENT

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

Cost

(Unit: Million yen)

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

Accumulated depreciation and impairment loss

(Unit: Million yen)

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

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

Carrying amounts

(Unit: Million yen)

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

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

11. INTANGIBLE ASSETS

(1) Schedule of intangible assets

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

Cost

(Unit: Million yen)

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

Accumulated amortization and impairment loss

(Unit: Million yen)

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

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

Carrying amounts

(Unit: Million yen)

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

(2) Development expenses

The breakdown of development expenses is as follows.

(Unit: Million yen)

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

12. IMPAIRMENT LOSSES

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

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

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

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

(Unit: Million yen)

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

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

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

13. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit: Million yen)

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

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

14. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows.

(Unit: Million yen)

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

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

15. INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

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

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

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

(Unit: Million yen)

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

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

(Unit: Million yen)

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

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

(Unit: %)

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

16. PROVISIONS

Changes in the amounts of provisions are as follows.

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

(Unit: Million yen)

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

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

(Unit: Million yen)

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

17. POST-EMPLOYMENT BENEFITS

(1) Overview of the post-employment benefit plan adopted by the Group

To prepare for the payment of retirement benefits to its employees, the Company and certain consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans.

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

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

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

(2) Defined benefit plan

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

(Unit: Million yen)

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

(ii) Reconciliation of present value of defined benefit obligations

(Unit: Million yen)

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

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

(iii) Reconciliation of the fair values of plan assets

(Unit: Million yen)

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

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

(iv) Major breakdown of fair values of plan assets

(Unit: Million yen)

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

(v) Investment policy of plan assets

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

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

(vi) Significant actuarial assumptions and analysis of sensitivity thereto

Significant actuarial assumptions are as follows.

(Unit: %)

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

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

(Unit: Million yen)

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

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

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

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

(viii) Maturity analysis of defined benefit plans

Maturity analysis of defined benefit plans is as follows.

(Unit: Years)

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

(3) Defined contribution plans

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

(Unit: Million yen)

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

18. NET ASSETS AND OTHER COMPONENTS OF EQUITY

(1) Management of shareholders' equity

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

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

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

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

(2) Details of capital surplus

Details of capital surplus are as follows.

(i) Legal capital surplus

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

(ii) Other capital surplus

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

(3) Details of retained earnings

Details of retained earnings are as follows.

(i) Legal retained earnings

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

(ii) Other retained earnings

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

(4) Details of other components of equity

Details of other components of equity are as follows.

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

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

(ii) Remeasurements of net defined benefit plans

Returns on plan assets other than actuarial differences and interest

(iii) Differences on translation from foreign operations

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

(5) Changes in other components of equity

Changes in other components of equity are as follows.

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

(Unit: Million yen)

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

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

(Unit: Million yen)

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

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

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

(Unit: Number of shares)

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

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

(7) Treasury stock

The amount of treasury stock is as follows.

(Unit: Number of shares)

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

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

19. REVENUE

(1) Disaggregation of revenue

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

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

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

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

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

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

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

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

(2) Contract balances

Contract balances are as follows.

(Unit: Million yen)

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

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

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

(3) Transaction price allocated to remaining performance obligations

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

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

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

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

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

(Unit: Million yen)

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

21. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

(Unit: Million yen)

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

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

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

The breakdown of other expenses is as follows.

(Unit: Million yen)

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

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

22. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

(Unit: Million yen)

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

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

The breakdown of finance costs is as follows.

(Unit: Million yen)

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

23. EARNINGS PER SHARE

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

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

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

24. OTHER COMPREHENSIVE INCOME

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

(Unit: Million yen)

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

25. DIVIDENDS

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

(1) Dividends paid

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

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

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

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

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

(1) Dividends paid

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

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

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

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

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

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

(Unit: Million yen)

			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

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

(Unit: Million yen)

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

27. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

(Unit: Million yen)

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

28. SUBSIDIARIES AND AFFILIATES, ETC.

(1) Composition of the corporate group

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

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

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

(2) Matters concerning subsidiaries

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

GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.

