



TS Philosophy

Beliefs

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

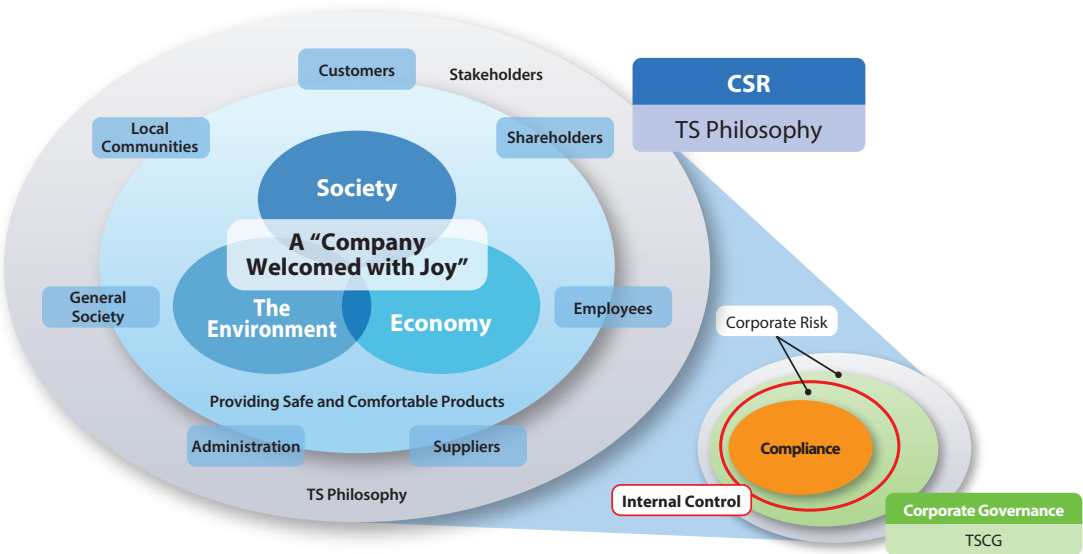
Company Principle

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

Management Policies

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

Conceptual Overview of TS TECH’s CSR



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TS Philosophy/Conceptual Overview of TS TECH's CSR/Corporate Message

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Corporate Message

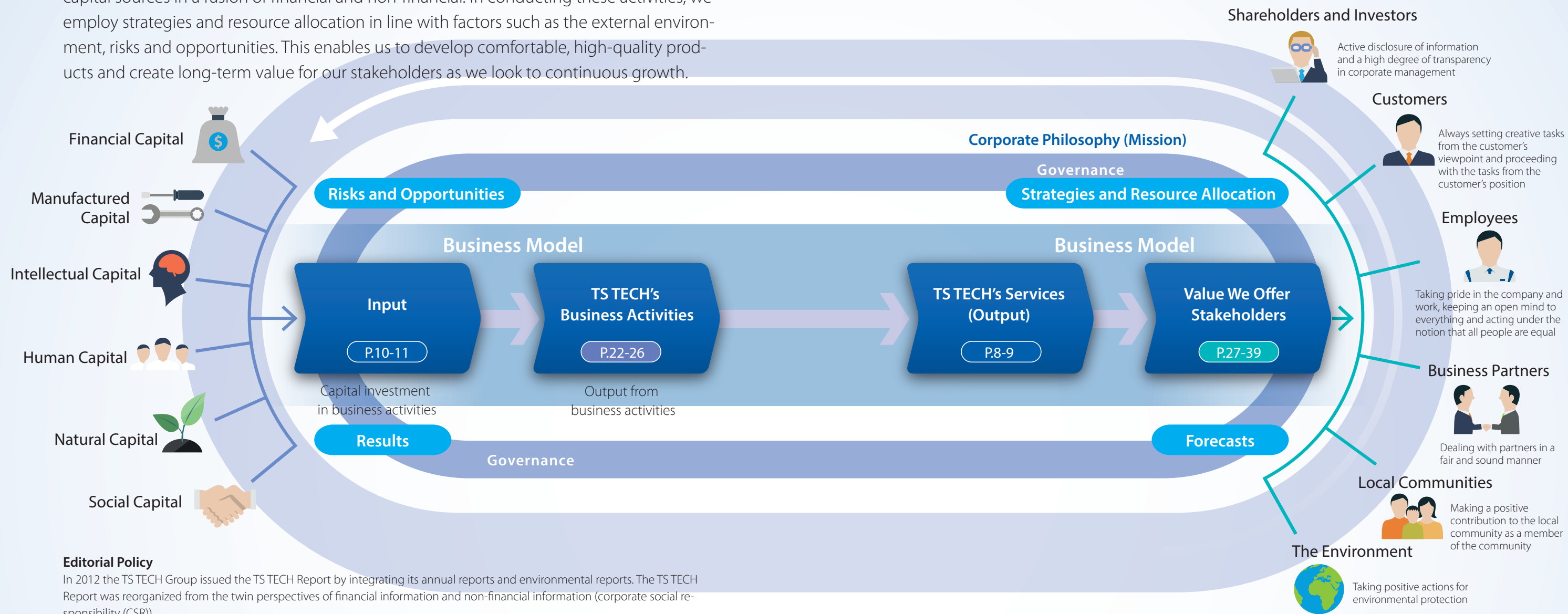
Beyond Comfort

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



TS TECH's Value Creation Process

TS TECH's business activities are based on the TS Philosophy and bring together a range of capital sources in a fusion of financial and non-financial. In conducting these activities, we employ strategies and resource allocation in line with factors such as the external environment, risks and opportunities. This enables us to develop comfortable, high-quality products and create long-term value for our stakeholders as we look to continuous growth.



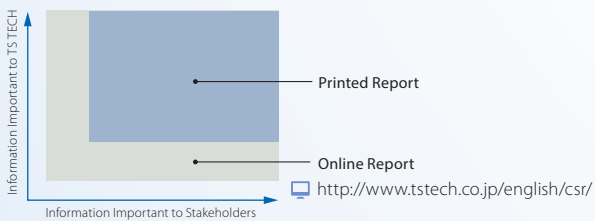
Editorial Policy

In 2012 the TS TECH Group issued the TS TECH Report by integrating its annual reports and environmental reports. The TS TECH Report was reorganized from the twin perspectives of financial information and non-financial information (corporate social responsibility (CSR)).

The Group is carrying out a variety of activities and initiatives in terms of the economy, the environment, and society in order to be a "Company Welcomed with Joy." This report is issued with the purpose of fulfilling the Group's accountability in these regards.

About This Report's Formats

Business activities pertaining to topics of importance to TS TECH have been included in the printed report in an easy-to-read format. In addition to this information, the online report offers more detailed information and data.



Scope of the report

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

Period covered by the report

In principle, this report covers the period from April 1, 2014 to March 31, 2015 (fiscal 2015), but it may include coverage of activities before or after that period.

Guidelines

The ISO 26000 international guidelines for corporate social responsibility issued in November 2010, the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.1, and the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) in December 2013 were consulted in editing this report.

ISO 26000 Related Pages

ISO 26000 Core Subjects	Section
Organizational Governance	• A Message from the President P.04-07 • Our Relationship with Shareholders and Investors P.30-31 • Corporate Governance and Compliance P.42-43
Human Rights	• Our Relationship with Employees P.34-35
Labour Practices	• Our Relationship with Employees P.34-35
The Environment	• Our Relationship with the Environment P.38-41
Fair Operating Practices	• A Message from the President P.04-07 • Our Relationship with Business Partners P.32-33
Consumer Issues	• A Message from the President P.04-07 • Our Relationship with Customers and End Users P.28-29
Community Involvement and Community Development	• Our Relationship with Society and the Community P.36-37

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, and actual results may vary significantly from the forward-looking statements contained in this report due to a range of variable factors.

For comments and inquiries regarding this report, please contact us at the address below.

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President and Representative Director

M. Inoue.

The evolution of manufacturing cultivates people and produces attractive products

Despite lower income and lower profits in the fiscal year ended March 2015, we maintained our operating income margin at roughly the same level as the previous fiscal year. In pursuit of further Group growth, we will continue to focus our efforts on expanding sales beyond existing customers, which are producing steady results, and strengthening our competitiveness.

Michio Inoue, President and Representative Director

Michio Inoue joined Tokyo Seat (renamed TS TECH in 1997) in April 1977. He was appointed to the Board of Directors and as Executive General Manager of the Development and Engineering Division in 2002 and Director and Chairman of TS TECH North America, Inc. (now TS TECH AMERICAS, INC.) in 2008. Mr. Inoue was named Executive Vice President (Representative Director) of TS TECH in 2010 and has served as President since April 2013.

Consolidated Results for the Fiscal Year Ended March 2015

Consolidated results for the fiscal year ended March 2015 included sales of 434,279 million yen (down 5.0% from the previous year), an operating income of 35,286 million yen (down 9.8%), an ordinary income of 40,362 million yen (down 6.0%), and net income for the year of 22,008 million yen (down 7.9%). Despite the effects of a favorable foreign exchange rate due to a weak yen and aggressive cost reduction efforts by the Group as a whole, lower income and decreased profits were unavoidable because order volume from our major customers declined due to falling demand for automobiles in the emerging nations of China, Thailand, and Brazil.

Measures to Strengthen Our Earnings Structure in the Americas

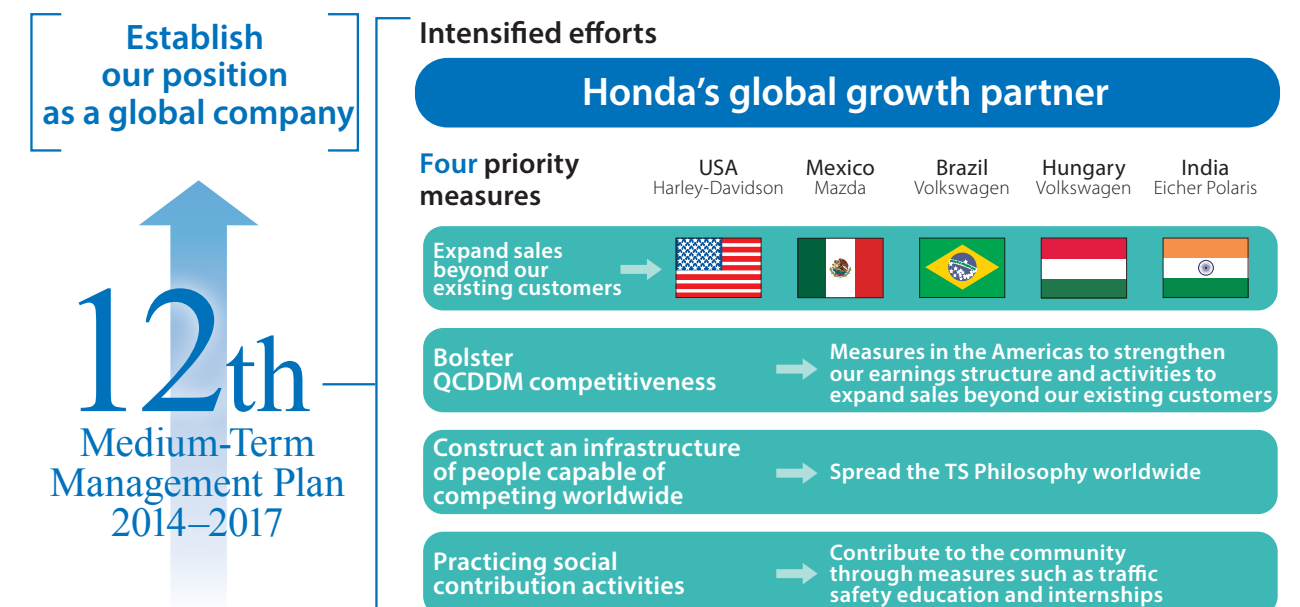
Despite decreased sales and profits, we recorded an operating income margin of 8.1%, maintaining a level close to the record 8.6% achieved in the fiscal year ended March 2014. We see this as the result of having built a sound earnings structure that is resilient to

rapid changes in the economic environment and a strong operational structure for areas such as production planning at all of our overseas locations. The Americas made an especially large contribution to improving our earnings structure. The following measures were implemented in North, Central, and South America, with each region producing solid results.

- * North America: Doubled the size of the building for TS TECH AMERICAS, INC., the company that serves as headquarters for the Americas region, and strengthened its sales and development structures.
- * Central America: TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V. began operations at a new plant for automobile seats and door parts, strengthening its component competitiveness.
- * South America: Built a new sewing plant at TS TRIM BRASIL S/A, spinning off trim cover manufacturing and further raising cost competitiveness.

We look to further strengthen our competitiveness and increase sales beyond our existing customers through mutual cooperation among these three regions in the Americas.

12th Medium-Term Management Plan (April 2014 to March 2017)



Results of Efforts to Expand Sales Beyond Our Existing Customers

Customer	Product item	Manufacturing region	Progress
Harley-Davidson	Motorcycle seats	USA	Obtained orders for four models
Mazda	Automobile trim cover	Mexico	Started mass production in Nov 2014
Volkswagen	Automobile trim cover	Brazil	Started mass production in Mar 2015
Volkswagen	Automobile (SUV*1) 3rd row seats	Hungary	Started mass production in May 2015
Eicher Polaris	MUV*2 seats	India	Started mass production in May 2015

*1 SUV:Sports Utility Vehicle *2 MUV:Multipurpose Utility Vehicle

Sales to New Customers Make Steady Progress

As shown in the table, efforts to expand sales beyond our existing customers, one of the priority measures in the 12th Medium-Term Management Plan, is steadily bearing fruit. Since each of the new customers gained through these efforts has different product development methods and business practices, we are striving to address them in a swift, flexible manner.

Human Resources Development in Step with the Workplace

We began measures to promote the Group's fundamental TS Philosophy at companies around the world starting in the fiscal year ended March 2015. We consider the customs, cultures, and religions of each country in spreading and developing the philosophy, which is based on the correct interpretation in the respective local language. We have selected "TS Philosophy Advocates" at each location, and they are now educating employees at their respective Group companies.

Also in the fiscal year ended March 2015, we carried out a review of our pay structure as part of a revision of our personnel system, and we implemented revisions effective April 1, 2015. Whether it's improving revenue structure or bolstering production efficiency, it's people who do the actual work. Therefore, our goal is to build a structure that raises the motivation of employees around the globe and allows them to gain happiness and a sense of accomplishment when various measures and efforts are successfully executed.

Tireless Upgrading of Competitiveness and Earning Power

In the fiscal year ending in March 2016, we will promote various measures to work toward our 2020

Vision: "INNOVATIVE QUALITY COMPANY – World leader in component competitiveness."

New Product Development and Innovative Manufacturing Technology

One new product we are developing that creates unprecedented value is a new electronic control unit (ECU), which we based on seat development technology we have accumulated over many years. Amid increasing demand for ECUs that manage the functions of each part of an automobile, our goal is to develop a unified ECU as an example of mechatronics integration development, thereby creating more attractive products and contributing to more efficient development that leverages a shared technology platform across models.

We are currently developing innovative manufacturing technologies that enable overwhelmingly inexpensive production of existing functions. One of these cuts the seat frame welding process in half, and others include metal mold and injection molding technologies that shorten resin component molding time.

Building a More Resilient Earnings Structure

We are continuing to roll out measures to strengthen our earnings structure at our locations worldwide. In the Americas, we are enlarging buildings to improve production efficiency and reduce indirect costs, and we will increase in-house production of components as well as revamp our distribution efficiency. In China, we are also working to enhance manufacturing and distribution efficiency as well as increase in-house production and automation. In Asia and Europe, we are building a new plant to address production increases in India, where both the two-wheel and four-wheel markets continue to grow.

Strengthening and Expanding the Governance System

In accordance with the TS Philosophy, the TS TECH Group is working to build an efficient, effective governance structure that is tailored to regulations in each country and each company's respective business conditions. In order to strengthen and enlarge the governance structure of the overall Group in conjunction with global expansion, we set up the Global Risk Management Committee in August 2014 and changed the existing Corporate Ethics Committee into a new Ethics and Compliance Committee, resulting in a structure to address both corporate risk and compliance.

In order to strengthen our response to the many risks that beset global expansion, we established the Global Risk Management Committee. Its purpose is to carry out unified risk management for the Group as a whole. Risks include manufacturing related risks as well as human risks such as terrorism and large-scale natural disasters. The committee investigates, assesses, and comes up with countermeasures for the many business risks for each department and Group company, exposes risks that are difficult to predict, and responds in times of emergency.

From a compliance standpoint, diverse business environments have the potential for new problems that have not yet been experienced, so all situations must be imagined and addressed. The Ethics and Compliance Committee formulates policies and deliberates on companywide corporate ethics and compliance.

Taking Up the Challenge in Cutting-Edge Areas Using Advanced Technological Capability

The TS TECH Group carries out R&D in a variety of areas with a focus on technologies for safety, environmental friendliness, and attractive products. Major auto manufacturers are now working on the practical application of automated driving systems. This is just one cutting-edge area in which we will look to concentrate the full power of these three technologies.

In the case of automated driving, the approach to the car's interior is very different. In addition to seat safety and comfort needed to make good use of the time not spent driving, we are moving ahead with research to identify new required features, as well as possibilities for seat arrangement that enable fellow passengers to feel at ease, and other ways to create attractive car interiors that increase purchasing demand among end users.



Carrying on the Spirit of Monozukuri and Becoming a Company Welcomed with Joy

In the more than half a century since its inception in 1960, TS TECH has pursued attractive manufacturing in order to become a company welcomed with joy. As introduced in the "Carrying on the TS TECH Spirit" feature pages of this report (pages 12-21), TS TECH's unique spirit of *monozukuri* (the art and science of manufacturing) has been steadily handed down from senior to junior employees, from boss to staff, and from coworker to coworker.

I believe the most important thing in manufacturing is never to give up with regard to quality, performance, workmanship, cost, or any other targets that have been set. As soon as one gives up and fails in the middle of something, the evolution of *monozukuri* stops. You must give your all until the very end without giving up and focus on the next step while maintaining a feeling of achievement. In other words, we must keep *monozukuri* at a high level and keep pushing it toward it to a new stage. We feel this is what leads to the ability to offer products that exceed customer expectations and consistently be a company welcomed with joy.

To Our Stakeholders

The TS TECH Group is aggressively promoting various measures centered on expanding sales beyond our existing customers to get through fierce competition and establish our status as a global corporation. Our core approach to these efforts is to further expand revenue through the development of attractive products and become a corporate group that is forever growing. We will continue our tireless efforts to become "A Company Welcomed with Joy," whose presence is appreciated by its stakeholders. We appreciate your ongoing support.