(Unit: Million yen)

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

(Unit: Million yen)

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

(Unit: Million yen)

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

WUHAN TS-GSK AUTO PARTS CO., LTD.

(Unit: Million yen)

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

(Unit: Million yen)

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

(Unit: Million yen)

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

(3) Matters concerning affiliates

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

(Unit: Million yen)

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

(Unit: Million yen)

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

29. SHARE-BASED REMUNERATION

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

(i) Overview of the scheme

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

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

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

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

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

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

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

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

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

(Unit: Million yen)

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

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

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

(i) Overview of the scheme

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

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

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

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

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

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

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

(Unit: Million yen)

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

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

30. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

(iii) Market risk

(Foreign currency risk)

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

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

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

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

(Unit: Million yen)

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

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

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

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

(Unit: Million yen)

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

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

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

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

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

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

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

(Unit: Million yen)

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

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

(Unit: Million yen)

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

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

(Unit: Million yen)

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

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

(Unit: Million yen)

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

(3) Offsetting of financial assets and financial liabilities

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

(Unit: Million yen)

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

31. LEASES

(1) Lease transactions as a lessee

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

(i) Expenses and cash flows associated with lease contracts

Expenses and cash outflows for lease contracts are as follows.

(Unit: Million yen)

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

Notes: 1. Depreciation of right-of-use assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

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

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

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

(Unit: Million yen)

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

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

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

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

(Unit: Million yen)

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

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

(2) Lease transactions as lessor

The Group mainly leases molds under finance lease contracts.

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

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

(Unit: Million yen)

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

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

32. RELATED-PARTY DISCLOSURES

(1) Transactions between the submitting company and related parties

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

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

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

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

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

(i) TS TECH USA CORPORATION

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

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

(ii) TS TECH ALABAMA, LLC.

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

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

(iii) TS TECH CANADA INC.

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

(Unit: Million yen)

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

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

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

(Unit: Million yen)

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

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

(3) Remuneration of key management personnel

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

(Unit: Million yen)

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

33. CONTINGENT LIABILITIES

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

(Unit: Million yen)

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

34. SUBSEQUENT EVENTS

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

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

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

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

(2) Details of the acquisition

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

(3) Details of the cancellation of treasury stock

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

OTHER

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

(Unit: Million yen)

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

(TRANSLATION)

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

June 18, 2025

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

KPMG AZSA LLC
Tokyo Office, Japan

Shingo Iwamiya
Designated Engagement Partner
Certified Public Accountant

Kengo Udagawa
Designated Engagement Partner
Certified Public Accountant

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial/Non-Financial Information

Financial Highlights

10-Year Financial Summary

(Unit: Million yen)