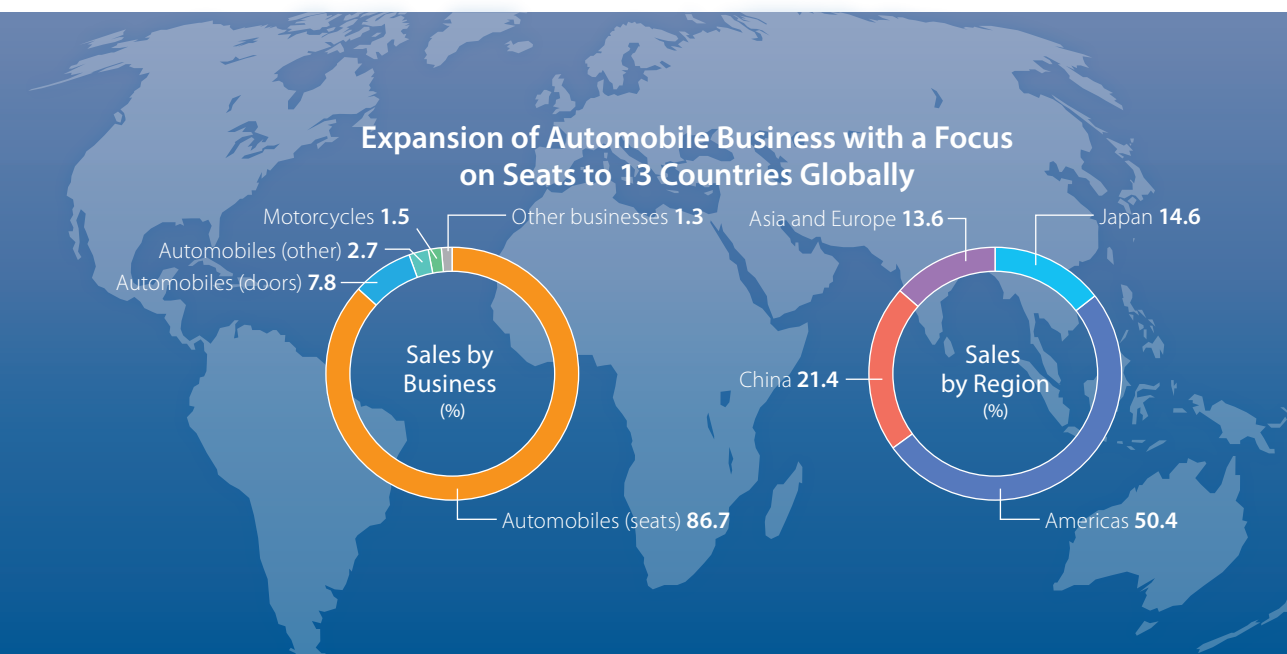
Sales and Income Were Down Amid a Tough Business Environment but an Operating Income Margin of 8.1% Was Achieved through Proactive Cost-Cutting

Despite the impact of a weaker yen on exchange rates, order volume from major customers in all segments dropped and sales and income declined year-on-year due to factors including slower economic growth mainly in emerging nations, such as China, Thailand, and Brazil, and a weaker demand for automobiles in Japan after the consumption tax hike.

The business environment has been tough, but as a result of proactive cost-cutting and other measures undertaken throughout the entire TS TECH Group, we managed to maintain an operating income margin of 8.1%, which is almost the same level as the record-high figure achieved last fiscal year.

Yoshitaka Nakajima

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



Japan

The Group commenced production of seats and interior products for Honda's GRACE, rear seats and interior products for Honda's new light automobile model N-BOX SLASH, and seats and interior products for Honda's Legend.

At the Saitama Plant, the new interior product plant

went into full operation, and the Group integrated interior product operations to achieve further improvements in production efficiency as well as distribution and management cost reductions.

The Group changed its organization to increase orders for seats for light automobiles and engaged in marketing activities to receive orders for seats for other models, in addition to seats for Honda's N-WGN and rear seats for N-BOX SLASH.



Honda N-BOX SLASH seats and doors

Americas

The Group commenced production of seats for Honda's FIT and seats and interior products for Honda's City in Brazil.

To increase competitiveness in the supply of parts in the markets in the Americas, where there is fierce competition, the Group started operations at a new plant in Mexico as a base for supplying parts for seats in the Americas and established a new sewing company in Brazil, which has since commenced operations.

In addition to these initiatives to increase competitiveness in the supply of parts, the Group expanded the head office building of TS TECH AMERICAS, INC. (headquarters for the Americas) and took steps to strengthen its sales and development systems to expand business in the Americas.



Honda FIT seats (Brazil)

China

The production of seats and interior products for Honda's Odyssey commenced.

As personnel expenses are expected to rise, the Group is pursuing automated production.

In association with an urban development project in the Zengcheng District of Guangzhou, the Group started to make preparations for relocating GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD. During the course of the relocation, the Group plans to improve efficiency through the optimization of production and logistics and to build an environmentally-friendly plant.



Honda ODYSSEY seats and doors

Asia and Europe

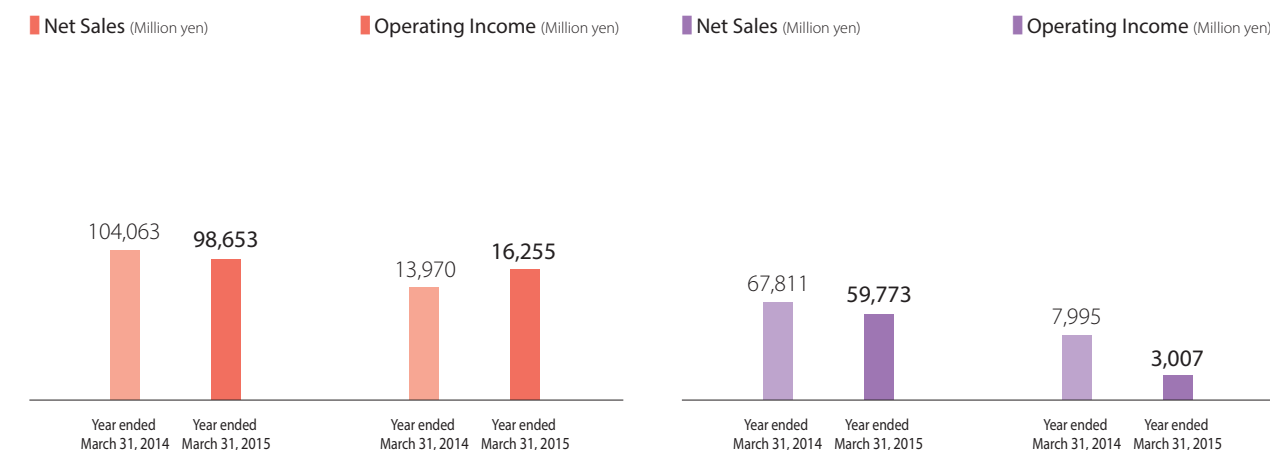
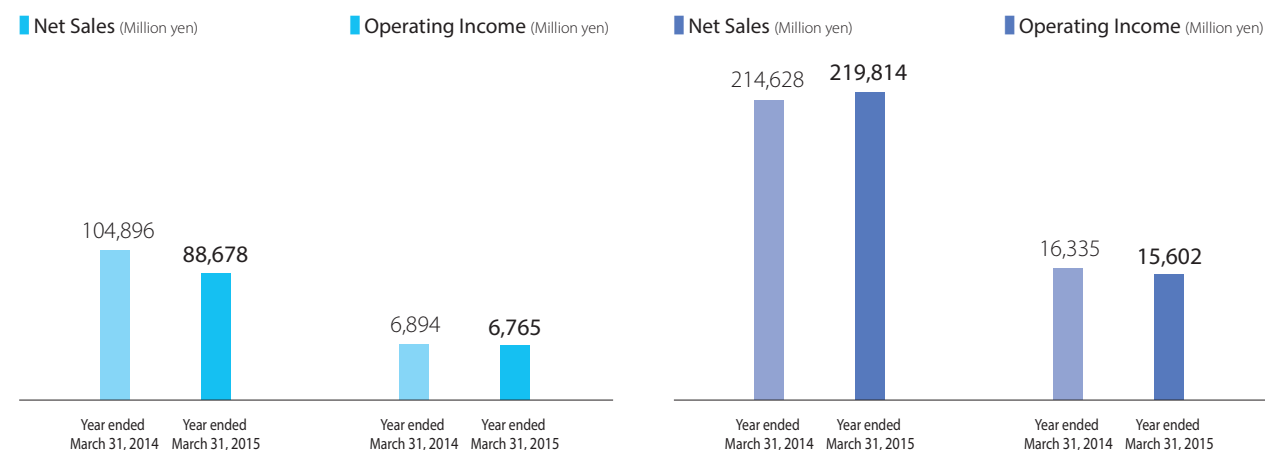
The Group commenced production of seats for Honda's Jazz and Honda's Mobilio in Thailand, seats for Honda's Jazz in Indonesia, and seats for Honda's Mobilio in India.

To keep pace with growth in production among major customers in Asia, the Group started operations at a new plant at TS TECH SUN RAJASTHAN PRIVATE LIMITED, the second production base for seats for automobiles in India, and established a new company, TS TECH (MANDAL) PRIVATE LIMITED, which will become the third production base for seats for motorcycles.

TS TECH Hungary Kft. completed preparations for the production of third-row seats for a European auto manufacturer.



Honda MOBILIO seats (India)



Financial/Non-Financial Highlights

(Million yen)

Fiscal year under review on a consolidated basis

	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015
Net sales	¥ 357,489	¥ 305,483	¥ 359,331	¥ 457,053	¥ 434,279
Cost of sales	315,110	273,813	309,929	385,940	364,530
Selling, general, and administrative expenses	22,215	22,269	25,182	31,980	34,462
Operating income	20,164	9,401	24,220	39,133	35,287
Net income	11,755	4,713	15,742	23,901	22,008
Depreciation and amortization	9,319	8,578	7,290	8,618	9,480

Total at end of fiscal year

Total assets	¥ 180,840	¥ 189,343	¥ 207,701	¥ 264,636	¥ 295,632
Interest-bearing liabilities	4,824	7,006	4,832	2,106	3,960
Net assets	111,895	112,248	137,524	170,715	206,871
Shareholders' equity	106,075	109,073	122,982	143,718	161,928

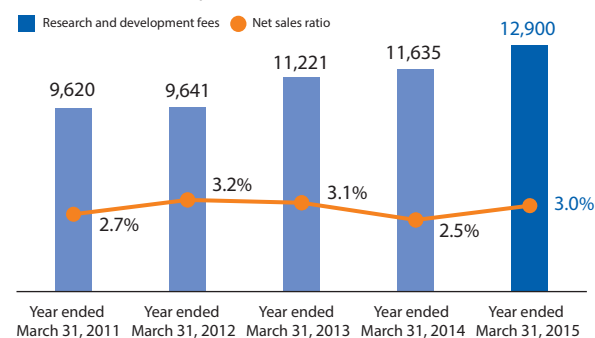
Net sales per consolidated segment

Japan	¥ 119,624	¥ 107,572	¥ 93,862	¥ 104,896	¥ 88,678
Americas	139,648	121,738	172,063	214,628	219,814
China	77,199	67,752	71,912	104,063	98,653
Asia and Europe	48,260	31,939	50,208	67,811	59,773

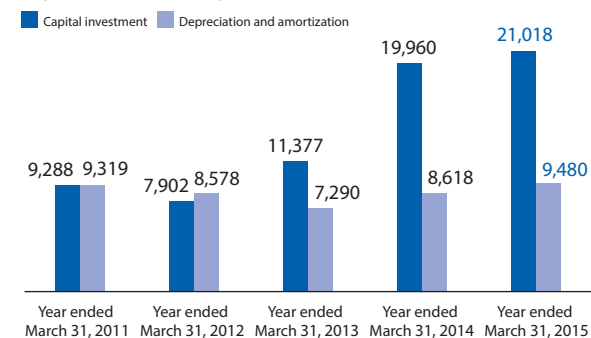
Overseas net sales	¥ 263,614	¥ 219,063	¥ 290,295	¥ 379,382	¥ 371,644
Overseas net sales ratio (%)	73.7	71.7	80.8	83.0	85.6

Financial capital

Research and development fees vs. net sales ratio Unit: million yen

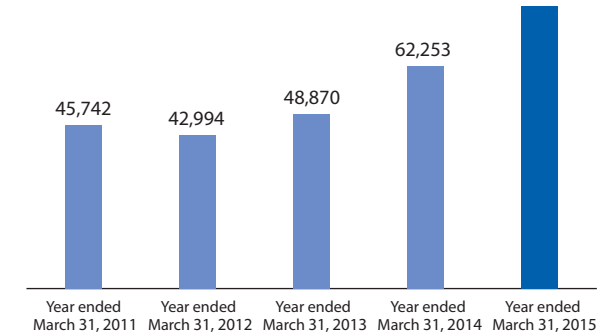


Capital investment/depreciation and amortization Unit: million yen



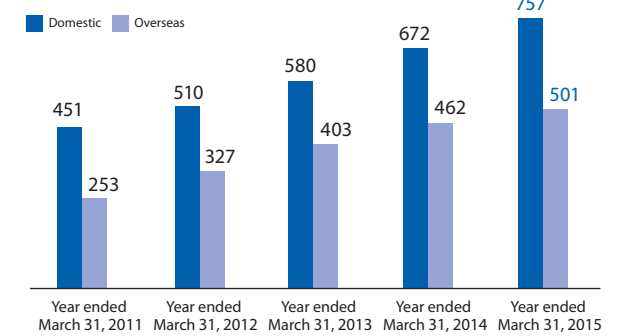
Manufactured capital

Tangible fixed assets Unit: million yen



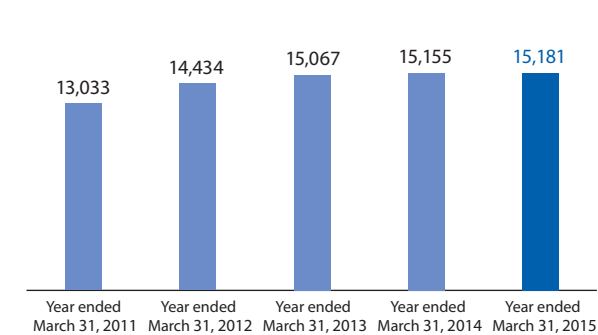
Intellectual capital

Changes in number of patents held (domestic/overseas patents)

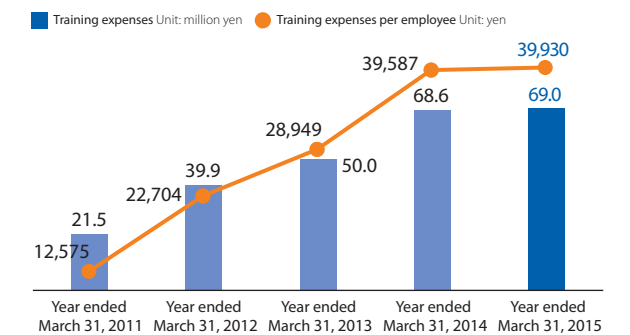


Human capital

Number of employees (consolidated)

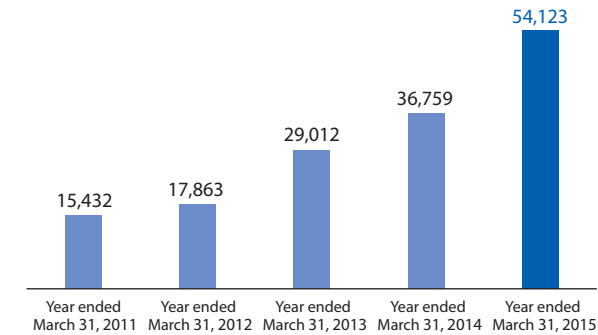


Training expenses per employee (non-consolidated)



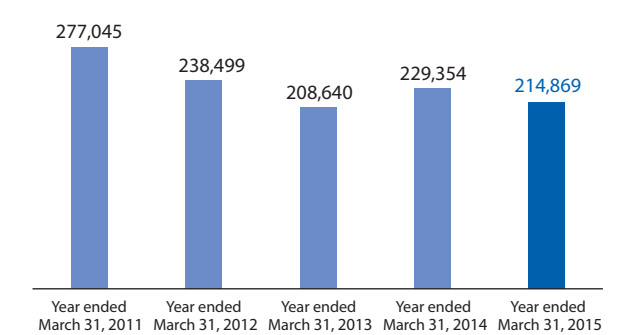
Social capital (non-consolidated)

Amount of contribution to society Unit: thousand yen

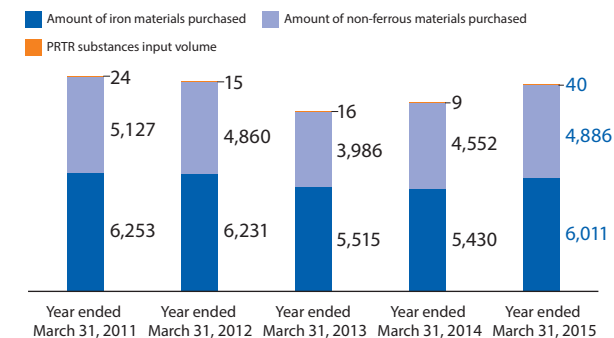


Natural capital

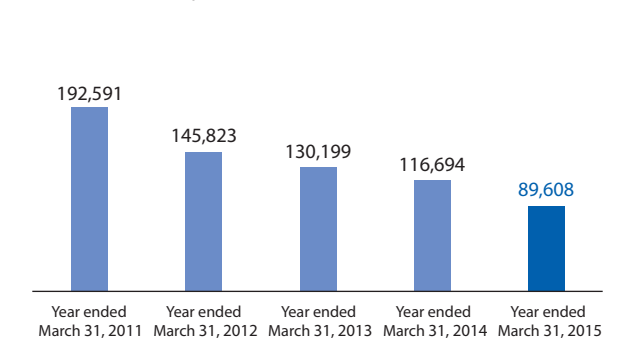
Energy input Unit: GJ



Material input Unit: t



Water resources input Unit: m³



Carrying on the TS TECH Spirit Succession of Spirits

How has the spirit and "heart" of TS TECH's employees been handed down from past to present, and how will it be passed on in the future? Feature 1 introduces the spirit of challenge in TS TECH's visionary trailblazers. In Feature 2, we look at the company's spirit of *monozukuri*. Finally, in Feature 3, we spotlight the passion of our younger employees in pursuit of newer and better seats.

Special Feature 1: The Spirit of Challenge in TS TECH's Trailblazers

Episode 1 1977

Entry into the North American Market Lays the Groundwork for Global Expansion

Keeping Pace with the Rising Japanese Automobile Industry

TS TECH Co., Ltd. (at the time, Tokyo Seat Co., Ltd.) was born in 1960, during a period when the Japanese auto industry was growing by leaps and bounds. Shortly after its establishment, motorcycles produced by Honda, its main customer, were selling well, and TS TECH built factories in Suzuka, Asaka, and Hamamatsu, steadily building a strong track record. In the late 1960s, automobiles exploded in popularity, and they joined motorcycles as a top export product.

In the 1970s, the business environment in which TS TECH operated was impacted by significant international political and economic change. In 1970, the Clean Air Act, often called the "Muskie Act," was passed in the United States, putting strict regulations on gas emissions. In response, Japanese automobile manufacturers developed a series of low-emission cars, and the time was ripe for their global success. In 1973, the first oil crisis occurred, and although temporary stagnation was unavoidable, Japan's carmakers used the adverse conditions as fuel, building up their power to make the country the world's number one manufacturer of automobiles. Amidst these conditions, TS TECH also began to take shape as a company that delivers products to the world's automobile factories.

A Wise Decision Focused on the Future

In 1977, TS TECH set up TRI-CON INDUSTRIES, LTD. (Lincoln, Nebraska, USA), a wholly-owned subsidiary, and began its first operations overseas. "Tri-Con" means three continents, and this company was named such in the hopes that it would spread its wings far beyond Japan.

Against a backdrop of Japan-US trade friction and a strong yen, and ahead of the 1980s, when Japanese carmakers started to produce in North America in earnest, then-top exec-

utive Tamio Nakamura made a wise decision to set up TRI-CON, foreseeing the future necessity of having a global product supply base.

TS TECH expanded its product lineup from motorcycle seats to custom van seats, as well as snowmobile, jet ski, and golf cart seats, all of which were based on original designs. In 1983, the company established a seat assembly factory in Colombia, Missouri and a sewing plant in Cape Girardeau, Missouri in order to deliver seats to Chrysler. These plants became the foundation for its worldwide development.

From North America to the World

TS TECH's decision to start development outside Japan was a challenging one that was made at a time when local production by Japanese parts manufacturers was not yet common. However, this action taken with the future of the automobile industry in mind was just the beginning, and today TS TECH continues to grow as a global corporation with a total of 70 locations in 13 countries.

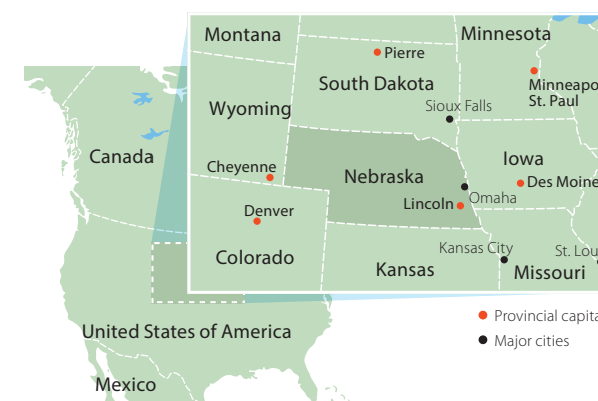
TS TECH's company principle states that it is "pursuing our dreams through creating products and challenging infinite possibilities." The challenge taken on by the trailblazers to create endless possibilities and shift the focus of their manufacturing dream from North America to the world is being carried on today by the next generation.