Fiscal Year under Review on a Consolidated Basis	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	458,732	425,794	479,490	412,072	359,682	346,149	349,958	409,200	441,713	460,514
Cost of sales	381,258	355,176	399,329	338,031	300,307	288,671	295,716	355,790	381,860	397,547
Selling, general and administrative expenses	39,414	35,755	37,418	36,521	33,531	32,581	33,896	38,471	44,493	47,074
Operating income	39,279	34,557	47,346	38,793	26,326	26,742	22,998	15,257	17,507	16,428
Income attributable to owners of parent	23,528	19,622	30,115	25,750	15,064	20,741	12,416	5,343	10,214	8,630
Basic earnings per share* (Yen)	173.01	144.29	221.45	189.35	110.77	152.89	92.56	41.35	80.09	70.69
Operating margin (%)	8.6	8.1	9.9	9.4	7.3	7.7	6.6	3.7	4.0	3.6
Return on equity attributable to owners of parent (ROE) (%)	12.1	9.6	13.4	10.5	5.9	7.8	4.3	1.8	3.3	2.7
Return on assets (ROA) (%)	13.6	11.4	14.7	11.7	8.2	9.9	6.4	4.5	5.0	4.6
Effective statutory tax rate (%)	32.3	30.1	30.1	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Average actual tax rate (%)	27.8	29.9	22.7	25.0	29.7	22.5	27.2	42.0	38.0	43.7
Average exchange rate (USD to Yen)	120.1	108.4	110.8	110.9	108.7	106.1	112.4	135.5	144.7	152.6
Average exchange rate (USD to Yuan)	18.9	16.1	16.7	16.5	15.6	15.7	17.5	19.8	20.1	21.1
Capital expenditures	17,064	11,199	8,640	7,412	7,619	6,686	14,466	14,606	13,564	21,654
Depreciation	9,314	9,036	9,676	9,778	10,225	9,616	9,204	10,005	11,062	12,484
R&D expenses	13,168	12,382	11,986	12,709	12,374	12,533	11,930	14,344	15,524	19,497
Total at the End of the Consolidated Fiscal Year										
Total assets	303,948	322,202	351,944	358,265	341,820	390,478	415,985	416,226	446,214	432,366
Property, plant and equipment	76,338	76,576	73,532	71,515	68,530	69,053	76,860	83,874	90,203	93,780
Interest-bearing liabilities	4,335	3,506	4,179	1,742	4,014	5,228	6,030	4,822	4,656	5,757
Total equity	219,092	230,989	259,924	277,424	274,552	301,450	325,583	323,458	348,703	325,686
Shareholders' equity	189,497	204,800	229,866	249,904	259,233	271,278	275,144	265,756	267,362	251,759
Consolidated Cash Flows										
Cash flows from operating activities	47,531	34,045	48,406	43,806	44,193	25,151	20,018	30,445	37,659	28,713
Cash flows from investing activities	(25,299)	(12,409)	(12,742)	(18,321)	(5,366)	(11,709)	(17,196)	(20,970)	(8,669)	(35,867)
Cash flows from financing activities	(12,319)	(14,214)	(11,858)	(16,390)	(12,917)	(14,647)	(23,638)	(18,860)	(17,818)	(31,443)
Free cash flows	22,232	21,636	35,664	25,485	38,827	13,442	2,822	9,475	28,989	(7,153)
Revenue per Consolidated Segment										
Japan	92,071	91,830	93,552	92,856	75,134	78,866	82,698	84,943	91,206	110,467
The Americas	247,087	213,008	224,867	195,604	176,346	141,924	144,527	194,015	240,100	263,555
China	96,513	94,990	121,266	89,187	82,729	117,652	115,236	117,800	87,539	70,814
Asia and Europe	59,257	59,825	76,041	66,822	51,967	34,021	34,202	40,164	48,962	45,050
Overseas revenue	395,571	361,980	412,252	342,496	303,544	288,303	289,660	348,854	371,593	375,488
Overseas revenue ratio (%)	86.2	85.0	86.0	83.1	84.4	83.3	82.8	85.3	84.1	81.5
Stock Information										
Cash dividends per share* (Yen)	33	35	40	42	43	45	54	63	73	83
Consolidated price to earnings ratio (PER) (Times)	7.6	10.4	9.5	8.4	11.5	10.8	14.9	40.6	25.1	23.8
Consolidated dividends payout ratio (%)	19.1	24.3	18.1	22.2	38.8	29.4	58.3	152.4	91.1	117.4

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. Per-share data has been retroactively adjusted as if the stock split had been effective at the beginning of FY2016.

Non-Financial Highlights

Environmental Accounting

Environmental Conservation Cost

(Unit: Million yen)