TRI-CON INDUSTRIES, LTD. (Lincoln) (at the time)



Sewing operations at TRI-CON INDUSTRIES, LTD. (at the time)



Entry into North America Paved the Way for Today's TS TECH

1. The starting point for global supply capacity that drives growth
2. The will and determination to take on the challenges of a world whose future shape we cannot yet see
3. The resolution to offer high quality products to customers all over the world

Episode 2

Odyssey Third-Row Seats



The seats of the first generation Odyssey that was released in 1994

The Road Discovered by Overcoming Adverse Circumstances

Around 1990, minivans, SUVs, and other multipurpose cars became popular in Japan. People began to want cars not just as a way to get them from place to place, but also as a means to provide communication and enjoyment with family and friends. In line with these needs, TS TECH's main customer Honda moved to develop the Odyssey minivan.

This is where TS TECH ran into significant difficulties. Until then, Honda's models had been mainly sedans, so the technology for seat arrangement* required by minivans was lacking. However, one cannot blaze a new trail without challenges, so TS TECH's engineers conducted extensive studies into ways to build multipurpose car seats and methods for installing seats that allow for storage of luggage and other items. Following repeated research and construction of trial models to test actual operation, it finally succeeded in developing minivan seats after extensive efforts. The technology and expertise that was cultivated during this time is still in use today, and the company is now highly regarded by European automakers with long histories and many business achievements.

The hard work that went into developing minivan seats was TS TECH's first step to achieving its transformation into a proposal-based company. In 1995, a year after it attempted the Odyssey minivan seats, TS TECH opened its first exhibit at the Tokyo Motor Show, where it presented its original seat arrangement technology to a wide audience and received rave reviews.

* Seat Arrangement: Changing the seating layout of vehicles such as RVs.



The third row seats of the first generation Odyssey, which could fold and store in a compartment beneath the floor

Lessons Learned from Taking On New Technological Challenges

1. Opportunities for innovation come in the form of problems
2. Even the first try will succeed if you thoroughly pursue a goal
3. Fields of expertise will generate new proposals for customers.

Episode 3

Listing on the First Section of the Tokyo Stock Exchange



Then-President Kanda sounds the bell

Stock Listing Project Clears Stricter Screening Criteria

From 1986 onward, TS TECH's sales topped 100 billion yen, and the company successfully advanced beyond Japan. It was perennially rated as a "blue-chip non-listed company," and people wondered why its stock was not publicly listed. Then, in 2004, TS TECH set its sights on a new stage. It sought a listing on the Tokyo Stock Exchange (TSE) in order to demonstrate its managerial transparency, build a relationship of trust with its stakeholders, and play a greater role as a global company.

However, it attempted this at a time when the bar was becoming higher for stock listings. In addition to the expansion of the screening scope from non-consolidated to consolidated, screening criteria had become markedly stricter after a series of scandals involving listed companies. The listing project team, comprised of various departments, made detailed preparations while displaying teamwork that combined their various areas of expertise. On February 23, 2007, TS TECH successfully achieved a listing on the First Section of the Tokyo Stock Exchange.

TS TECH currently enjoys a fine reputation on the stock market. For the last two years, it has been chosen for the JPX-Nikkei Index 400, which is comprised of the 400 listed issues among the 3,500 companies on the Tokyo Stock Exchange that are most appealing to investors. This achievement is proof of TS TECH's recognition as a public institution that plays an important social role by pursuing evolution, unafraid of change.



The ticker at Tosho Arrows celebrates TS TECH's listing on the First Section of the TSE.

What Resulted from the Public Listing

1. Recognition as a public institution that plays an important social role
2. The creation of a carefully constructed, powerful corporate structure
3. The foundation of "A company welcomed with joy"

Special Feature 2: Passing Down the Spirit of *Monozukuri*

Spirit 1

In performing our daily duties, just how do we carry on the tradition of manufacturing appealing products that consistently exceed customer expectations? This report features the Development and Testing Department, the Engineering Center, and the Saitama Plant. These work sites have all been relentless in their pursuit of new functions and value.

Experiment and Research Section, Development and Testing Department

Training the eye to see things and fostering the ability to judge "feeling"



Things Do Not Lie

The Experiment and Research Section of the Development and Testing Department is tasked with ensuring that usability and feeling match customer needs with regard to things such as seat comfort and operability, as well as the tactile sensation of door trim. For example, the section makes sure that the body feels no physical discomfort with the surfaces it comes into contact with when sitting, that there is no irritating noise when adjusting the seat, and that there is a suitable degree of firmness to the touch.

General Manager Yutaka Kizawa inherited from his predecessor the concept that "objects do not lie." His predecessor had a habit of saying to his subordinates "show me the thing." He



Yutaka Kizawa
General Manager, Development
and Testing Department

While constantly taking into consideration a comprehensive view of factors that include ease of manufacture, weight and costs, I hope that the employees of the Development and Testing Department will aim to be people who can take the verification results gained from their direct examinations of things right in front of them and competently break them down into designs and specifications. I will also offer as much advice as I can so that they become well-balanced people who can see beyond the boundaries of their own work place.

was the kind of person who could just look at something and in no uncertain terms point out where it was underdeveloped or where it was just not right. With only reference materials or data, all the eye sees is what is new, and areas that one would not have thought of get overlooked. Looking at the actual object, however, minute details may be obvious at a glance.

"I'm following in his footsteps in that I now say, 'Show me the thing, not just the reference materials,'" said Kizawa, who again stressed the importance of placing emphasis on the thing itself, something that can be said to be natural for an engineer.

"Develop the kind of sharp eyes it takes to really see things." This, you could say, is one of the quintessential elements of the spirit of *monozukuri* that is being handed down at the Development and Testing Department.

"Feeling" Is Determined When a Person Sits Down

Assistant Manager Kensuke Mizoi, with his wealth of experience related to the development of new products, describes the challenges of work that deals with "feeling." "An end user will, of course, make a decision about a seat's quality, or lack of

When I came to the Experiment and Research Section, my supervisor at the time said to me, "The work we do to verify the marketability of a product can also be market research, if necessary. Try things out and have lots of adventures." Even now this remains deeply engrained in me. It's precisely because of broad interests in wide-ranging fields that adventures are possible, so I feel as if I had been taught that having an interest in your current work is the key to doing a good job.



Masayuki Kaneko
Manager, Experiment and
Research Section, Development
and Testing Department

it, over a drive of many hours," he says, "but it's also the case that they judge it the very instant they first sit in it." Seats are sent out to the world after thoroughly investigating what would best satisfy end users. Assistant Manager Mizoi, following in the footsteps of his seniors, learned to never compromise and to never give up.

Manager Masayuki Kaneko takes advantage of the insights he learned at his previous workplace, the Corporate Quality Control Department. "Just by looking at the blueprint I can tell whether or not revisions are required," he said. "That's why my coworkers call me 'Eagle Eye,'" he added with a laugh. "I have taken the quality control perspective to provide guidance on how to look at blueprints and have raised the Development and Testing Department's inspection capability."

In this way, even while using methods that can visualize or numerically quantify things such as pressure distribution or an ergonomics-based mindset where blueprints are also verified, in the end, the determining factor is the "feeling" the person gets when he or she sits in the seat. It may take a great deal of experience to achieve such a high level of expertise, but the uncompromising, dedicated employees of the Development and Testing Department are confident that they are carrying on the ability to make judgements that can assess feeling.

As TS TECH provides products globally, it's possible to see products that you yourself were involved with anywhere in the world. I do my work with confidence and pride so that I can boast to my family or friends that "this is the seat that I helped to make" when a product goes out our door. If this attitude is passed down to the young people of the next generation, they will know how lucky they are to be engineers, and it will certainly motivate them.



Kensuke Mizoi
Assistant Manager, Experiment
and Research Section,
Development and Testing
Department

Spirit 2

New Model Planning Section,
Model Control Department »

Get to know the factory floor,
use theory-based analysis, and
continue to evolve



Achieving the Kind of Evolution That Only We Can Achieve

The Model Control Department computes the number of man-hours in the factory production of a new product and proposes the most efficient manufacturing process. It serves as a bridge between development departments and the manufacturing floor by performing the important role of figuring out how inexpensively and quickly a high quality product can be produced.

TS TECH is a global company with manufacturing plants in Japan and in many other countries. Amid this backdrop, the Model Control Department, which is based in Tochigi Prefecture along with the development departments, gathers information on manufacturing methods at factories in Japan and overseas and proposes the most efficient manufacturing methods, including new manufacturing technologies. Evolution is crucial to thoroughly investigate the most efficient manufacturing methods.



Jun Koiwai
General Manager,
Model Control
Department

When beset with a problem, people tend to rush to a solution, but hasty solutions don't always match the problem. This is because only one cause gets considered. In order to come up with effective solutions, it is crucial to have a multifaceted cause analysis that repeatedly asks the question "Why?" In order to continue evolving in the future, we plan to clarify problems and challenges and familiarize all staff with problem solving methods that can accurately analyze them.

General Manager Jun Koiwai and each leader under him are always telling their staff, "Let's do something new." They tell the younger workers that they need to come up with something the competitors can never imitate, even if it is somewhat eccentric. In fact, one project unique to TS TECH that is underway involves a switch to an automatic inspection system that combines lasers and cameras for inspection procedures that are typically considered possible only with visual observation.

What Must Be Passed Down to Ensure Evolution

"In a quality control department I worked in previously, we had a cause analysis method for quality control called 'why-why analysis.' I have always treasured this as an educational tool," says Koiwai. He gives "theory-based analysis" as one of the things he has passed on from his superiors and elder coworkers. He says pinpointing the causes of a problem makes for a speedy resolution. Manager Satoru Onishi says he was taught the importance of "coming up with your own

unique work plan in advance." This is probably one way of thinking at the heart of TS TECH's spirit of *monozukuri*. Assistant Manager Hidekazu Tsuge adds that he acquired the will to embrace challenges—to try something even if you are unsure whether it will work—when he was working in the United States. This embrace of challenges is a tradition that is deeply rooted in the Group as a whole, across all departments.



Satoru Onishi
Manager, New Model
Planning Section, Model
Control Department

What I learned from my elder coworkers was, when setting up the manufacturing process of a new model, you should first completely understand the equipment and mold capacity. Next, you should set up manufacturing conditions that consider all possible situations in advance. Finally, you should check whether the conditions are optimal for mass production. When I was in the Americas, I also conveyed the importance of these "advance considerations" to the local employees from countries whose approach to work was different from that in Japan.

We asked Koiwai again what he wishes to convey to younger employees. "Just look at the factory floor. When you go to the factory, you will notice things and the causes of problems will become apparent. Evolution begins when you learn what is happening on-site."

In summary, the important things needed to take up new challenges and continue to evolve are cause determination through theory-based analysis, a willingness to embrace every challenge, and a mindset to learn what's going on on the factory floor. This is the philosophy of the Model Control Department.



Hidekazu Tsuge
Assistant Manager,
New Model Planning
Section, Model Control
Department

In the Model Control Department, not knowing the factory floor means taking on your job without knowing anything and limiting yourself to your own imagination. Our job is to come up with a method of manufacturing that makes it easy for the people on the factory floor to do their jobs. Therefore, new employees always start out learning about the situation on the manufacturing floor by seeing it with their own eyes.

* Why-why analysis: A method of analysis used when a problem arises with a product or process. One asks "Why did it happen?" five times. At each stage, the person logically clarifies the cause, and plans recurrence prevention measures.

Spirit 3

Manufacturing Division, Saitama Plant »

At our manufacturing sites, we carry
on a culture of being proactive,
a tradition that will sustain the future



"One Look at a Factory Floor, and You Will Understand the Character of the Company:"

The Saitama Plant, our largest production base in Japan, is the global mother plant where TS TECH presents its manufacturing to the world. As true today as ever, there is a high awareness that "a manufacturing site is the true face of a manufacturing company."

"One look at a factory floor, and you will understand the character of the company" is what my superior constantly drilled into me," said the plant's general manager, Akihiko Hayashi. If the plant interior is meticulously organized in a coherent fashion with the manufacturing line running smoothly, then you can see at a glance that it is a company where all of the employees have a deep-rooted sense of S-QCDM*. Moreover, such a site will naturally facilitate a heightened awareness of *kaizen* (continuous improvement). Actually, things like changing to high-quality, low cost materials and arranging things in such a way that makes manufacture and handover easier for the people in post-processing are not limited to cases related to the manufacturing floor but rather linked to improvement throughout the business.



Akihiko Hayashi
Operating Officer, Manu-
facturing Division Deputy Executive
General Manager, Saitama Plant
Manager

The pace of change and innovation in the automotive industry stands out, even within the manufacturing sector as a whole. In line with this and in order to come out on top amidst fierce competition, the question is: just how much can we raise our speed? Moving forward, we will need our speed to be three times that of what it is now. At just twice the speed it will seem as if we are moving backward and we will end up back near square one. At three times the speed, even if we slip behind, we will still be ahead of twice the speed and corrective measures are still possible.

TS TECH is a manufacturing company, and this is the site where it all begins. Even now, this awareness is found in every corner of the Saitama Plant, and this is something that will be apparent to visitors of the plant.

Taking the Initiative to Raise the Quality of One's Work

The three key members of the Saitama Plant are the plant's general manager, the general manager of the Production Department and the general manager of the Administration Department. All three share the desire to pass on to the next generation a culture of being proactive, a trait demonstrated by all skilled employees so as to take the initiative and further raise the level of quality in their work.

Toru Hasegawa, General Manager of the Production Department, often talks to young employees about the importance of having "a rich imagination and the ability to act quickly."

At the heart of this lies the concept that progress in improving equipment and processes is first made when ideas and action coexist. In fact, on one wall of the seat manufacturing plant, the Japanese words for "imagination" and "action" are printed next to each other in large characters that can be seen from anywhere in the plant.

When the new employees come for their practical training, there is a saying that they are sure to hear: "It's no good to strive to acquire skills in a short period of time." It's said that "perseverance prevails," which means that even with a task you may not be accustomed to, with time and experience anyone will be able to do it. However, unless you have a team of people who can proactively make relentless efforts to shorten this period of time, I do not think it will be possible to succeed amid severe competition.



Toru Hasegawa
General Manager,
Saitama Plant,
Production Department

Wataru Masuda, General Manager of the Administration Department, emphasizes that "proactively thinking and trying to learn will result in your own individual interests." In particular, he tells young employees that he hopes they will "take an active interest in the many ways there are to make things." In addition to the operations that take place at the company's plant, taking an interest in the way business partners think, methods of manufacturing and other things is, for young people, definitely something that will benefit them in the future. For that very reason, he says, providing that chance now is his job as a manager.

While it is not a phenomena limited only to TS TECH, these days, when young employees begin a new task, it is often apparent that they immediately imagine what it will look like upon completion and feel like failure is not permitted. Looking back, Hayashi said, "Not fearing failure and making it through some disastrous experiences made me mentally tougher, and this came in handy when I was posted overseas." Here at the Saitama Plant, the leaders all earnestly ask that everyone "not fear failure, but rather, look at failure as a means for growth."

It's our job as automotive component makers to furnish the necessary parts at the necessary time so as to not cause problems for all of our colleagues in post processing, not to mention the car makers and end users. What I learned from my seniors was the importance of knowing people as well as knowing components and how to make them. Even in the case of just one component, without knowing who made it and how it was made, nothing will move forward. We continue to convey the importance of knowing the factory floor to each person and to all of our workmates.



Wataru Masuda
General Manager,
Saitama Plant, Admin-
istration Department

*S-QCDM: Measures for building strong production operations by improving on-site capabilities. A plant is diagnosed from the standpoints of Q (Quality), C (Cost and Process), D (Production and Delivery) and M (Morale). Weak points are then identified and improvements are carried out.

Special Feature 3:
Stakeholder
Dialogue

Communication learned through “Za Lab” possesses great power

At Za Forum 2014, the members of Za Lab’s Team B had the opportunity to meet with Creative Communicator Kota Nezu to discuss self-driving cars prior to giving their presentation on “Self-Driving Cars and Seating,” an idea that the team selected. Here, the four team members and Creative Communicator Nezu take another look at the Za Lab proposal they discussed and introduce their aspirations for the future.



Kota Nezu
Creative Communicator/CEO, znug design Inc.

Born in Tokyo in 1969. Graduated from Chiba University’s Faculty of Engineering Department of Design Science. Entered Toyota Motor Corporation, and worked in roles such as a development team leader for the Expo 2005 “i-unit” concept. In 2005, Nezu established znug design Inc. He has presented works at design events both in and outside of Japan and is the recipient of the Good Design Award, Germany’s iF DESIGN AWARD and others. In 2011, he developed Japan’s first electric bike, the “zec00.” Since 2014, Nezu has served as a member of the Good Design Award judging committee.

Having new relationships will change your perspective

Mika Suzuki: When we met Mr. Nezu we had been in search of a new approach, and this encounter changed the way we saw things. We had been thinking only of the comfort of one person: the driver. However, we realized that cars are not just for one person—passengers ride in them as well.

Shigeki Imaizumi: What most impressed me was Mr. Nezu’s insight that [cars] “are not able to compete with a

home.” With self-driving cars, to the extent that the driver can disengage from operations, the car’s interior also becomes a place to relax. This made me dwell on the thought that it would be fantastic if we could make it just like a person’s own home or room.

Shinichiro Yoneyama: Just like Mr. Imaizumi, the “can’t compete with a home” statement made me rethink the question, “What is the value of a car?” This insight was able to put the team onto a different course.

Kota Nezu: At that time, hearing about the state of your project, I wanted to bring up the point that the goal is not merely the home, but rather the relationships of the people who reside within. That’s what we need to pay attention to. Cars have the characteristic of being a cozy space where the occupants share the same scenery, and that can be a good thing.

Shoichi Takahashi: Even with self-driving technology, ultimately, seating in the confined space of a car means an

Za Lab 2014 Team B

1 New Product Development Section, New Product Development Department
Shoichi Takahashi

2 Sales Administration Section, Sales Planning Department
Shigeki Imaizumi

3 Intellectual Property Section, Intellectual Property Department
Miki Suzuki

4 Group Leader, Manufacturing Section 1,
Production Department, Suzuka Factory
Shinichiro Yoneyama



Za Forum: a unique event that delivers a new way of thinking about seating



The second Za Forum was held to widely publicize to the general public the proposals of Za Lab, a research group that approaches the concept of seating from a multitude of perspectives. An overview is given here.



Since its establishment in 1960, TS TECH has continued to conduct research focused on seating, always pursuing a more comfortable ride, the development of attractive products, and greater safety and environmental friendliness. As part of its 50th anniversary celebrations in 2011, TS TECH launched a unique event on the theme of “attaining the ultimate in seating.” Since 2012, this event has been open to the general public as a venue for broad consideration of the future of seating.

At Za Forum, as part of our efforts to express our will and determination to take on the challenges of a world whose future shape we cannot yet see, which is expressed through our corporate message “Beyond Comfort,” ideas are presented through Za Lab, a group that researches the philosophy and science of seating. Za

Lab brings together young employees from manufacturing, design, sales, new product planning, management and other disciplines from across the organization who would not otherwise have the opportunity to interact in the course of their typical work routine. Here, they seek to create the ideal seat by presenting and discussing their ideas and organizing concepts.

Born from the 2012 Za Lab was the Aibou Seat, a concept which offers correction technology that can recognize an individual and adjust to a person’s contours for a comfortable seat with a snug fit. The Aibou Seat was exhibited as a prototype product at Tokyo Motor Show 2013, where a large number of visitors tried it out. Za Forum 2014 was held in November 2014 at Toranomon Hills in Tokyo. In the first session, three teams comprised of Za Lab members presented their ideas. Team A presented the “Ambient Seat,” which takes a neuro-scientific approach to elicit a thrilling, heart-racing feeling just by sitting in it. Team B presented its idea for a “Deformable Seat,” which takes into consideration a seat style suitable to a self-driving car, a concept which continues to undergo innovative developments. Team C offered a new concept in seating under the theme of a “Wearable Seat,” which challenges the definition of “seating.”