		Main Efforts	FY2021		FY2022		FY2023		FY2024		FY2025	
			Investment	Cost	Investment	Cost	Investment	Cost	Investment	Cost	Investment	Cost
Business area cost	Pollution prevention cost	Prevention of air, water, and soil pollution, etc.	12	10	21	15	22	27	4	27	1	27
	Global environmental conservation cost*	Prevention of global warming (including investments in energy conservation and renewable energy), ozone layer protection, and other environmental preservation efforts	176	43	561	71	596	32	440	58	436	49
	Resource circulation cost	Recycling, waste treatment and disposal, and water-saving efforts	25	71	13	59	1	67	4	83	12	86
Upstream/downstream cost		Costs generated from purchasing low environmental impact products and raw materials	5	1	7	3	3	1	0	1	11	1
Administration cost		Environmental management system (EMS) development & operation costs, environmental measurement costs, and office interior "greening" and development costs	15	60	48	46	46	74	24	81	28	77
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	10	4,000	2	4,447	14	4,215	37	4,952	14	5,454
Social activity cost		Environmental measures such as nature protection, "greening," and scenery preservation	0	1	1	1	0	2	0	3	0	7
Environmental remediation cost		Remediation of soil pollution, etc.	0	0	0	0	0	0	0	0	0	0
Total			243	4,186	652	4,642	682	4,418	509	5,205	502	5,701

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.

Economic Effects (Non-consolidated)

(Unit: Thousand yen)

	FY2021	FY2022	FY2023	FY2024	FY2025
Gain on sale of valuables	5,073	9,654	13,645	11,607	18,708
Cost saved by energy conservation	4,169	3,448	3,975	1,727	3,093
Total	9,242	13,102	17,620	13,334	21,800

Material Effects (Non-consolidated)

	(Unit)	FY2021	FY2022	FY2023	FY2024	FY2025
Energy consumption	GJ	154,488	161,867	164,634	146,304	162,284
Water consumption	1,000 m^3	62	51	54	52	56
CO_2 emissions	t-CO_2	6,671	4,903	2,581	1,480	294
CO_2 emissions due to transportation	t-CO_2	1,449	1,467	1,431	1,624	1,904
Total waste output	t	1,120	1,384	1,495	1,460	1,789
VOC emissions	t	16	18	27	30	24
PRTR emissions	t	0	0	0	0	0

Non-Financial Highlights

Non-consolidated: Six domestic sites of TS TECH Co., Ltd.
Consolidated: TS TECH Co., Ltd. and its 35 consolidated subsidiaries in Japan and overseas

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

	FY2021	FY2022	FY2023	FY2024	FY2025
Human rights/diversity training (Number of times)	7	8	8	8	9
Training time per employee (Hours)	11.1	9.8	9.3	9.1	6.6
Training expenditures (Million yen)	21.6	34.6	34.3	26.6	56.7
Training expenditures per employee (Yen)	12,456	19,634	20,060	16,028	34,737

In-House Training Sessions: Number of Attendees (Non-consolidated)

(Unit: Persons)

	FY2021	FY2022	FY2023	FY2024	FY2025
Practical training sessions for risk assessment*1	0*2	0*2	0*2	100	86
Mental health seminars	70*2	61*2	73*2	193	165

*1 Seminars held for company employees. We have also held "Risk Assessment Training Regarding Specified Chemical Substances."
*2 Practical training sessions for risk assessment were canceled in order to prevent the spread of COVID-19. For the same reason, mental health seminars were held less often, canceled, or held using a different method, depending on the risk of infection in each workplace.

Employee Engagement (Non-consolidated)

	FY2021	FY2022	FY2023	FY2024	FY2025
Engagement score*1	(30.4)	42.1	40.9	41.8	41.4
Response rate (%)	–	98.3	95.6	97.6	97.4
Percentage of employees highly satisfied with their company, work, supervisors, and workplace*2	–	29.4	28.8	32.2*3	33.1*3

*1 For FY2021, the figure in parentheses represents the DI score from the employee satisfaction survey. From FY2022 onward, scores are based on Link and Motivation Inc's Motivation Cloud.
*2 Percentage of respondents who rated overall satisfaction in each category as 4 or higher on a 5-point scale.
*3 Values are presented after truncating at the first decimal place.