The second session invited experts from a range of fields—Masataka Matsutoya (music producer and motor journalist), Kota Nezu (designer and creative communicator), Toshiyuki Sawaguchi (brain scientist) and Kakuko Nakamura (doctor of medical science) for a special panel session. Under the theme of “Sitting Will Change Your Life,” the participants shared opinions from a variety of perspectives, including “the difference between sitting and taking weight off your feet,” “the impact that sitting has on your brain,” and “sitting and relationships with those around you.” The session gave the panel members and the attendees the chance to envision the future of seating together.



emphasis is placed on the relationship one has with other people. This way of thinking really resonated with us.

Monozukuri starts with the things you think and feel yourself

Nezu: It's true that the advice about relationships came from me, but I was impressed with the wealth of insight you all shared in your presentation at Za Forum. I also had discussions with young employees other than Team B members, but I felt that all of the TS TECH employees had the "think about and feel things for myself" mindset. That is the inherent source of inspiration for *monozukuri*. This, perhaps, demonstrates your company's philosophy of "emphasis on employees," together with what is passed down from senior to junior employees.



internal research about "postures which facilitate conversation" and "optimal proximity." Starting there, I was able to understand that how someone sits impacts comfort. For instance, two people may feel some tension when they sit directly across from each other, even if they happen to be co-workers who get along well.

Yoneyama: When I heard the word "relationships," I began to take the direction one faces when sitting very seriously. When I listen intently to what someone is saying, I naturally assume a forward-facing position. And having a higher awareness of "seating," I've come

to pay attention to a vehicle's seating, along with the behavior of those who are seated in it.

Nezu: When talking about seating and communication, it's important to think about them as a single set that includes



surroundings as well. For example, if there is a table, people are aware of the shared environment, and it influences how they position their bodies and can change the relationship between the two people who are sitting there.

Takahashi: Actually, during the survey someone said, "If there were a table here, things might feel different." When you think about it, the level of comfort does differ depending on whether or not there is a small table between two people.

Team strength predicts monozukuri capabilities

Nezu: *Monozukuri* definitely will not go well unless it is approached as a team. With this team, is there a feeling that it was not just one person, but the team that made it possible?

Suzuki: Yes, there is. The level of output is completely different when an issue is approached as a team, compared to an individual's efforts. This has been quite clear in many situations.

Yoneyama: We've been able to keep the same team members from the beginning, and because we can constantly compare notes, we've been able to make the most of our team strengths. Just the same, with regard to creativity, it could still be that we need more confrontation.

Takahashi: No, I believe that we really do present our opinions for debate; it's just that we don't really recognize it as such. In any case, I think we can get over these confrontations without too much difficulty, and our team's strengths will steadily grow over time.

Imaizumi: After Za Forum had concluded, someone told me, "The good points of your presentation reflected what was good about your team and its strengths." Receiving a comment like that made me realize just what capabilities our team possessed.

Communication is at the core of creativity and will lead the way to the next generation

Suzuki: I've received a great amount of strength from the activities performed as part of Za Lab. By doing these activities along with my daily tasks, I think I've increased my capacity.

Conversely, I believe that I've been able to do my daily work more efficiently. I want to gain more of these kinds of experiences.

Imaizumi: I can sense the change in myself. Expressing it in terms of "meeting Mr. Nezu and listening to what he says," this has become a motivation for connecting with the world beyond the company and changed the way I look at things. It has also changed the way I look at my work.

Takahashi: Just as with Za Lab, it has been a new and exciting experience to meet with people from divisions that I had absolutely no prior interaction with and have exchanges where we could learn about each other's jobs. From now on, I'll try to allow my colleagues to get to know me while I tackle my work. If we can all increase the depth of our communication, I am confident that we can generate value that contributes to the future of TS TECH.

Nezu: Exactly. Communication is the very thing at the core of creativity. Particularly with regard to *monozukuri*, it's important to consider how to



engage the people around us. Even if we have them take action, we cannot compel them by twisting their arms. We need to say things like, "The world is going to change in this way because of what you accomplish," or "It would be exciting if this could be done." This is using the power of communication to motivate people.

Yoneyama: I think this is related to what we are talking about, but I've



always tried to empathize with the feelings of people in different positions. With this

team as well, each member has a different opinion, but we have listened to each other and thought about things together. That's why we've been able to make the most of our team's strengths and arrive at an understanding that seating is a critical behavior that determines the relationships between people. Moving forward as well, I'd like to focus on attaining the ultimate in seating while respecting diverse opinions.

Future expectations for Za Lab

Nezu: Having been introduced to Za Lab, I've come away with a strong feeling that TS TECH is a company that invests in its people. I hope that all four of you appreciate the investments being made in you. The bond you share on this team is not just a matter of chance—it was meant to be—so please value it. If you do so, there is no doubt that somewhere, sometime in the future, you will again have the opportunity to connect. I hope that in the future, Za Lab will be a venue where many young people continue to form strong bonds.

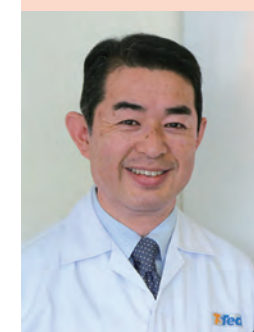


A seat that enables seating that facilitates communication



Expanding the TS TECH spirit overseas through the "TS Philosophy"

Tetsuya Harada,
Deputy Executive General Manager, Corporate Administration Division, and General Manager, Human Resources Department



This special feature reveals the continuous and powerful spirit of creativity at TS TECH, which I hope you, the reader, have sensed by now. This spirit has animated us ever since the beginning, and great care has been taken to pass down this corporate character to all employees. I also have many experiences of standing shoulder to shoulder with my workmates, confronting difficult problems. These always made me feel the strength of our company.

Moving forward, TS TECH must reach out globally as a company that takes on challenges with even greater strength. In order to link our corporate spirit, which we call the "TS Philosophy," to solid business results, in the fiscal year ending March 2016 we positioned staff that will perform the role of philosophy advocates in each region, commencing expansion of the philosophy on a global scale. I invite you to look forward to hearing great things from TS TECH.

TS TECH's Business Model

Here, we will explain the business model for TS TECH, which develops its operations through a system that groups these operations into the regions of Japan, the Americas, China and Asia/Europe. The model itself can be divided into four main elements: sales, business development, research & development and production.



Sales

Sales Division: It creates attractive products whether existing or new. Its greatest mission is to contribute to customer satisfaction through sales proposals.

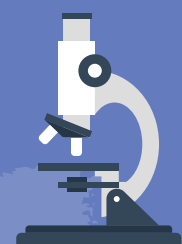
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Business Development

Business Development Division: This division acts as a control center for sales activities aiming to obtain orders and functions as a hub for sales beyond our existing customers for the group overall.

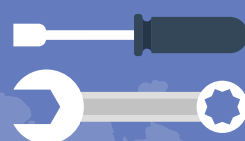
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Research & Development

Development and Engineering Division: With the goal of providing the world's No. 1 technology, it has the infrastructure to provide all functions required for development, from product planning to mass production.

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Manufacturing

Manufacturing Division: It makes efforts to continuously improve production technology to keep providing high-quality, highly competitive products.

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Sales

We work to earn even greater trust by making creative proposals and doing whatever it takes to more than satisfy our customers.



The Functions of the Sales Division

Contributing to Customer Satisfaction

We expect our Sales Division to contribute to customer satisfaction and lead the way to achieving sales targets. It can be said that customer satisfaction is only achieved when an attractive product that exceeds expectations is proposed and the order is delivered. The results are shown in sales figures, so our greatest mission is contributing to customer satisfaction, whether the customer is an existing one or a new one.

Our Division's Main Roles

Our role is that of a bridge between the customer and our company. One must appreciate the customer's desires and accurately communicate what the customer expects from the TS TECH Group. The most important role is to take the lead in developing strategies for the Group as a whole in order to make it possible to offer richly attractive proposals that exceed those expectations.

Gaining Even More Trust from Customers

Human Resources Development and Methods

With our sights set on a world-class sales division, we have poured our efforts into the key component of human resources development. We offer a unique curriculum aimed at skills enhancement through a stratified education system with over 30 training sessions annually.

Utilization of Accumulated Expertise and Knowledge

At the foundation of TS TECH's growth is the track record laid down by our predecessors' work to earnestly address customers' needs on every occasion. This is trust, which is both our Group's greatest and unrivaled strength. Going forward, the Sales Division will work as a united team to make creative proposals and do whatever it takes to more than satisfy our customers.

Our Approach to Important Issues and Main Results

Working to Resolve Important Issues

One important challenge for us is to build a stronger platform to ensure a steady stream of orders from our existing customers and further growth—in other words, the acquisition and expansion of commercial rights from new customers. Only this can make us a mega-supplier and ensure we are recognized as a truly global company.



For our existing customers, we are making proposals for adding new dimensions to our competitiveness, such as changes to the procurement structure represented by the supply chain, including an overall reexamination starting at the supply source. In addition, led by the Business Development Department under the direction of our Officer in Charge of New Business Development, we are carrying out proposal-based sales aimed at winning more new customers—both Japanese and foreign automobile manufacturers—using the expertise we have accumulated over many years of research on seating to our advantage.

Main Results

We have received orders from our existing customers for both seat commercial rights for a global model and seat frames for Asian models scheduled to go on the market in 2017. We have also experienced higher numbers of competing inquiries from automobile manufacturers, which have recently led to nine orders.

Our Direction for the Future Contributing to Society by Maintaining Our Reputation

We believe that from a sales standpoint, maintaining the reputation we have built through the years will eventually lead to contributions to our customers and to society. In our sales activities, in addition to our traditional financial competitiveness, we will boldly show that TS TECH acts with a high awareness of social responsibility and environmental conservation.

Our New Roles to Fill in the Future

We will transform our function as a global sales organization from "driving" to "unifying," and in terms of relationships from "leading" to "partnering." After transferring Sales Division functions in accordance with the characteristic features of each region, we look to adopt the optimal regional strategies from each region and establish a sales structure in which the Sales Division offers optimal proposals to our customers while representing the TS TECH Group as a whole.

Toyohide Ishii
Executive Vice President
and Representative
Director, Executive General
Manager, Sales Division





Business Development

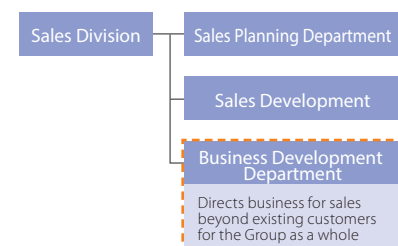
The Sales Department is in charge of growing sales beyond our existing customers. We are working on attractive new proposals aimed at winning new customers.



The Functions of the Business Development Department

Our Role in Expanding Sales Beyond Existing Customers

The Business Development Department collects information and conducts environmental analyses mainly on large automobile manufacturers in Japan, the US, and Europe, and oversees the entire Group's global expansion of sales beyond existing customers.



Organizational Structure and Relationships with Other Departments

The Business Development Department is comprised of two teams located in Tochigi

and Hamamatsu. Under the direction of the Officer in Charge of New Business Development, it works to react more swiftly to the constantly changing conditions of each individual customer. As a hub for the TS TECH Group's sales beyond existing customers, it collects information for local contacts around the world, partners with the various functional headquarters in Japan concerning specific cases, and performs business activities such as the preparation of estimates and presentations for customers.

Expanding Sales Beyond Existing Customers

Human Resources Development Policy and Methods

In order to develop human resources who can use their sensibilities to grasp customers' true intentions and propose the best strategies, we have younger personnel work with in-house experts and accumulate experiences daily. We also work to have them actively participate in education outside the company in related work areas and acquire extensive knowledge.

Utilization of Accumulated Knowledge and Expertise

In our efforts to grow sales, we also utilize basic information obtained in past sales efforts, including the unique characteristics of each customer and our competitors for that customer, as well as estimate mechanisms. In addition, we use the various types of proposal content we have designed to satisfy each customer as the starting point for reflection when considering our next approach.

Our Approach to Important Issues and Main Results

Working to Resolve Important Issues

Since we have built connections with major large automobile manufacturers in Japan, the US, and Europe over the past several years, we feel that it will be even more important to swiftly offer customers attractive proposals in order to win new commercial rights. For this purpose, we will ascertain our customers'

wishes in advance, conduct environmental analyses, and work with the Development and Engineering Division to carry out sales activities that aggressively promote unique technologies that our industry peers lack.

Main Results

Manufacturing involving five out of nine newly obtained commercial rights will begin



in regions around the world in the fiscal year ending in March 2016. The scope of these sales is not yet large, but we will continue to work to gain customers' trust while accumulating business results and expand our commercial rights.

Our Direction for the Future Contributing to Society by Expanding Sales Beyond Existing Customers

If we can expand the utilization of the TS TECH Group's technologies and products by new customers, then we will be able to bring the world more products that deliver on our commitment to safety, comfort, and the environment. This is what drives our customer development efforts every day.

Our New Roles to Fill in the Future

Going forward, as global competition for orders continues to intensify, only the most competitive companies will survive. I believe it is important that we bring together all of TS TECH's strengths and, led by the Business Development Department, make and execute proposals unique to the TS TECH Group which no mega-supplier can match.



Research & Development

In order to survive amid fierce competition, we are doing all we can to create original technologies and manufacture attractive products.



Functions of the Development and Engineering Division

Our Role in Manufacturing Attractive Products

With the goal of becoming a technology center that offers the world's No.1 technology, the Development and Engineering Division is home to various functions needed for development activities, from product planning to mass production. It is comprised of ten departments, including functional departments that work to develop, design, make prototypes for, and test two-wheel and four-wheel products; the Large Project Leader (LPL) Office for models managed across these departments, and other administrative departments.



Organizational Structure and Relationships with Other Departments

TS Tech carries out development in various regions in the Americas (North America), Asia (China, Thailand), and Europe (Germany), but the head office (Japan) is in charge of the final confirmation of reliability. From an efficiency standpoint, we carry out all development of core technology in Japan, and we present our new technology to customers according to needs in each region. When launching mass production of new models, the LPL office oversees the development system across Group companies on a per-project basis and utilizes the strength of each department to the fullest.

Striving to Produce Attractive Products

Human Resources Development Policy and Methods

With the motto, "Don't fear failure and always

take on a challenge," we offer job rotation (JR) from a global perspective to young employees. We have young engineers play active roles as project leaders, even in new product development projects, to encourage them to be inspired by and enjoy the manufacturing process.

Utilization of Accumulated Knowledge and Expertise

We put technology and expertise accumulated through past development to use in product development for future models. Cases of failure are especially important. These examples are collected and put to use in recurrence prevention and new model development, as well as in the education of new engineers.

Our Approach to Important Issues and Main Results Working to Resolve Important Issues

In order to prevail in our competition with global mega-suppliers, we are doing everything we can to create original technologies that cannot be imitated by our competitors. We also launch in-house projects aimed at creating attractive products that surpass our customers' expectations and dig deep to identify precise user needs. We are expanding our product lineup by strengthening our development of electrical parts in response to a wide range of user needs, thus expanding our range of *kashoku*-enhanced, attractive products.

Main Results

The Aibou Seat, which recognizes a driver's unique physique, grabbed the spotlight at the Tokyo Motor Show 2013. This seat is one result of TS TECH's original technologies, and we are further refining it for the market. At the same time, new products obtained from the aforementioned development of electrical parts are being adopted by customers and are scheduled for installation in a string of new models. In addition, in the area of seat arrangement, one of our strengths, the rear seats in the Honda N-BOX SLASH, released in

2014, are winning great praise and have received development awards from our customers.

Our Direction for the Future Contributing to Society by Manufacturing Attractive Products

Using expertise gleaned from development for existing customers, we are developing a line of attractive, environmentally friendly products which deliver safety and comfort. We will then leverage this to expand sales beyond those existing customers. In this way, we will deliver a wide range of happiness to our customers around the globe.

Our New Roles to Fill in the Future

We feel it is important to always go about our work in research and development with a spirit of embracing every challenge. Creating original technologies and manufacturing attractive products is the key to becoming a company welcomed with joy whose presence evokes high expectations from society.

Masanari Yasuda
Managing Director,
Executive General
Manager,
Development and
Engineering Division



* *Kashoku*: Decorating product surfaces using various techniques in order to enhance external appearance.

Manufacturing

We will continue to be a global leader that ensures the provision of high-quality, highly competitive products to our customers all over the world.

Functions of the Manufacturing Division A System That Continues to Provide High-Quality Products

The Manufacturing Division is comprised of the Production Planning Department, which plans manufacturing strategy; the Engineering Center, which promotes new model manufacturing lines and processing technologies; three domestic factories that produce seats and door trim; and a parts center that handles repair parts for genuine accessories and old models.



Continual Upgrades of Our Manufacturing Technology

To help improve manufacturing, the Production Planning Department collects improvement cases from individual sites worldwide,

and sends the ones feasible at all sites back to our locations around the world. It also shares new model information and manufacturing topics by giving reports at quarterly conferences held in each region.

Provision of High-Quality Products

Human Resources Development Policy and Methods

With the globalization of manufacturing, many veterans of our Manufacturing Division play an active role in overseas positions. Since it is necessary to perform a wider scope of duties overseas when compared with Japan, the ability to make circumstantial judgments from many different points of view is important. For this reason, the division works with the Corporate Administration Division to cultivate talented persons who can thrive on the global stage, while practicing job rotation in the areas of manufacturing, manufacturing technology, and quality.

Utilization of Accumulated Knowledge and Expertise

While the standards and rules that form the basis of *monozukuri* are, of course, important, collections of past problems and accumulated expertise that document problems, market complaints, etc. during new product launches are also indispensable assets. We use them when responding to requests from the manufacturing side to the development side during new model development and in preparing work standards to be used on the factory floor. We put them to use in preventing manufacturing problems and market complaints to ensure that new model launches go smoothly.

Our Approach to Important Issues and Main Results

Main Important Issues

Currently, an important issue amid sluggish domestic manufacturing is the strengthening of resilience measures^{*1} at manufacturing plants. In addition, the creation of core technology and enhancement of manufacturing technology capacity needed to

survive competition with mega-suppliers, as well as on-site skills based on *sangen shugi*,^{*2} which is practiced to make even better quality products, are necessary. One last challenge is to strengthen functions at the global "mother" plant that drives the manufacturing of the TS TECH Group.

Our Approach to Problem Solving and Main Results

An example of bolstering resilience measures is the several hundred million yen in annual improvement at the Saitama Plant utilized through the optimization of both intra-premises distribution and manufacturing structure at its seat and interior plants. At the Suzuka Plant, we are responding to customer needs by strengthening our organizational structure and increasing production efficiency. With regard to strengthening our manufacturing technology, seat frame batch welding techniques developed at the Engineering Center and automated inspection of welds using cameras will be integrated into mass production starting in the current fiscal year.

Our Direction for the Future Working Closely with the Community to Contribute to Society

We always feel that manufacturing plants must be closely connected to their surrounding communities. The Saitama Plant is working to conserve local natural beauty by reducing CO₂ emissions and maintaining green zones, as well as providing recreation and relaxation areas for local residents. It also assists a facility for persons with physical disabilities by selling bread made by people in the facilities each week.

Our New Roles to Fill in the Future

With an eye toward achieving the 2020 Vision, the Manufacturing Division aims to build a world-class manufacturing structure and continue being a global "mother" plant. We will continue to lead our manufacturing sites around the world and work daily to enhance the competitiveness of the TS TECH Group as a whole.

*1 Resilience measures: Measures that can produce a certain level of profit even if revenue decreases.

*2 *Sangen Shugi*: Literally "The principle of the three actualities (or three *gen's*). It is a guideline for action that stresses the importance of the actual site, the actual object, and the actual reality. It is a way of thinking that holds that one can ascertain the true nature of things if one goes to the actual site (*genba*), looks at/asks about/touches the actual objects (*genbutsu*), and learns the actual reality (*genjitsu*).



Our Relationship with Stakeholders

TS Tech is always striving to be "a company welcomed with joy, whose presence is appreciated by its stakeholders."

→ P.28



Customers (Customer Companies and End Users)

- In Pursuit of Superior Product Quality that Exceeds Customer Expectations
- Global Quality Control and Assurance System
- Providing Safe Products
- Handling and Making Use of Comments and Complaints

→ P.30



Shareholders and Investors

- Disclosure Policy
- Communication with Shareholders and Individual Investors / Institutional Investors
- Information on Our Website
- External Recognition ● Basic Policy on Profit Sharing

→ P.32



Business Partners

- Basic Stance on Procurement ● Supply Chain Initiatives
- Trade Management Initiatives
- Compliance with the Antimonopoly Act and Prohibition of Corruption
- Intellectual Property Management

→ P.34



Employees

- Due Regard for Human Resources—Part of the TS Philosophy ● Human Resources Development
- Fostering a Greater Awareness of Human Rights
- Work-Life Balance ● Diversity Initiatives
- Promotion of Safety and Health

→ P.36



Society and Communities

- Basic Stance on Philanthropy
- Examples of Community Involvement (Japan) Suzuka Plant, Saitama Plant (Americas) TS TECH INDIANA, LLC (China) TS TECH (HONG KONG) CO., LTD.

→ P.38



The Environment

- Basic Environmental Policy ● Action Plan
- Environmental Management
- Environmental Impact of Business Activities and Environmental Initiatives
- Main Environmental Targets and Results in FY2015 and Targets for FY2016 ● FY2015 Environmental Accounting



Our Relationship with Customers

(Customer Companies and End Users)

We maintain a global quality control and assurance system that allows us to consistently provide products that exceed customer expectations.

In Pursuit of Superior Product Quality that Exceeds Customer Expectations

TS TECH provides products that users can see, touch and sit in for long periods of time. We pursue top-level quality in our products, which always exceeds customers' expectations through our commitment to *monozukuri*.

TS TECH pays careful attention to quality at each process, from product planning and development to the production process at the plant. In particular, when developing a new model, we analyze the quality of existing models and incorporate any issues into the design from the planning and development stages of the new model as part of our commitment to improving the specification quality of our products.

As a result of these efforts, our products have earned us quality excellence awards from our customers and high evaluation marks for the past several years in initial quality studies (IQS) published by J.D. Power and Associates, a US research institute, to provide indices of how often issues occur in seats after the purchase of vehicles by customers.

Global Quality Control and Assurance System

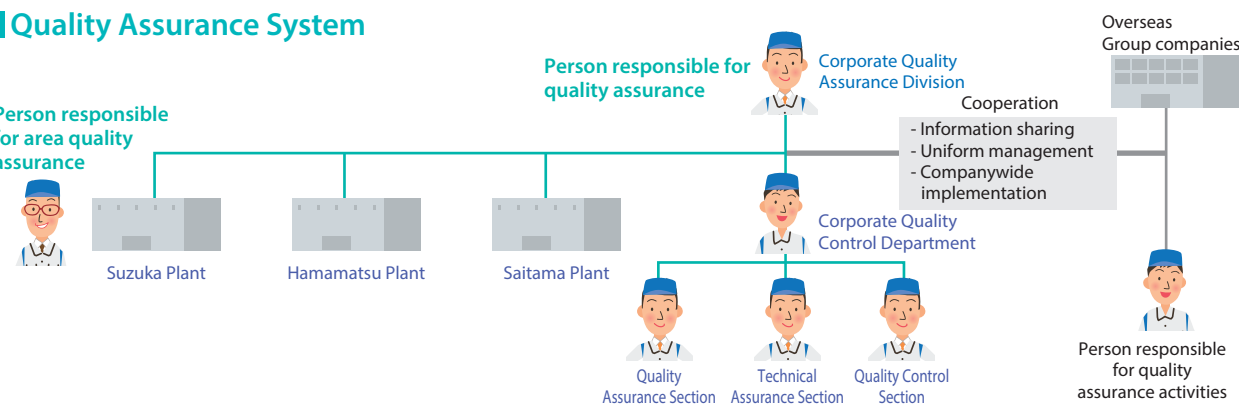
In accordance with TS TECH's company principle, we attach great importance to quality in our manufacturing, which we develop on a global scale.

Our quality assurance system, which has acquired certification in international standards related to quality (e.g., ISO 9001 and ISO/TS 16949) at all sites in and outside Japan, ensures the delivery of products with the same high level of quality around the globe.

Meanwhile, quality control on the manufacturing floor is tightly integrated with manufacturing processes under the supervision of each plant's Quality Department, enabling us to carry out production and quality initiatives that ensure stable manufacturing quality. Additionally, we hold a TC Circle global conference once every two years to help raise each and every employee's awareness of quality.

ISO 9001 & ISO/TS 16949 Certification			
Location		ISO9001	ISO/TS16949
Japan	TS TECH CO., LTD.	○	○
	KYUSYU T-S CO., LTD.	○	
	SUN CHEMICAL INDUSTRY CO., LTD.	○	
	SOWA SANGYO CO., LTD.	○	
Americas	TS TECH AMERICAS, INC.	○	
	TS TRIM INDUSTRIES INC.	○	
	TS TECH USA CORPORATION	○	
	TRI-CON INDUSTRIES, LTD.	○	
	TS TECH CANADA INC.	○	
	TS TECH INDIANA, LLC	○	
	TS TECH ALABAMA, LLC.	○	○
	TRIMONT MFG. INC.	○	
	INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.	○	
	TS TECH DO BRASIL LTDA.	○	
China	GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.	○	
	GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO., LTD.	○	
	GUANGZHOU TSK AUTO PARTS CO., LTD.	○	○
	NINGBO FTZ TS TRIMONT AUTOMOTIVE INTERIOR INC./ NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC.		○
	WUHAN TS-GSK AUTO PARTS CO., LTD.		○
			○
Asia and Europe	TS TECH TRIM PHILIPPINES, INC.	○	○
	TS TECH (THAILAND) CO., LTD.		○
	TS TECH SUN INDIA Private Limited		○
	PT. TS TECH INDONESIA	○	○
	TS TECH UK LTD.	○	
	TS TECH Deutschland GmbH	○	

Quality Assurance System



Providing Safe Products

To provide our customers with safe, dependable products, we not only observe laws and regulations but also prevent problems from arising through a number of efforts aimed at ensuring product quality and safety.

TS TECH monitors revisions to laws and regulations concerning toxic substances in products. In addition to providing regular oversight, we check the conformance of new materials in the supply chains.

For key mass-produced products, we establish priority areas and conduct regular audits that include our suppliers. When developing new products, we perform third-party evaluations of the results of the FTA^{*1} for key parts with new mechanisms and conduct a PPA^{*2} for safety.

^{*1} Fault Tree Analysis: This is a method of logically analyzing fault occurrence routes and factors to address reliability or safety problems.
^{*2} Potential Problem Analysis: This involves solving problems through the process of identifying and analyzing a problem, devising and executing a solution, and evaluating results.

Handling and Making Use of Comments and Complaints

We view comments and complaints from customers as information to help further improve TS TECH Group quality, and we use this information to quickly solve and prevent the recurrence of problems. We also document processes for addressing problems when they occur in our internal regulations and faithfully endeavor to resolve them according to these processes.

Using the network we have built, we manage complaint information based on feedback from our customers every month and check this information worldwide through an online system. Much effort also goes into preventing problems repeatedly conducting tests and evaluations that simulate how our products will actually be used in the market helps us provide products that make our customers feel safe and satisfied.



Developing Employees through Quality Control Education to Improve Product Quality

Naoaki Takasaki
Administrator, Quality Control Section, Corporate Quality Control Department, TS TECH Co., Ltd.

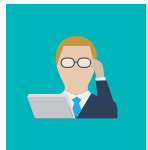
Tell us about your employee education system for product quality control.

Employees must study the quality control manuals used by our current customers. This is done by all employees within their first year at the company. Additionally, we have added a basic course on quality to new employee training—an effort unique to the TS TECH Group. Employees also receive position-specific training from the fifth year on to allow a more thorough study of quality control. These educational opportunities are regularly provided at the head office as well as at the Technical Center and plants in Saitama, Hamamatsu, and Suzuka.

Tell us about your strategies for winning new customers by expanding sales to customers other than Honda.

For orders from Volkswagen, for example, we have acquired VDA 6.3 auditor certification for quality management process auditing as established by Germany's Verband der Automobilindustrie (VDA). Making further progress in





Our Relationship with Shareholders and Investors

We aim to have our corporate value properly evaluated by practicing prompt, fair disclosure of accurate corporate information.

Disclosure Policy

The TS TECH Group promptly and fairly discloses accurate corporate information to our stakeholders, including our shareholders and other investors. To this end, TS TECH has established a disclosure policy that is observed by all TS TECH officers and employees.

When disclosing information, we observe laws and rules concerning timely disclosure. Even when these provisions do

not apply, we adopt an active approach to the disclosure of information deemed useful and appropriate to our stakeholders.

Our primary means of disclosing information include press releases and TDnet (Timely Disclosure Network), managed by the Tokyo Stock Exchange. This information is also posted on our website.

The TS TECH Disclosure Policy: <http://www.tstech.co.jp/ir/disclosure.html> (Japanese)

Communication with Shareholders and Individual Investors

TS TECH strives to stimulate communication with shareholders and individual investors. We use publications such as the TS TECH Report and MOVEMENT, a tool for shareholder communication issued biannually, to disseminate information about TS TECH. In addition, we give briefings at general meetings of shareholders and to individual investors as well as practice two-way communication through the hosting of events such as Za Forum. Through initiatives such as these, we strive to improve our stakeholders' understanding of the TS TECH Group.



Shareholder correspondence



General Meeting of Shareholders

Communication with Institutional Investors

TS TECH creates opportunities to communicate with institutional investors in and outside Japan. In the middle and at the end of every fiscal year, we hold financial results briefings for institutional investors and analysts where TS TECH executives talk about business plans, performance, and corporate news. Our department in charge of investor relations conducts one-on-one interviews and holds small meetings every quarter and participates in conferences and conference calls as well. We also hold inspection tours at our production and development facilities to educate people about the company.



Production facility inspection tour with invited institutional investors

Information on Our Website

We disclose business performance and other important information on our website with the goal of providing information to stakeholders such as institutional investors and analysts as well as shareholders and other individual investors. On the website, we work to clearly explain our company's initiatives through the "Product Development Project," which

includes interviews with product developers; Za Forum, an event organized by TS TECH; and other efforts unique to TS TECH.



External Recognition

TS TECH was chosen as a 2014 constituent in the Morningstar Socially Responsible Investment Index, Japan's SRI index. We have also been chosen for two years running as a constituent of the new JPX-Nikkei Index 400, which began in 2014.

Additionally, we were ranked third by the buy-side for

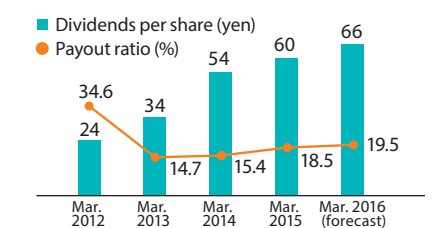


"Best Investor Relations" for the automotive parts sector of the 2015 All-Japan Executive Team (Best IR Companies in Japan), issued by U.S.-based Institutional Investor Magazine.

Basic Policy on Profit Sharing

TS TECH views the return of profits to shareholders as a key issue for management. We therefore work to improve corporate value through operations done with a long-term and global perspective in mind, and we have established as basic policy the continued and stable sharing of profits based on a

comprehensive accounting of matters such as consolidated earnings and the payout ratio.



Voice

It is Important for Executives to Communicate in Their Own Words

Tairiku Sakaguchi, CMA

Senior Analyst, Auto Parts, Equity Research Department, Research Group, Mizuho Securities Co., Ltd.

Q When making investment decisions, what parts of information disclosed by a company should investors give weight to?

To make investment decisions, investors develop projections based on things such as past results and business trends. The information you share with stakeholders—information such as medium- to long-term goals and level of orders received—covers all information needed to perform analyses. I therefore feel you are doing a good job concerning information disclosure.

Q This TS TECH Report provides both financial as well as non-financial data. Does non-financial data affect investment decision-making?

I believe non-financial data is also very important. It is not enough that a company simply has good business performance. Because of this, investors are recently very focused on ESG issues.* Companies that ignore the environment or corporate governance are increasingly finding it difficult to get investments.

*Environmental, Social, Governance

Q Please tell us your expectations for TS TECH concerning information disclosure.

It is important for executives to disseminate information—in their own words—to as many investors as possible concerning how they are looking to manage the company as well as specific goals and policies. Through financial results briefings and one-on-one interviews, investors continue to hear about information from your medium-term plans and new technologies directly from TS TECH executives. If, in addition to this, there were more opportunities to speak directly with investors, it would make TS TECH's management vision and overall direction even easier to see.





Our Relationship with Business Partners

We do business with fairness and integrity.

Basic Stance on Procurement

The TS TECH Group builds and strengthens its partnerships with suppliers in accordance with the Four Principles for TS Procurement. To achieve cost competitiveness and consistent quality with respect to raw and other materials which are commonly used worldwide, we are also working to progressively build a procurement system that allows central procurement in Japan.

● Four Principles of TS Procurement

Principle 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.
Principle 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.
Principle 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.
Principle 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.

Supply Chain Initiatives

To continue to succeed amidst fierce competition, we continually look for opportunities to share information with our suppliers while strengthening cost competitiveness. For our main suppliers, we give briefings at supplier conferences with the goal of information exchange.

In addition, we hold preemptive discussions on ways to address risks, such as those involving the market, exchange rates, production volatility, and natural disasters, and devise systems for flexible and stable procurement. Fairness and impartiality are central to dealings with all suppliers. We also have a system that provides support for matters concerning technology, quality, and cost to allow each company to demonstrate its strengths. To address supply risks, last fiscal year we reviewed situations on-site through measures such as surveying supply chains and conducting disaster preparedness inspections at suppliers. These efforts will be ongoing.

With to the aim of fulfilling our social responsibility in our procurement activities, we work with all our suppliers on

initiatives aimed at discontinuing the use of conflict minerals, which fund armed groups. These initiatives include regular surveys of regions that produce minerals.



Supplier conference

Trade Management Initiatives

Proper execution of operations related to imports and exports is a business continuity prerequisite for the TS TECH Group, which has expanded its business to 13 countries worldwide. In 2008, we set up the Foreign Trade Management Office, creating a management structure to manage and supervise trade operations. The office has been working to upgrade the management of trade by making proactive efforts in training and education. For example, it has obtained approval for TS



Holding a seminar for directors and full-time auditors with employees from the Tokyo Customs AEO Center.

TECH from the Director of Tokyo Customs as an “authorized exporter” (October 2008) and “authorized importer” (March 2013) based on the Authorized Economic Operator (AEO) program^{*1} and has employees take part in the Qualifying Examination for Registered Customs Specialists,^{*2} a national qualification, as well as the IATA Diploma Program (IATA Dangerous Goods Regulations Professional Diploma),^{*3} an international qualification program. It also offers customs personnel-led seminars for corporate officers.

^{*1}. AEO program: A program for approval of operators with established structures for security management and legal compliance in their international distribution supply chains to be approved by the Director of Customs as eligible for special treatment, such as simplified customs procedures.
^{*2}. Qualifying Examination for Registered Customs Specialists: A qualification examination administered by the Ministry of Finance Japan in accordance with provisions in Article 27 of the Customs Brokerage Law (Law No. 122 of 1967). The exam gauges knowledge of laws and regulations and of customs business required of customs officers.
^{*3}. IATA Diploma Program: A qualifying examination run by the International Air Transport Association (IATA), a body to which airlines with international routes belong. The Dangerous Goods Regulations course tests knowledge required for transporting dangerous goods as international air cargo.

Compliance with the Antimonopoly Act and Prohibition of Corruption

TS TECH has prepared and operates 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 (“Subcontracting Act”). The departments concerned utilize the manual in promoting day-to-day operations based on an accurate understanding of the two laws and adequate

scrutiny into the lawfulness of individual events.
TS TECH is creating mechanisms that allow the departments concerned to liaise with the department responsible for legal affairs and consult with attorneys when needed on events that cannot be clearly decided based solely on the manual. Moreover, TS TECH provides proper, appropriate training on the Antimonopoly Act and the Subcontract Act in accordance with its stratified training programs to foster awareness of compliance among employees.

Intellectual Property Management

We respect intellectual property rights. In developing products and technologies, we take the utmost care to ensure that we do not infringe on the intellectual property rights of others. At the same time, we ask others to respect our intellectual property rights. In cases where an infringement is identified, we take all necessary measures, including demanding that infringing parties immediately discontinue any

offending activities and offering such parties an opportunity to negotiate in the signing of license agreements. This was one reason behind our April 2013 establishment of the Intellectual Property Department, which seeks to maximize intellectual property value and minimize loss. The department handles all intellectual property rights, including everything from patents to trademarks and designs.



Our Relationship with Employees

Instilling pride in our work and the company through proactive efforts, we always think and act with equality in mind.

Due Regard for Human Resources—Part of the TS Philosophy

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

Human Resources Development

TS TECH is working to develop the human resources of the next generation by providing opportunities for job rotation (JR) and off-the-job training (OFF-JT) in addition to the learning that occurs daily in the workplace. TS TECH, which has operations in a number of countries and regions around the world, understands the growing importance of human resources that are globally-minded and considerate of diverse cultures and environments. We have introduced a variety of personnel systems and training programs so that we can develop human resources with the skills and knowledge to shine on a global stage.

Fostering a Greater Awareness of Human Rights

As cited in the TS Guidelines for Conduct, TS TECH never discriminates against employees on the basis of birth, nationality, creed, religion, sex, race, ethnicity, age, intellectual or physical handicap, clinical history, hobby, academic career, or social standing.

TS TECH never uses expressions or words that are deemed discriminatory in nature or could be construed as such.

As part of our specific actions to respect human rights and prevent discrimination, we have distributed to all employees, including new hires, a concept manual that contains

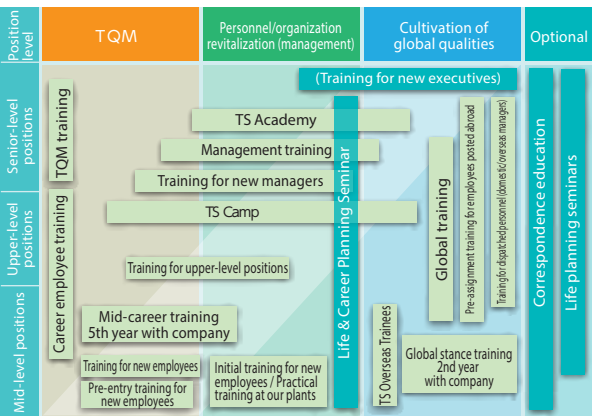
Work-Life Balance

Over and above striving to create a workplace with favorable labor conditions and an amenable work environment, we endeavor to inform all employees of the importance of work-life balance so that they can have satisfying professional and family lives. This includes promoting systems, such as child-care leave and shorter working hours, that allow for different work styles suited to the life stages of employees. In

● Major Personnel Data (As of March 31; regular employment only)

		FY2013	FY2014	FY2015
No. of employees by gender	Male	1,547	1,555	1,541
	Female	182	178	186
	Total	1,729	1,733	1,727
Average years of service	Male	14.4	14.8	16.2
	Female	13.0	13.2	14.3
	Total	14.3	14.6	16.0

● Rank-specific Education



the TS Guidelines for Conduct, which details our approach to human rights, to make TS TECH's practices known to all. We also display posters at all of our sites about preventing and eliminating discrimination in an effort to raise awareness among employees.



INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.: An outside physician was invited to speak about good health and preventing child abuse.

addition, for 18 consecutive years, all employees have taken their full annual paid leaves.

On May 29, 2015, TS TECH was newly recognized as a company working to support the development of the next generation by Japan's Minister of Health, Labour and Welfare.