Employment-Related Data (Non-consolidated)

	FY2021	FY2022	FY2023	FY2024	FY2025
Percentage of managers who are women (%)	2.6	2.9	2.7	2.8	3.0
Percentage of employees with a disability (%)	2.7	2.7	3.0	2.8	2.9
Percentage of employees who are non-Japanese (%)	0.6	0.6	0.6	0.6	0.5
Number of new graduates hired (Persons)	47	48	46	50	45
Number of employees who leave within three years of hiring (Persons)	5	2	5	6	11
Turnover rate within three years of hiring (%)	9.6	4.0	9.3	12.8	15.0
Percentage of employees hired mid-career* (%)	6.0	12.7	23.3	37.5	50.0

* The percentage of employees hired mid-career among employees hired for regular employment

Major Personnel Data (Non-consolidated)

		FY2021	FY2022	FY2023	FY2024	FY2025
Number of employees by gender*1 (Persons)	Male	1,551	1,573	1,526	1,482	1,454
	Female	187	190	184	178	180
	Total	1,738	1,763	1,710	1,660	1,634
Average years of service*1 (Years)	Male	17.2	17.8	18.0	17.8	17.6
	Female	15.8	16.2	16.2	16.7	16.6
	Overall	17.1	17.6	17.9	17.7	17.5
Gender wage gap for workers*2 (%)	All employees	72.3	72.4	71.9	74.0	72.4
	Regular workers	78.6	77.7	76.5	78.2	77.9
	Part-time and fixed-term contract workers	60.2	64.6	77.3	84.1	64.4

*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)

		FY2021	FY2022	FY2023	FY2024	FY2025
Percentage of employees taking paid leave (%)		96.6	99.4	104.1	103.7	102.6
Percentage of employees using half-day vacations (%)		58.4	65.8	66.4	65.0	66.5
Number of employees using maternity leave (Persons)		6	11	9	5	7
Number of employees using childcare leave (Persons)	Male	8	13	27	27	38
	Female	6	10	9	6	6
	Total	14	23	36	33	44
Percentage of employees using childcare leave (%)	Male	11	19	43	50	70
	Female	100	100	90	100	100
	Total	18	29	58	55	73
Rate of return to work after childcare leave (%)	Male	100	100	100	100	100
	Female	100	100	88	100	100
	Total	100	100	97	100	100
Number of employees using shorter working hours system for children (Persons)	Male	2	2	6	5	4
	Female	15	15	18	22	23
	Total	17	17	24	27	27
Number of employees using nursing care leave (Persons)	Male	1	1	0	0	0
	Female	0	0	0	1	1
	Total	1	1	0	1	1

Labor Union Data (Non-consolidated)

	FY2021	FY2022	FY2023	FY2024	FY2025
Number of employees affiliated with the labor union (Persons)	1,504	1,504	1,457	1,422	1,392
Percentage of employees affiliated with the labor union (%)	98	96	96	96	97

* Calculations exclude managers

Industrial Accident Circumstances

Consolidated (Includes regular, temporary, and dispatched employees)

	FY2021	FY2022	FY2023	FY2024	FY2025
Number of industrial accident deaths (Persons)	0	0	0	1	0☑
Number of industrial accident injuries (lost worktime accidents) (Persons)	36	25	11	4	9
Lost Time Injury Frequency Rate (LTIFR) (%)*1	1.03	0.75	0.31	0.11	0.28☑
Severity rate*2 [Industry average] (%)	0.03	0.01	0.01	0.21	0.00

Contractors*3

	FY2021	FY2022	FY2023	FY2024	FY2025
Number of industrial accident deaths (Persons)	0	0	0	0	0
Number of industrial accident injuries (lost worktime accidents) (Persons)	0	1	1	0	0
Lost Time Injury Frequency Rate (LTIFR) (%)	–	–	–	–	0.00
Severity rate [Industry average] (%)	–	–	–	–	0.00

*1 Number of lost time fatalities and injuries during the fiscal year / Total annual working hours × 1,000,000
The total annual working hours on a consolidated basis is calculated as: Total annual working hours of TS TECH Co., Ltd. (non-consolidated) + (Number of working days per year at 35 consolidated subsidiaries in Japan and overseas × 8 hours × Number of personnel).
*2 Lost time injury severity rate: Total lost workdays (lost time days × 0.82) / Total annual working hours × 1,000
*3 Total number of workers at nine subcontractors operating within the domestic production sites of TS TECH Co., Ltd.