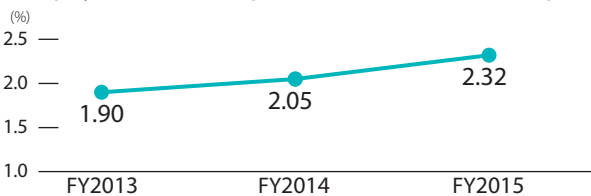


Diversity Initiatives

"I act under the notion that all people are equal, while positively promoting mutual acceptance of individual personalities and differences amongst the people of the world." This fundamental principle for TS TECH is something we follow while recognizing diversity as a vital management strategy and while promoting and spreading diversity. In particular, we try to create further opportunities for women, people with disabilities, and non-Japanese employees in our workplaces; over the mid- and long-term, we implement employment and labor conditions that do not discriminate based on

gender or nationality differences; and we strive to create local subsidiaries over the long-term that are suited to the particular conditions of each country in which we operate.

● Employment Rate of People with Disabilities (TS TECH, Japan)



Promotion of Safety and Health

From a risk assessment perspective, we are working to eliminate occupational accidents by detecting potential risks before they occur, and we are working to solve causes of risks and improve the working environment at an early stage. As a concrete internal framework, we hold a Safety and Health Representatives Conference with the executive in charge of safety and health and with the general managers of the respective sites. After carrying out an overall inspection of safety and health activities, the conference sets the operational policies, etc. for the next fiscal year. In fiscal year 2015, we invited a lecturer from the Japan Industrial Safety and Health

Association and held training for personnel directly involved in risk assessment. 28 employees were in attendance.

● Occupational Accident Occurrence (TS TECH, Japan)

	Total frequency rate	Rate of lost work time due to occupational injuries
FY2013	1.11	0.00
FY2014	1.85	0.26
FY2015	1.58	0.00

Voice



Creating Employee-Friendly Workplaces from a Woman's Perspective

Meishin Iwamiya
Manager
Sales Administration Section, Sales Planning Department, TS TECH Co., Ltd.

Q Tell us about your work history and what type of work you do now.

I'm originally from Taiwan, and when I first joined TS TECH back in 1995 I was assigned to the Foreign Operations Department (at the time). After gaining experience with various aspects of international business, I was transferred in 2003 to the International Business Department, which was the predecessor of the Sales Administration Section. Today, as manager, I supervise 10 employees while also negotiating and signing procurement contracts with the overseas offices of existing customers to use TS TECH products. I support the launch of new models as well.

In addition to these programs, I believe that a positive workplace environment is one of the conditions necessary for attaining women-friendly workplaces. For example, if supervisors and colleagues can create an atmosphere where it is easy to say "I'd like to go home early today to take care of my child," this will make the workplace kinder and more considerate of female employees. Moving forward, if we can expand the creation of such positive workplaces, I believe that we can expect to see even greater commitment and contributions from all employees, including managers.

Q As a female manager, how do you define the term employee-friendly?

Female employees face a number of different living environments, whether it be having a spouse that also works full time, or dealing with pregnancy, child care or nursing care. I experienced each of these in this same order after joining the company. At the same time, the company has improved working conditions, establishing paid leave and leave of absence programs for employees before and after childbirth, childcare, illness care, or nursing care.





Our Relationship with Society and the Community

As a member of society, TS TECH takes a proactive approach to philanthropy.

Basic Stance on Philanthropy

With the aim of continuously providing safe, comfort-enhancing products and becoming a company beloved by its customers, TS TECH's basic stance on CSR hinges on working to realize the TS Philosophy by conducting business activities that demonstrate equal regard for the economy, society, and the environment. In line with this philosophy, TS TECH conducts CSR activities as one of the key initiatives of its 12th Medium-Term Management Plan.

In order to practice sustainable business activities, it is important to be a company deeply rooted in the local community. Through its various philanthropic efforts, TS TECH works to coexist harmoniously with the community and improve corporate value as a company with high expectations from society, while simultaneously striving to strengthen the fundamentals of its global business activities.

Examples of Community Involvement

1 Suzuka Plant: Plant tours for elementary school students Japan

TS TECH conducts tours of its Suzuka Plant for students at nearby elementary schools. It shows children the production floor and provides fun, easy-to-follow explanations of the production process, from preparing each necessary part to creating a finished seat. With a focus on safely understanding dangers, our Safety Dojo teaches children about safety through the use of actual machinery to provide simulated experiences with electric shock and getting stuck in machinery. This mostly hands-on experience also gives visitors a chance to better understand the plant's philosophy towards *monozukuri* and its efforts concerning safety.



Learning through experience at the Safety Dojo



Plant tour

Visitors have been pleased, saying it was a good experience that explained things well and provided interactive opportunities. Through these tours, it will continue contributing to the community and child development.

2 Saitama Plant: Traffic safety education Japan

In October 2014, the Saitama Plant worked with the Honda Driving Safety Promotion Center and Honda Partnership Instructors, which is comprised of employees from Honda-affiliated companies, to conduct traffic safety classes for parents and their children. This was done to teach the scary

nature of traffic accidents to children in the community and improve their awareness of the importance of traffic safety.

In addition to a classroom component, these classes also had participants take part in demonstrations that let them feel firsthand the danger of accidents involving sudden braking when not wearing a seatbelt and getting stuck underneath a truck due to the difference between the tracks followed by the front and back inner wheels when turning. The plant plans to conduct another class in November 2015 for nearby elementary school students and their families.



Demonstration of being trapped under a truck



Driving simulation

3 TS TECH INDIANA, LLC: Creation of an internship program Americas

TS TECH INDIANA, LLC has launched an internship program for students of nearby high schools. Motivated in part by a need for experienced, work-ready personnel in the area, the company began the program to answer community demand for a place to strengthen the skills of highly-motivated students. The company is building prosperous relationships with both local companies and the community through measures such as hiring these students after they complete the program.



Classroom learning and practical training



4 TS TECH (HONG KONG) CO., LTD.: Coastal cleanup activities China

In November 2014, 16 employees from TS TECH (HONG KONG) CO., LTD. participated in coastal cleanup activities organized by NPO Green Council, which conducts environmental preservation efforts in the area. A seemingly beautiful beach was littered with a surprising amount of trash—enough to fill up five large trash bags.

The company will continue to conduct these and other philanthropic activities.

TS TECH (HONG KONG) CO., LTD. employees who participated in the cleanup activities



Voice

Suzuka Plant Baseball Team Members Are Admired by Young Baseball Players

Kikuo Minamihama
Director of the Suzuka City Council for the Development of Youth Baseball Clubs

Q How did you get involved with TS TECH's Suzuka Plant?

The Council holds six youth baseball tournaments a year, one of which is the TS TECH Cup. With a nearly 30-year history, this tournament for newcomers allows students up to grade 5 to participate. About six years ago, the Suzuka Plant expressed a desire to become more deeply involved with the community and became a sponsor of the tournament.

In addition to providing support for the activities of the Council, plant members have also held positions as officers of the Council and have become coaches of teams from various regions in the city of Suzuka.

admire them in their uniforms. Suzuka Plant team members also tell students that with more practice they, too, can someday wear cool uniforms—words that have a profound effect. One might say that the TS TECH Cup gives young baseball players an opportunity to clearly picture themselves in the future. So it is also for the sake of helping these children grow up healthy and strong that I hope TS TECH will continue to remain closely involved with us.

Q How are players on the baseball team viewed by the children?

The plant manager gives opening and closing comments at tournaments, which are attended by the team's manager and more than a dozen players. The players from the Suzuka Plant baseball team are all veterans of various *nanshiki* (rubber) baseball tournaments, and the children really





Our Relationship with the Environment

We take positive actions for environmental protection

Basic Environmental Policy

Policy

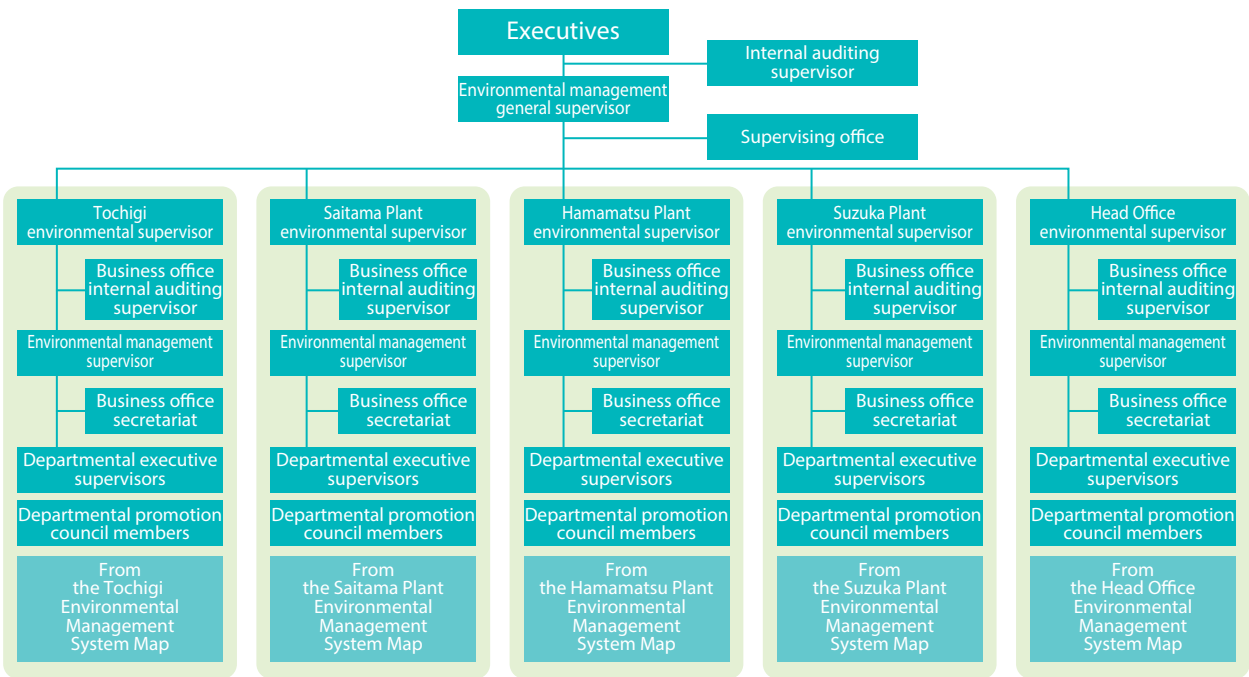
With respect for the global environment and a sustainable recycle-oriented society, we will endeavor to make unlimited progress and continuous improvement so as to protect all life from pollution as a manufacturer according to laws and regulations and become an environmentally friendly “Company Welcomed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

Action Plan

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

Environmental Management

Environmental Management System Map



Internal Environmental Audits

Every year, each of TS TECH’s business offices creates an audit plan based on factors such as the extent of its environmental impact and past ISO 14001 audit results. In order to reduce environmental impact, comply with environmental laws and regulations, and confirm that ISO 14001 standards are being applied, TS TECH conducts internal environmental audits once a year. These audits were conducted in fiscal year 2014 at all business offices in Japan. Matters pointed out in these audits

have been addressed and will contribute to improving our overall level of environmental management.



ISO 14001 internal audit opening meeting

Environmental Education

In September 2014, the Saitama Plant invited instructors from the Nature Conservation and Greenery Division, Department of Environment, Saitama Prefectural Government to speak on biodiversity. The opportunity allowed participants to learn about the importance of biodiversity initiatives and afforestation. It also gave employees a better understanding of how these activities are linked to the purpose and results of the

Green Ecosystem Conservation Activities in which TS TECH is currently engaged.



Biodiversity workshop

ISO 14001 Initiatives Concerning Environmental Management

TS TECH renewed its ISO 14001 certification in February 2015. While the external audit organization made one formal observation and noted one minor nonconformance, it applauded the company’s initiatives, including reporting three notable items of conformity. TS TECH will continue taking a

proactive approach to ISO 14001.



ISO 14001 external audit

Environmental Impact of Business Activities and Environmental Initiatives

The TS TECH Group is moving ahead with its 12th Medium-Term Management Plan toward the realization of its 2020 vision: to be an “Innovative Quality Company.”

The Group is working toward the target of cutting CO₂ emissions by 1% per unit of production* in order to reduce the environmental impact generated by its business operations.

Environmental Impact		Domain	Environmental Protection Efforts
Global warming Resource depletion Ozone depletion Air pollution Water pollution Soil pollution Waste materials	Reduce global environmental impact associated with business operations	Product Development Technology	• Design products featuring lighter weight and improved recyclability • Do not use materials containing regulated chemicals • Employ energy-saving and resource-saving equipment and process design
		Manufacturing Management	• Employ energy-saving and resource-saving manufacturing • Control and reduce the amount of volatile organic compound (VOC) emissions into the atmosphere • Continue to maintain zero emissions • Promote proper disposal and recycling of industrial waste
		Purchasing Distribution	• Improve distribution efficiency • Promote green purchasing

* CO₂ emissions, waste output, or water consumption per unit of production refers to the amount emitted or consumed, calculated on the basis of TS TECH’s standards, in proportion to production from business operations (sales).



Our Relationship with the Environment

Main Environmental Targets and Results in FY2015 and Targets for FY2016

TS TECH has established and continues to work toward targets to reduce environmental impact with respect to CO₂, waste, and water. With an emphasis placed on reducing CO₂ emissions per unit of production*1 in the 12th Medium-Term Management Plan, we are working toward energy conservation with the aim of reducing emissions per unit of production by at least 3% over three years.

● Environmental Targets and Results (TS TECH Co., Ltd.)

Item	FY2015				FY2016	
	Targets	Measures	Results	Evaluation	Targets	Measures
CO ₂	Production down 1% from FY2014 (FY2014 results: 0.171 t-CO ₂ / million yen)	• Energy savings through base consolidation • Improve manufacturing equipment energy efficiency • Improve lighting/air-conditioning energy efficiency • Energy savings at transformer facilities • Purchase more hybrid vehicles as company cars	Emissions per unit of production up 17%*2 from FY2014 (FY2015 results: 0.199 t-CO ₂ /million yen)	Under 90% attainment rate	Emissions per unit of production down 2% from FY2014	• Improve manufacturing equipment energy efficiency • Improve lighting/air-conditioning energy efficiency • Energy savings at transformer facilities • Purchase more hybrid vehicles as company cars
Waste	Generated per unit of production FY2014 results: 0.018 (t/million yen) or less	• Energy savings through base consolidation • Promote recycling • Reduce product defect rate	Output per unit of production down 6%*2 from FY2014 (FY2015 results: 0.017 t/million yen)	100% attainment rate	Output per unit of production: 0.017 (t/million yen) or less	• Promote recycling • Reduce product defect rate
Water	Consumed per unit of production FY2014 results: 1.639 (m ³ /million yen) or less	• Save water through base consolidation • Save water at all business sites • Inspect leaks at water supply facilities	Consumption per unit of production 4% decrease over FY2014 FY2015 results: 1.573 t-CO ₂ / million yen	100% attainment rate	Consumption per unit of production: 1.573(m ³ /million yen) or less	• Save water at all business sites • Inspect leaks at water supply facilities

*1 CO₂ emissions, waste output, or water consumption per unit of production refers to the amount emitted or consumed, calculated on the basis of TS TECH's standards, in proportion to production from business operations (sales).
*2 The target was not met in fiscal year 2015 due to a drop in sales arising from a decline in production.

FY2015 Environmental Accounting

● Environmental Conservation Cost

(Unit: Millions of yen)

Category	Main Efforts	FY2013		FY2014		FY2015	
		Investment	Cost	Investment	Investment	Investment	Cost
Business area cost	Pollution prevention cost	2	12	7	24	7	7
	Global environmental conservation cost	1,199*1	43	855*1	30	273*1	19
	Resource circulation cost	5	53	21	53	1	42
Upstream/downstream cost	Costs generated from purchasing low environmental impact products and raw materials	3	2	—	3	16	—
Administration cost	EMS development & operation costs, environmental measurement costs, office interior "greening" and development costs	10	86	4	101	37	92
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	—	4,040	—	4,080	—	3,997
Social activity cost	Environmental measures such as nature protection, greening, and scenery preservation	—	6	—	3	—	8
Environmental remediation cost	Remediation of soil pollution, etc.	—	—	—	51*2	—	—
Total		1,219	4,242	887	4,345	334	4,165

1 Period covered: April 1, 2014, to March 31, 2015
2 The above figures include portions ascertained by estimation, such as apportionment.
3 Materials relating to environmental accounting, such as guidelines and guidebooks published by the Ministry of the Environment of Japan, were referenced when preparing the spreadsheet.
4 Costs do not include depreciation costs.
5 Environmental accounting of consolidated subsidiaries is included.
*1 Global environmental conservation costs include expenses related to the construction of a new plant at the Saitama Plant, which was the main reason for the increased investment.
*2 The figure is expenses for remediation of soil pollution under the soil pollution remediation plan at the Saitama Plant.

● Material Effects (TS TECH Co., Ltd.)

		FY2014	FY2015	Difference
Energy consumption	GJ	229,354	214,869	-14,485
Water consumption	1,000m ³	117	90	-27
CO ₂ emissions*	t-CO ₂	12,156	11,341	-815
CO ₂ emissions due to transportation*	t-CO ₂	1,344	1,062	-282
Total waste output	t	1,255	946	-309
VOC emissions	t	34	28	-6
PRTR emissions	t	8	8	0

* Revisions to emission factors resulted in CO₂ emission levels different from figures noted in last fiscal year's report.

● Economic Effects (TS TECH Co., Ltd.)

(Unit: Thousand yen)

	FY2014	FY2015
Gain on sale of valuables	7,876	5,890
Cost saved by energy conservation	12,206	19,119
Total	20,082	25,009

Examples of Initiatives to Reduce Environmental Impact

1. Efforts to Reduce Product Weight

As the most effective way to reduce our environmental impact, TS TECH is making every effort to reduce product weight. Frames are one of the heaviest parts in TS TECH's products. With each frame model change, we reduce weight by 10% or more over the previous model while still maintaining world-class levels of safety in response to growing demands for safety year after year.

Looking at where the industry is headed, we are also considering the use of carbon, a high-cost material, and are developing the world's most lightweight frames, which do

not compromise our traditionally strong usability or safety. A sample product was shown at the 43rd Tokyo Motor Show 2013. Along with switching to different materials to decrease weight, we also research and develop products using cutting-edge equipment that ensures we can implement designs that best utilize materials and that parts are not a gram heavier than they need to be.



Ultra-lightweight seat frame

2. Green Ecosystem Conservation Activities

TS TECH conducts forest and biodiversity preservation activities in regions around our business facilities in Japan and overseas. These efforts are driven by the concept of creating new green spaces from company grounds borrowed from the earth for the TS TECH Group to conduct its business activities around the world and giving greenery back to the earth

through environmental preservation activities.

Continuing from 2012, we are registering for participation in the Green Wave 2015.



WUHAN TS-GSK AUTO PARTS CO., LTD. (China): Tree planting in the Wuhan Economic & Technological Development Zone

Voice



Looking to Improve Relations with Local Communities through Afforestation

Ryuji Kano
Assistant Manager, Philanthropy Office of Japan, Administration Division, Honda Motor Co., Ltd.

Q What efforts are being made to preserve the environment and live in harmony with local communities?

One philosophy of Honda founder Soichiro Honda was that the company should not "build concrete walls that block off Honda sites from the surrounding communities." Since 1976, we have followed this idea and engaged in Community Forest initiatives that plant trees indigenous to each area around business sites. We later launched "Honda Woods" as an extension of this idea in 2014 to manage and develop forests under the "Satoyama Approach." Currently, we aim to live in harmony with the community and create forests that will bring happiness to people, with efforts underway at eight business sites around the country.

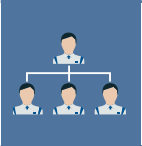
But companies still have too few opportunities to interact with people in the community. This is why we do things such as offer the use of company land for local festivals (led by our Kumamoto Factory) and incorporate "Honda Woods" into factory tour courses (led by our Suzuka Factory).

It would be fantastic to see TS TECH continue to expand its initiatives through measures such as leveraging the unique characteristics of each of its business sites and build more open relationships with people in the community.



Q What do you expect from your business partner TS TECH?

The company is doing a wonderful with its "TS TECH afforestation" efforts. An initiative aimed at preserving green ecosystems, these efforts involve tree planting, tree thinning, and other activities primarily in areas around the company's business sites in Japan and overseas.



Corporate Governance and Compliance

Basic Policy on Corporate Governance

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

Welcomed with Joy" by all its stakeholders and is actively working to promote it. Based on this philosophy, the TS TECH Group has established the TS TECH Corporate Governance (TSCG) System and is working to enhance compliance and risk management and improve corporate ethics.

Group Governance System

The TS TECH Group has established a sound corporate governance system. It includes sharing the TS Philosophy, policy on corporate governance, and three-year medium-term management plan. Affiliated companies also have their own effective, efficient corporate governance systems that are based on the laws of their respective countries and businesses. Important management issues at affiliated companies must be reported to and approved by TS TECH in advance based on the standards stipulated by TS TECH. Affiliated companies must also report business plans,

sales results, and financial status as well. Furthermore, affiliated companies participate in regularly conducted risk and compliance verification known as the TSCG self-verification system. This ensures that the entire TS TECH Group acts as one in promoting compliance and reducing risk. TS TECH's internal audit department conducts audits of affiliated companies and works with internal audit departments set up at major subsidiaries to enhance the internal audit structure of the entire TS TECH Group.

Compliance Framework

TS TECH has formulated the TS Guidelines for Conduct, which lay out the rules that executive officers and employees must follow during their duties. Efforts are being made to instill in all employees a thorough understanding of these guidelines and the TS Philosophy. A director is appointed as Compliance Officer in order to promote compliance initiatives, and steps are

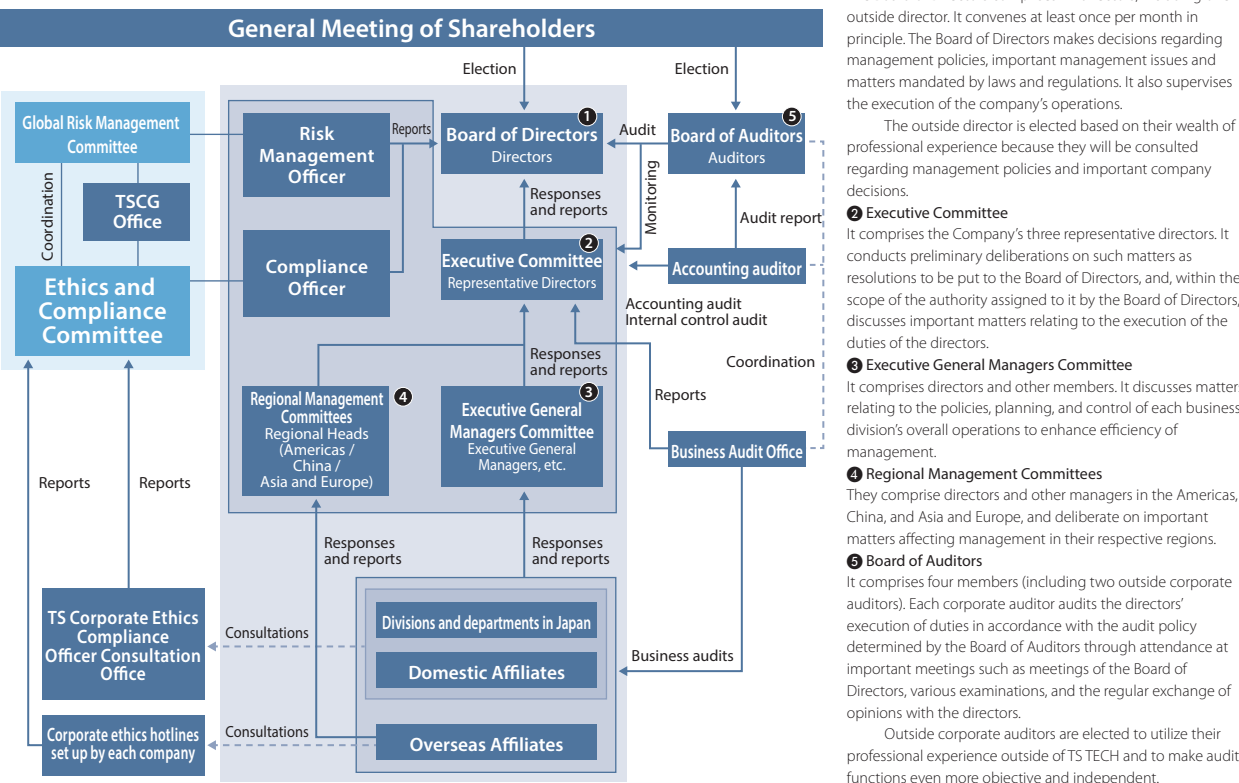
continually taken to prevent legal violations before they occur through regular TSCG self-verifications and deliberations of important ethics and compliance issues by the Ethics and Compliance Committee. The TS Corporate Ethics Compliance Consultation Office has been set up as a means to constantly improve the company and is run as a whistleblower hotline.

Internal Control System

In accordance with provisions in the Companies Act, TS TECH passed a resolution on the basic policies of its internal control system at the Board of Directors' meeting held on May 11, 2006. Since then, the Board of Directors has reviewed the implementation of this system each fiscal year and passed resolutions on changes to this policy as necessary.

Additionally, in accordance with the 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 by regularly evaluating improvements and operations and taking corrective actions when necessary.

Governance System Diagram



Operation of the TSCG Self-Verification System

TS TECH departments and Group companies each identify and evaluate risks and carry out TSCG self-verifications to make continual improvements in order to quickly detect compliance issues and prevent anticipated business risks before they occur.

The results of TSCG self-verifications are shared with internal audit departments, where they are utilized as a component of risk approach audits.

Risk Management

Important management issues are carefully deliberated upon by TS TECH's Executive Committee as well as various advisory committees. Through these discussions, TS TECH makes every effort to avoid and mitigate business risks. In addition, the Representative Director selects a Risk Management Officer, who is placed in charge of risk management. The Global Risk Management Com-

mittee, comprising directors and other officers, has been set up to deliberate regularly on the results of TSCG self-verifications and discuss responses to serious risks affecting management, ensuring that efforts are continually made to mitigate potential risks. In situations where actual losses may be incurred, efforts are made to minimize any losses in accordance with the crisis management rules and various manuals.

Financial Report

2020 Vision

INNOVATIVE QUALITY COMPANY

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

2030 Level of global interior parts manufacturing giants ...
To the highest peak,
Mt. Everest

2020 INNOVATIVE QUALITY COMPANY

13th
Medium-Term
2017–2020

World leader in component competitiveness

12th
Medium-Term
2014–2017

Establishment of position as a global company

11th
Medium-Term
2011–2014

Evolution as a global company

2010 GOOD QUALITY COMPANY
World-class quality...
From beautiful Mt. Fuji

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Management's Discussion and Analysis

1. Analysis of Financial Condition

Total assets at the end of FY2015 stood at 295,632 million yen, increasing 30,996 million yen from the end of FY2014. The main factors for the increase were the positive impact of exchange rates and an increase in property, plant and equipment, due in part to building expansion projects in North America and investments in new models. Those factors offset a decrease in notes and accounts receivable-trade, the result of factors such as a decline in orders from major customers.

Total liabilities at the end of FY2015 amounted to 88,761 million yen, decreasing 5,160 million yen from the end of FY2014. The decrease resulted primarily from a decline in notes and accounts payable-trade and a decrease in net defined benefit liability chiefly due to a revision to the accounting standards, offsetting increases stemming from the impact of exchange rates.

Net assets at the end of FY2015 totaled 206,871 million yen, rising 36,156 million yen from the end of FY2014. The increase was chiefly due to an increase in both retained earnings and foreign currency translation adjustments.

2. Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of FY2015 amounted to 84,553 million yen, up 8,093 million yen from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 29,960 million yen, showing a year-on-year decrease of 13,641 million yen. The result reflects a change in notes and accounts payable-trade from a decrease of 8,972 million yen in the previous fiscal year to a decrease of 12,770 million yen in FY2015 and an increase of 2,315 million yen in income taxes paid, despite a shift in notes and accounts receivable-trade from a decrease of 8,371 million yen in the previous fiscal year to an increase of 10,649 million yen in FY2015.

Net cash used in investing activities came to 20,368 million yen, an increase of 2,135 million yen from the previous fiscal year, primarily reflecting a change in time deposits, after addition and withdrawal, from a net increase of 3,740 million yen in the previous fiscal year to a net increase of 21 million yen in the fiscal year under review, despite a 1,342 million yen decrease in purchase of investments in subsidiaries.

Net cash used in financing activities was 9,871 million yen, an increase of 972 million yen year on year. This reflects an increase of 3,414 million yen in cash dividends paid (including cash dividends paid to minority shareholders), despite a decrease of 2,587 million yen in repayment of long-term loans payable.

3. Analysis of Operating Performance

For the fiscal year under review, the global economy recovered moderately, with a U.S. economic rebound compensat-

ing for uncertainty over the outlook for emerging economies. Meanwhile, the TS TECH Group faced a challenging business environment overall, despite a recovery in demand for automobiles particularly in the United States, chiefly reflecting a slowdown in the economic growth rate, especially in emerging countries, including China, Thailand, and Brazil, and a decline in demand for automobiles in Japan following the consumption tax hike.

Against this backdrop, under its 2020 vision "Innovative Quality Company," the Group started work on its 12th Medium-Term Management Plan (April 1, 2014–March 31, 2017) with the goal of "Evolution as a global company."

In the 12th Medium-Term Management Plan, the Group is continuing to pursue the policies that it introduced in the 11th Medium-Term Management Plan, while striving for the expansion of sales to other customers*, which is positioned as a key policy. As part of the Group's results in the fiscal year under review, TS TECH HUNGARY Kft. established a mass production system for products for which orders had been received from a European auto manufacturer. In the Americas segment, the Group received orders for trim cover and motorcycle seats from new customers.

In the fiscal year under review, order volume from major customers declined in all segments due to a decline in demand for automobiles in emerging countries and the effect of recalls in the auto industry. Nonetheless, the Group maintained almost the same level of profitability as in the previous fiscal year, when it posted record income due to cost-cutting activities worldwide, especially in China.

Net sales for the fiscal year under review amounted to 434,279 million yen on a consolidated basis, down 22,774 million yen (5.0%) from the preceding fiscal year. The impact of exchange rates driven by the weaker yen was offset by a decrease in order volume from major customers in all segments, especially in the Americas and China. Looking at profits, operating income stood at 35,287 million yen, a decrease of 3,846 million yen (9.8%) year on year, primarily reflecting the effects of a decrease in revenue, which offset the positive impact of exchange rates and cost cutting. Ordinary income totaled 40,362 million yen, a decrease of 2,574 million yen (6.0%) from the preceding fiscal year. Net income amounted to 22,008 million yen, a decrease of 1,893 million yen (7.9%) year on year.

*Sales to other customers: sales to manufacturers of entire cars other than major customers

The Group's consolidated forecasts for FY2016 are as follows:

Consolidated net sales	467.0 billion yen (Up 7.5% year-on-year)
Consolidated operating income	38.5 billion yen (Up 9.1% year-on-year)
Consolidated ordinary income	40.7 billion yen (Up 0.8% year-on-year)
Consolidated net income	23.0 billion yen (Up 4.5% year-on-year)

Consolidated Balance Sheet

TS TECH Co., Ltd. and Consolidated Subsidiaries
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ 84,553	¥ 76,460	\$ 703,609
Short-term investments (Note 12)	1,844	1,690	15,341
Notes and accounts receivable (Note 12):			
Trade	60,567	65,182	504,007
Unconsolidated subsidiaries and associated companies	171	349	1,426
Allowance for doubtful accounts	(20)	(41)	(171)
Inventories (Note 3)	31,067	25,616	258,527
Income taxes receivable (Note 12)	533	65	4,439
Deferred tax assets (Note 9)	2,767	2,703	23,027
Prepaid expenses and other current assets	6,354	5,371	52,884
Total current assets	187,836	177,395	1,563,089
PROPERTY, PLANT, AND EQUIPMENT (Note 4):			
Land	11,558	10,249	96,179
Buildings and structures	55,814	44,270	464,461
Machinery and equipment	64,164	57,031	533,947
Furniture and fixtures	50,963	48,720	424,091
Construction in progress	9,007	6,372	74,946
Total	191,506	166,642	1,593,624
Accumulated depreciation	(112,737)	(104,389)	(938,141)
Net property, plant, and equipment	78,769	62,253	655,483
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 12)	16,912	15,398	140,735
Investments in unconsolidated subsidiaries and associated companies	4,661	4,358	38,788
Long-term loans (Note 12)	413	400	3,433
Intangible assets	3,184	1,546	26,494
Deferred tax assets (Note 9)	1,744	1,569	14,513
Asset for retirement benefits (Note 7)	473	267	3,935
Other	1,643	1,456	13,674
Allowance for doubtful accounts	(3)	(6)	(28)
Total investments and other assets	29,027	24,988	241,544
TOTAL	¥ 295,632	¥ 264,636	\$ 2,460,116

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Notes and accounts payable (Note 12):			
Trade	¥ 45,308	¥ 56,136	\$ 377,031
Unconsolidated subsidiaries and associated companies	573	796	4,767
Electronically recorded obligations (Note 12):			
Trade	4,358		36,264
Associated companies	133		1,110
Short-term bank loans (Notes 6 and 12)	1,674	1,870	13,934
Current portion of long-term debt (Notes 6 and 12)	644	584	5,363
Accrued bonuses	3,635	3,053	30,246
Accrued bonuses to directors and audit & supervisory board members	152	152	1,263
Income taxes payable (Note 12)	1,688	3,050	14,045
Deferred tax liabilities (Note 9)	603	36	5,021
Other	19,602	19,096	163,116
Total current liabilities	78,370	84,773	652,160
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 12)	1,641	474	13,658
Liability for employees' retirement benefits (Note 7)	775	2,664	6,452
Retirement allowances for directors and audit & supervisory board members		60	
Deferred tax liabilities (Note 9)	5,920	4,715	49,264
Other	2,055	1,235	17,094
Total long-term liabilities	10,391	9,148	86,468
CONTINGENT LIABILITIES (Note 14)			
EQUITY:			
Common stock—authorized, 272,000,000 shares; issued, 68,000,000 shares in 2015 and 2014	4,700	4,700	39,111
Capital surplus	5,163	5,163	42,965
Retained earnings	152,069	133,859	1,265,452
Treasury stock—at cost, 1808 shares in 2015 and 1,748 shares in 2014	(4)	(3)	(30)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	9,947	8,532	82,770
Foreign currency translation adjustments	12,811	291	106,605
Defined retirement benefit plans	248	(938)	2,062
Total	184,934	151,604	1,538,935
Minority interests	21,937	19,111	182,553
TOTAL EQUITY	206,871	170,715	1,721,488
TOTAL	¥ 295,632	¥ 264,636	\$ 2,460,116

Consolidated Statements of Income

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET SALES	¥ 434,279	¥ 457,053	\$ 3,613,875
COST OF SALES	364,530	385,940	3,033,456
Gross profit	69,749	71,113	580,419
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 10)	34,462	31,980	286,780
Operating income	35,287	39,133	293,639
OTHER INCOME (EXPENSES):			
Interest and dividend income	1,978	1,779	16,463
Interest expense	(177)	(158)	(1,471)
Loss on impairment of long-lived assets (Note 4)	(134)	(408)	(1,114)
Loss on sale and disposal of property, plant, and equipment	(266)	(474)	(2,217)
Gain on sale and disposal of property, plant, and equipment	40	128	333
Foreign exchange gains	1,933	1,015	16,086
Losses on disaster (Note 20)	(26)	(356)	(217)
Equity in earnings of associated companies	675	600	5,614
Rent income	186	203	1,549
Other—net	566	794	4,711
Other income—net	4,775	3,123	39,737
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	40,062	42,256	333,376
INCOME TAXES (Note 9):			
Current	12,116	12,764	100,820
Deferred	448	(629)	3,727
Total income taxes	12,564	12,135	104,547
NET INCOME BEFORE MINORITY INTERESTS	27,498	30,121	228,829
MINORITY INTERESTS IN NET INCOME	(5,490)	(6,220)	(45,687)
NET INCOME	¥ 22,008	¥ 23,901	\$ 183,142
	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.u. and 17):			
Basic net income	¥ 323.66	¥ 351.49	\$ 2.69
Cash dividends applicable to the year	60.00	54.00	0.50

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥ 27,498	¥ 30,121	\$ 228,829
OTHER COMPREHENSIVE INCOME (Note 15):			
Unrealized gain on available-for-sale securities	1,424	357	11,852
Defined retirement benefit plans	1,179		9,808
Foreign currency translation adjustments	14,896	11,289	123,956
Share of other comprehensive income in associates	108	209	902
Total other comprehensive income	17,607	11,855	146,518
COMPREHENSIVE INCOME	¥ 45,105	¥ 41,976	\$ 375,347
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 37,127	¥ 32,715	\$ 308,954
Minority interests	7,978	9,261	66,393

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands					Millions of Yen					
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Minority Interests	Total Equity (Deficit)
						Unrealized Gain on Available- for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
BALANCE, APRIL 1, 2013	68,000	¥4,700	¥5,163	¥113,122	¥(3)	¥8,191	¥(8,181)	¥ —	¥122,992	¥14,532	¥137,524
Net income				23,901					23,901		23,901
Cash dividends, ¥44 per share				(2,991)					(2,991)		(2,991)
Contribution to employee welfare fund				(173)					(173)		(173)
Purchase of treasury stock					(0)				(0)		(0)
Net change in the year						341	8,472	(938)	7,875	4,579	12,454
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	68,000	4,700	5,163	133,859	(3)	8,532	291	(938)	151,604	19,111	170,715
Cumulative effect of accounting change				423					423		423
BALANCE, APRIL 1, 2014 (as restated)	68,000	4,700	5,163	134,282	(3)	8,532	291	(938)	152,027	19,111	171,138
Net income				22,008					22,008		22,008
Cash dividends, ¥60 per share				(4,080)					(4,080)		(4,080)
Contribution to employee welfare fund				(140)					(140)		(140)
Changes in scope of consolidation				(1)					(1)		(1)
Purchase of treasury stock					(0)				(0)		(0)
Net change in the year						1,415	12,520	1,186	15,120	2,826	17,946
BALANCE, MARCH 31, 2015	68,000	¥4,700	¥5,163	¥152,069	¥(4)	¥9,947	¥12,811	¥248	¥184,934	¥21,937	¥206,871

	Thousands of U.S. Dollars (Note 1)									
					Accumulated Other Comprehensive Income (Loss)					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity (Deficit)
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	\$39,111	\$42,965	\$1,113,911	\$(29)	\$71,011	\$2,418	\$(7,804)	\$1,261,583	\$159,027	\$1,420,611
Cumulative effect of accounting change			3,520					3,520		3,520
BALANCE, APRIL 1, 2014 (as restated)	39,111	42,965	1,117,431	(29)	71,011	2,418	(7,804)	1,265,103	159,027	1,424,131
Net income			183,142					183,142		183,142
Cash dividends, \$0.50 per share			(33,951)					(33,951)		(33,951)
Contribution to employee welfare fund			(1,161)					(1,161)		(1,161)
Changes in scope of consolidation			(9)					(9)		(9)
Purchase of treasury stock				(2)				(2)		(2)
Net change in the year					11,759	104,187	9,866	125,812	23,526	149,338
BALANCE, MARCH 31, 2015	\$39,111	\$42,965	\$1,265,452	\$(30)	\$82,770	\$106,605	\$2,062	\$1,538,935	\$182,553	\$1,721,488

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 40,062	¥ 42,256	\$ 333,376
Adjustments for:			
Income taxes paid	(13,889)	(11,574)	(115,578)
Depreciation and amortization	9,480	8,618	78,888
Impairment loss on long-lived assets	134	408	1,114
Equity in earnings of associated companies	(675)	(600)	(5,614)
Losses on disaster undisbursed	26	261	217
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	10,649	(8,371)	88,618
Increase in inventories	(2,944)	(823)	(24,501)
Decrease (increase) in trade notes and accounts payable	(12,770)	8,972	(106,264)
Increase in liability for employees' retirement benefits	183	1,165	1,524
Decrease (increase) in receivable for insurance proceeds	18	(236)	148
Other—net	(314)	3,525	(2,616)
Total adjustments	(10,102)	1,345	(84,064)
Net cash provided by operating activities	29,960	43,601	249,312
INVESTING ACTIVITIES:			
Payments into time deposits	(1,113)	(4,385)	(9,257)
Proceeds from withdrawal of time deposits	1,134	8,125	9,436
Proceeds from sale of property, plant, and equipment	861	307	7,167
Payment for purchase of property, plant, and equipment	(18,762)	(19,378)	(156,133)
Payment for purchase of investment securities	(846)	(687)	(7,040)
Proceeds from collection of loan receivables	182	962	1,515
Payment of loan receivables	(146)	(973)	(1,213)
Purchase of investments in capital of subsidiaries and affiliates	—	(1,342)	—
Investments in a newly consolidated subsidiary	—	(31)	—
Other—net	(1,678)	(831)	(13,970)
Net cash used in investing activities	(20,368)	(18,233)	(169,495)
FINANCING ACTIVITIES:			
Decrease in short-term bank loans—net	(253)	(314)	(2,105)
Repayment of finance lease obligations	(779)	(573)	(6,482)
Repayment of long-term debt	(168)	(2,755)	(1,395)
Payment for purchase of treasury stock	(0)	(0)	(2)
Dividends paid	(8,671)	(5,257)	(72,158)
Net cash used in financing activities	(9,871)	(8,899)	(82,142)
FORWARD	¥ (279)	¥ 16,469	\$ (2,325)

Consolidated Statements of Cash Flows

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
FORWARD	¥ (279)	¥ 16,469	\$ (2,325)
FOREIGN CURRENCY TRANSLATION AND OTHER ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	8,219	6,642	68,393
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,940	23,111	66,068
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	76,460	53,349	636,265
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	153	—	1,276
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 84,553	¥ 76,460	\$ 703,609

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TS TECH Co., Ltd. (the “Company”) incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2015, include the accounts of the Company and its 34 significant (32 in 2014) subsidiaries (together, the “Group”).