Figures marked with "☑" have been assured by SGS Japan Inc. through third-party verification.

Non-Financial Highlights

Number of Social Contribution Activities Conducted (Consolidated)

(Unit: Activities)

FY2021	FY2022	FY2023	FY2024	FY2025
188	155	213	290	224

Number of Social Contribution Activities Conducted in Fiscal 2025

(Unit: Activities)

	Japan	The Americas	China	Asia and Europe	Total
Economic assistance	24	52	3	12	91
Social contribution activities	56	49	9	19	133
Total	80	101	12	31	224

Social Contribution Activity Expenditures (Non-consolidated)

(Unit: Thousand yen)

FY2021	FY2022	FY2023	FY2024	FY2025
17,303	282,063*	43,440	16,909	52,890

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

Improvement Initiatives (Consolidated)

	FY2021	FY2022	FY2023	FY2024	FY2025
Number of participating teams*1	0*2	334	367	392	308

*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.

Number of Patents Held

(Unit: Patents)

	FY2021	FY2022	FY2023	FY2024	FY2025
Domestic	1,260	1,401	1,565	1,747	1,881
Overseas	704	800	864	879	963

Dialogue with Stockholders and Investors

	FY2021	FY2022	FY2023	FY2024	FY2025
General Meeting of Shareholders: Number of attendees	9*1	7*1	18	30	33
Events for individual investors: Number of participants	0*2	0*2	0*2	0*2	16
IR/SR meeting record (Number of companies) (Including small meetings and conference calls)	355	269	290	291	233

*1 To prevent the spread of COVID-19, shareholders were asked to refrain from attending the venue.
*2 Events for individual investors were canceled to prevent the spread of COVID-19.

Governance-Related Data

(Unit: Cases [Yen])

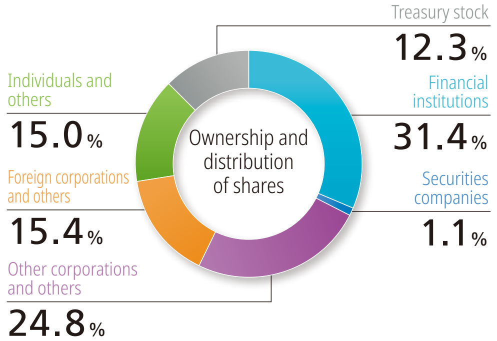
	FY2021	FY2022	FY2023	FY2024	FY2025
Fines and penalties for anti-competitive practices (Consolidated)	0 [0]	0 [0]	0 [0]	0 [0]	0 [0]
Cases recognized as corruption or bribery (Consolidated)	0 [0]	0 [0]	0 [0]	0 [0]	0 [0]
Number of political donations (Non-consolidated)	0 [0]	0 [0]	0 [0]	0 [0]	0 [0]

Corporate Data As of March 31, 2025

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, etc.
Number of Employees	14,163 (Consolidated), 1,634 (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/BMW Group/Harley-Davidson, Inc./PARAMOUNT BED CO., LTD.
Member Organization	Japan Auto Parts Industries Association

Stock Information As of March 31, 2025

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Issued	136,000,000*
Number of Shareholders	46,839



* On May 30, 2025, the company retired 12,000,000 shares of common stock.

Major Shareholders

Major Shareholders	Investment in the company: Number of shares held (Thousands)	Investment in the company: Shareholding ratio (%)
Honda Motor Co., Ltd.	25,620	21.5
The Master Trust Bank of Japan, Ltd. (Trust account)	13,440	11.3
Custody Bank of Japan, Ltd. (Trust account)	5,154	4.3
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust Account)	4,398	3.7
Sumitomo Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	3,880	3.3
State Street Bank and Trust Company 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	2,779	2.3
Okamoto Industries, Inc.	2,752	2.3
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,720	2.3
MUFG Bank, Ltd.	2,638	2.2
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2,580	2.2

Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. The company, which owns 16,745,436 treasury shares, is excluded from the above list of major shareholders. Also, treasury stock is excluded in calculating the shareholding ratio.

External Recognition and Selection as a Constituent in Indices As of August 31, 2025

CDP

TS TECH received a Leadership level score of "A-" in climate change and a score of "B" in water security from CDP, an international nonprofit organization that evaluates corporate and municipal environmental initiatives.

In addition, we received the highest score of "A" in CDP's assessment of climate change initiatives across our entire supply chain, and were recognized as a "Supplier Engagement Leader."

CSR Companies Ranking

CSR Company Hand Book 2025 (CSR Company Directory)

TS TECH ranked 235th out of 1,715 firms in a ranking that evaluates corporate trustworthiness based on both CSR and financial performance data.

EcoVadis

TS TECH was awarded the "Commitment Badge" by EcoVadis, an international sustainability rating agency, in recognition of its high-quality management system aligned with EcoVadis' evaluation criteria.

FTSE

FTSE4Good
FTSE Blossom Japan Index
FTSE Blossom Japan Sector Relative Index

TS TECH has been selected for the second consecutive year as a constituent of the FTSE4Good Index Series, which is designed to measure the performance of Japanese companies with high ESG ratings, and the FTSE Blossom Japan Index, which focuses on the Japanese market. In addition, the company has been selected for the FTSE Blossom Japan Sector Relative Index for the third consecutive year.

SOMPO Sustainability Index

For two consecutive years, TS TECH has been included in this index, which evaluates ESG initiatives and corporate value in an integrated manner.

Gomez IR Site Ranking

TS TECH received a Bronze Award in the Gomez IR Site Ranking, which evaluates IR websites based on usability, quality of information, and transparency of disclosure.

Message on the Publication of TS TECH Integrated Report 2025

Operating Officer Satoshi Hirano (fourth from the left) and the TS TECH Integrated Report 2025 production team
Public Relations Section
Corporate Communication Department

TS TECH publishes this integrated report to provide shareholders, investors, and other stakeholders with a clear understanding of the Group's medium- to long-term value creation process and initiatives aimed at enhancing corporate value. This report covers fiscal 2025, the second year of our 15th Medium-Term Management Plan (fiscal 2024–2026). Throughout the year, we steadily advanced initiatives centered on our priority strategies, while flexibly responding to changes in the business environment, with the aim of achieving our medium-term targets and our long-term goals for 2030.

This report looks back over the efforts made by all employees in embodying the corporate vision of being "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all." It then goes on to highlight the strengths and competitive advantages we have developed through these efforts, from various perspectives. In addition, it clarifies the value creation process behind our corporate activities by unraveling their relationship to improving corporate value through specific examples. We hope that the report, which reflects our continual efforts to create new value in an increasingly uncertain business environment, will facilitate constructive engagements with stakeholders.

The report also comprehensively covers our initiatives in environmental, social, and governance (ESG) and materiality—which are vital for sustainable corporate growth and maintaining our competitive advantage. In addition, it includes detailed information on our human resource strategies aimed at strengthening human capital, a key pillar of corporate growth, as well as our supply chain initiatives and engagement with local communities.

As Executive General Manager of the Corporate Administration Division, I hereby certify that the process of preparing this integrated report was conducted with due diligence, and that the content presented is both transparent and accurate. Going forward, we will continue to enhance our information disclosure through active dialogue with stakeholders, and remain committed to being "A company sincerely appreciated by all."

Satoshi Hirano
Operating Officer
Corporate Administration Division Executive General Manager

Integrated Report Preparation Process

Publication
- Japanese version: September
- English version: November

Evaluation
- Conduct external evaluations
- Hold discussions with investors
- Conduct stakeholder surveys

Planning
- Planning led by Public Relations Section
- Raise awareness of the importance of the integrated report and communicate the results of external evaluations

Production
- Request cooperation from each division in creation based on the details of the plan
- Organization and creation by Public Relations Division

TS TECH Co.,Ltd.

VEGETABLE OIL INK

November 2025
Printed in Japan