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

Investments in two associated companies (two in 2014) are accounted for by the equity method.

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

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

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

Under Japanese GAAP, a difference of less than three months between the fiscal year-end of the parent company and its subsidiaries is not required to be adjusted for purposes of the consolidation. In the year ended March 31, 2015, a number of consolidated subsidiaries changed their fiscal year-end from December 31 to March 31. As at March 31, 2015, all consolidated subsidiaries except for those in China (mainland) and Brazil, have fiscal years ending March 31, the same as the parent company.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a)

amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (e) exclusion of minority interests from net income, if contained in net income.

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

d. Business Combinations—In October 2003, the Business Accounting Council issued a Statement of Opinion, “Accounting for Business Combinations,” and in December 2005, the ASBJ issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures,” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures.” The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting of interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

e. Cash and Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits that mature or become due within three months of the date of acquisition.

f. Inventories—Inventories are stated at the lower of cost, determined by the first in, first out method, or net selling value, except for certain items that are stated at the lower of cost, determined by the specific identification method, or net selling value. Supplies are stated at the lower of most recent purchase price which approximates cost determined by the first-in, first-out method, or net selling value.

g. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Property, Plant, and Equipment—Property, plant, and equipment are carried at cost. Depreciation of property, plant, and equipment is computed by the straight-line method over the estimated useful lives. The range of estimated useful lives for the Group is from two to 50 years for buildings, from two to 20 years for machinery and equipment, and from two to 20 years for furniture and fixtures.

i. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Investment Securities—Investment securities are all classified and accounted for as available-for-sale securities. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving average cost method. Nonmarketable available-for-sale securities are stated at cost determined by the moving average cost method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

k. Investments in Unconsolidated Subsidiaries and Associated Companies—Nonmarketable available-for-sale investments in unconsolidated subsidiaries and associated companies are stated at cost determined by the moving average cost method.

l. Other Assets—Intangible assets are carried at cost, less accumulated amortization, which is calculated by the straight-line method principally over three to 20 years for intangible assets of the Company and its consolidated domestic subsidiaries and over the estimated useful life for intangible assets of the consolidated foreign subsidiaries. Goodwill and negative goodwill incurred before March 31, 2010, are amortized by the straight-line method over five years.

m. Employees’ Retirement Benefits—The Company and its consolidated subsidiaries have funded defined benefit pension plans and unfunded retirement benefit plans, or defined contribution pension plans in place for employees’ retirement benefits. The Company has a funded defined benefit pension plan, which provides for a lump-sum severance payment and annuity payments based on a “point-based benefits system”. The consolidated subsidiaries’ funded defined benefit pension plans and unfunded lump-sum severance payment plans entitle their employees whose service is terminated, to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. In the year ended March 31, 2015, the Company implemented a “point-based benefits system” and revised its Retirement Allowance Regulations accordingly. As a result, prior service cost incurred as a reduction to the defined benefit obligation.

Effective April 1, 2000, the Company adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized by applying the declining balance method over 17 years within the average remaining service period. Past service costs are amortized using the declining balance method over 17 years within the average remaining service period.

In May 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

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

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases. (See Note 2.v)

This accounting standard and the guidance for (a) and (b) above are effective for the end of Annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

Retirement allowances for directors and audit & supervisory board members of domestic subsidiaries, are recorded as a liability at the amount that would be required if all directors and audit & supervisory board members retired at each balance sheet date.

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

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

p. Bonuses to Directors and Audit & Supervisory Board Members—Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

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

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

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

t. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign currency forward contracts are utilized by the Group to reduce foreign currency exchange. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

u. Per Share Information—Basic net income per share (“Basic EPS”) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share is not presented, as the Company has no shares with dilutive effects.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

v. Accounting Changes—In May 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Effective April 1, 2014, with respect to one of the amendments of the revised accounting standard (see Note 2. m (c)), the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, retained earnings as of April 1, 2014, decreased by ¥423 million (\$3,520 thousand). The impact on operating income, income before income taxes and minority interests, and basic net income per share for the year ended March 31, 2015, is minor.

w. New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements—In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.” Major accounting changes are as follows:

(a) Transactions with no controlling interest

A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b) Presentation of the consolidated balance sheet

In the consolidated balance sheet, “minority interest” under the current accounting standard will be changed to “no controlling interest” under the revised accounting standard.

(c) Presentation of the consolidated statement of income

In the consolidated statement of income, “income before minority interest” under the current accounting standard will be changed to “net income” under the revised accounting standard, and “net income” under the current accounting standard will be changed to “net income attributable to owners of the parent” under the revised accounting standard.

(d) Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional

amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e) Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with no controlling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with no controlling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, accumulated effects of retrospective adjustments for all (a) transactions with no controlling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. INVENTORIES

Inventories as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Merchandise and finished products	¥ 2,362	¥ 2,609	\$ 19,653
Work in process	4,351	3,325	36,211
Raw materials and supplies	24,354	19,682	202,663
Total	¥ 31,067	¥ 25,616	\$ 258,527

4. LONG-LIVED ASSETS

The Group divides its operating assets into groups based on the related product category. Assets to be disposed and idle assets are grouped on an individual basis. For assets to be disposed through planned scrapping or sale and idle assets that are not expected to be used in the future, the carrying amounts are reduced to the recoverable amounts, and the amounts of these reductions are recorded under other expenses as impairment loss.

Impairment loss of ¥134 million (\$1,114 thousand) for the year ended March 31, 2015, consisted of ¥123 million (\$1,019 thousand) on certain buildings and ¥11 million (\$95 thousand) on certain equipment. Impairment loss of ¥408 million for the year ended March 31, 2014, consisted of ¥202 million on certain land and buildings and ¥206 million on certain equipment.

The recoverable amounts of assets to be disposed through sales are measured at the net selling price. The carrying value of the assets which were not expected to be used or sold in the future, was reduced to zero.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Noncurrent:			
Marketable equity securities	¥ 16,828	¥ 15,322	\$ 140,036
Nonmarketable equity securities	84	76	699
Total	¥ 16,912	¥ 15,398	\$ 140,735

The costs and aggregate fair values of investment securities at March 31, 2015 and 2014, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Securities classified as available-for-sale equity securities	¥ 2,215	¥ 14,613		¥ 16,828
March 31, 2014				
Securities classified as available-for-sale equity securities	¥ 2,157	¥ 13,165		¥ 15,322
	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Securities classified as available-for-sale equity securities	\$ 18,432	\$ 121,604		\$ 140,036

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Available-for-sale equity securities	¥ 84	¥ 76	\$ 699

For other-than-temporary declines where fair values of securities at the end of the fiscal year become less than 50% of their acquisition costs, investment securities are reduced to net realizable value by a charge to income. No such impairment loss on securities was recorded for the years ended March 31, 2015 and 2014.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings and interest rates thereon as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
0.60% to 1.48% (0.60% to 1.45% for 2014)	¥ 1,674	¥ 1,870	\$ 13,934

Long-term debt and interest rates thereon as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Loans from financial institutions—From banks, 1.18% to 1.75% (0.82% to 1.75% for 2014):			
Unsecured	¥ 69	¥ 237	\$ 576
Obligations under finance leases	2,216	821	18,445
Total	2,285	1,058	19,021
Less current portion	(644)	(584)	(5,363)
Long-term debt, less current portion	¥ 1,641	¥ 474	\$ 13,658

Annual maturities of long-term debt as of March 31, 2015, for the next five years and thereafter were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 644	\$ 5,363
2017	375	3,119
2018	357	2,975
2019	176	1,464
2020	135	1,124
2021 and thereafter	598	4,976
Total	¥ 2,285	\$ 19,021

7. EMPLOYEES' RETIREMENT BENEFITS

The Company and its consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans, or defined contribution pension plans of their employees' benefits. The Company's funded defined benefit pension plan provides for a lump-sum severance payment and annuity payments based on a "point-based benefits system". The consolidated subsidiaries' funded defined benefit pension plans and unfunded lump-sum severance payment plans entitle their employees whose service is terminated, to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. In the year ended March 31, 2015, the Company implemented a "point-based benefits system" and revised its Retirement Allowance Regulations accordingly. As a result, prior service cost incurred as a reduction to the defined benefit obligation.

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year—Preliminary	¥ 15,768	¥ 14,691	\$ 131,217
Cumulative effect of change in accounting principle	(649)		(5,399)
Balance at beginning of year—Final	15,119	14,691	125,818
Current service cost	918	788	7,643
Interest cost	152	217	1,265
Actuarial (gains) losses	504	385	4,190
Benefits paid	(754)	(561)	(6,275)
Past service cost	(1,035)	—	(8,611)
Others	161	248	1,336
Balance at end of year	¥ 15,065	¥ 15,768	\$ 125,366

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 13,372	¥ 11,487	\$ 111,273
Expected return on plan assets	189	164	1,570
Actuarial (gains) losses	1,125	1,250	9,359
Contributions from the employer	624	710	5,190
Benefits paid	(639)	(441)	(5,316)
Others	92	202	773
Balance at end of year	¥ 14,763	¥ 13,372	\$ 122,849

(3) Reconciliation between the liabilities recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 14,328	¥ 13,248	\$ 119,230
Plan assets	(14,763)	(13,372)	(122,849)
	(435)	(124)	(3,619)
Unfunded defined benefit obligation	737	2,521	6,136
Net liability (asset) arising from defined benefit obligation	¥ 302	¥ 2,397	\$ 2,517

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥ 775	¥ 2,664	\$ 6,452
Asset for retirement benefits	(473)	(267)	(3,935)
Net liability (asset) arising from defined benefit obligation	¥ 302	¥ 2,397	\$ 2,517

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 918	¥ 788	\$ 7,643
Interest cost	152	217	1,265
Expected return on plan assets	(189)	(164)	(1,570)
Amortization of prior service cost	(33)	1	(273)
Recognized actuarial (gains) losses	184	340	1,522
Others	(16)	6	(134)
Net periodic retirement benefit costs	¥ 1,016	¥ 1,188	\$ 8,453

Net periodic retirement benefit costs noted above do not include payment costs for defined contribution benefit plans of ¥438 million (\$3, 647 thousand) for the year ended March 31, 2015.

(5) Other comprehensive income on defined retirement benefit plans for the years ended March 31, 2015 and 2014, is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Prior service cost	¥ 1,002		\$ 8,338
Actuarial (gains) losses	803		6,679
Total	¥ 1,805		\$ 15,017

(6) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2015 and 2014, is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ (1,002)	¥	\$ (8,338)
Unrecognized actuarial (gains) losses	618	1,439	5,141
Total	¥ (384)	¥ 1,439	\$ (3,197)

(7) Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	43%	45%
Equity investments	43%	41%
Life insurance company general accounts	10%	11%
Others	4%	3%
Total	100%	100%

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.60%	1.50%
Expected rate of return on plan assets	1.50%	1.50%

8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

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

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

b. Treasury Stock

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

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 34.8% and 37.2% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Accrued bonus	¥ 1,106	¥ 958	\$ 9,208
Corporate enterprise taxes payable	26	80	218
Accrued expenses	249	796	2,071
Reserve for retirement benefits for directors	134	173	1,115
Pension and severance costs	171	866	1,421
Allowance for doubtful accounts	18	112	150
Advance received	160	84	1,335
Unrealized gain on inventories	274	290	2,276
Inventory reserve	237	209	1,968
Impairment loss	217	246	1,803
Loss on disposal of fixed assets	71	61	593
Depreciation and amortization	528	594	4,395
Research and development costs	2,253	1,960	18,746
Foreign tax credit carryforwards	45	79	375
Tax loss carryforwards	355	293	2,950
Deferred assets on tax basis	218	6	1,815
Other	747	1,037	6,230
Total deferred tax assets	6,809	7,844	56,669
Valuation allowance	(752)	(874)	(6,266)
Deferred tax liabilities offset	(1,546)	(2,698)	(12,863)
Total deferred tax assets, net	¥ 4,511	¥ 4,272	\$ 37,540
Deferred tax liabilities:			
Depreciation expenses in foreign subsidiaries	¥ 976	¥ 811	\$ 8,124
Net unrealized gains on marketable securities	4,602	4,576	38,300
Asset for retirement benefits	149	93	1,239
Foreign currency translation adjustments	474	391	3,947
Retained earnings of foreign subsidiaries	731	667	6,081
Other	1,137	911	9,457
Total deferred tax liabilities	8,069	7,449	67,148
Deferred tax assets offset	(1,546)	(2,698)	(12,863)
Total deferred tax liabilities, net	¥ 6,523	¥ 4,751	\$ 54,285

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2015 and 2014, was as follows:

	2015	2014
Normal effective statutory tax rate	34.8%	37.2%
Permanent differences mainly arisen from non-deductible entertainment expenses	0.9	
Permanent differences arising mainly from non-taxable dividends income	(4.2)	(4.1)
Tax credits	(1.4)	(1.5)
Dividends income from subsidiaries eliminated by consolidation	8.4	6.0
Difference in statutory tax rates of foreign subsidiaries	(8.1)	(11.2)
Other—net	1.0	2.3
Actual effective tax rate	31.4%	28.7%

On March 31, 2015, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from approximately 34.8% to 32.3% effective for the year ending March 31, 2016, and 31.5%, effective for years beginning on or after April 1, 2016. The effect of this change was to decrease deferred tax liabilities by ¥222 million (\$1,850 thousand) increase unrealized gain on available-for-sale securities and defined retirement benefit plans by ¥479 million (\$3,986 thousand) and ¥15 million (\$132 thousand), respectively, in the consolidated balance sheet as of March 31, 2015, and to increase income taxes–deferred in the consolidated statement of income for the year then ended by ¥273 million (\$2,276 thousand).

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Research and development expenses	¥ 12,900	¥ 11,635	\$ 107,351

11. LEASES

ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and continued to account for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, is omitted due to immateriality of the balance as of March 31, 2015.

The minimum rental commitments under no cancelable operating leases at March 31, 2015, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 297	\$ 2,473
Due after one year	406	3,374
Total	¥ 703	\$ 5,847

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

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

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

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

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

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

Derivatives consist primarily of foreign currency forward contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Note 2.t for further details about derivatives.

(3) Risk Management for Financial Instruments

Credit risk management

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

Market risk management (foreign exchange risk)

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

Liquidity risk management

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

(4) Fair Values of Financial Instruments

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

(a) Fair value of financial instruments

March 31, 2015	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 84,553	¥ 84,553	
Short-term investments	1,844	1,844	
Notes and accounts receivable	60,738	60,738	
Income taxes receivable	533	533	
Investment securities	16,828	16,828	
Long-term loans	413	377	¥ (36)
Total	¥ 164,909	¥ 164,873	¥ (36)
Notes and accounts payable	¥ 45,881	¥ 45,881	
Electronically recorded obligations	4,491	4,491	
Short-term bank loans	1,674	1,674	
Current portion of long-term debt	644	644	¥ (0)
Income taxes payable	1,688	1,688	
Long-term debt	1,641	1,641	(0)
Total	¥ 56,019	¥ 56,019	¥ (0)
Derivatives *1	¥ 2	¥ 2	

March 31, 2014	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 76,460	¥ 76,460	
Short-term investments	1,690	1,690	
Notes and accounts receivable	65,531	65,531	
Income taxes receivable	65	65	
Investment securities	15,322	15,322	
Long-term loans	400	371	¥ (29)
Total	¥ 159,468	¥ 159,439	¥ (29)
Notes and accounts payable	¥ 56,932	¥ 56,932	
Short-term bank loans	1,870	1,870	
Current portion of long-term debt	584	584	¥ (0)
Income taxes payable	3,050	3,050	
Long-term debt	474	472	(2)
Total	¥ 62,910	¥ 62,908	¥ (2)
Derivatives	¥ (9)	¥ (9)	

March 31, 2015	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	\$ 703,609	\$ 703,609	
Short-term investments	15,341	15,341	
Notes and accounts receivable	505,433	505,433	
Income taxes receivable	4,439	4,439	
Investment securities	140,036	140,036	
Long-term loans	3,433	3,141	\$ (292)
Total	\$ 1,372,291	\$ 1,371,999	\$ (292)
Notes and accounts payable	\$ 381,798	\$ 381,798	
Electronically recorded obligations	37,374	37,374	
Short-term bank loans	13,934	13,934	
Current portion of long-term debt	5,363	5,361	\$ (2)
Income taxes payable	14,045	14,045	
Long-term debt	13,658	13,656	(2)
Total	\$ 466,172	\$ 466,168	\$ (4)
Derivatives *1	\$ 13	\$ 13	

*1 Receivables and payables arising from derivative transactions are presented net. If the net amount is a liability, it is presented in parentheses ().

Cash and Cash Equivalents, Short-term Investments, Receivables, and Income Taxes Receivable

The carrying values of cash and cash equivalents, short-term investments, notes and accounts receivable, and income taxes receivable approximate fair value because of their short maturities. Short-term investments mainly consist of time deposits.

Investment Securities

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

Long-Term Loans

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

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

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

Long-Term Debt

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

Derivatives
Fair value information for derivatives is included in Note 13.

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

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2014	2015	
Investments in equity instruments that do not have a quoted market price in an active market	¥ 84	¥ 76	\$ 699	

(5) Maturity Analysis for Financial Assets with Contractual Maturities

	Millions of Yen		Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years		
March 31, 2015				
Short-term investments	¥ 1,844			
Notes and accounts receivable	60,738			
Income taxes receivable	533			
Long-term loans		¥ 413		
Total	¥ 63,115	¥ 413		
	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years		
March 31, 2015				
Short-term investments	\$ 15,341			
Notes and accounts receivable	505,433			
Income taxes receivable	4,439			
Long-term loans		\$ 3,433		
Total	\$ 525,213	\$ 3,433		

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

13. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied
Currencies

	Millions of Yen			
	Carrying Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
At March 31, 2015				
Foreign currency forward contracts:				
Selling U.S. dollars	¥ 619		¥ 0	¥ 0
Selling British pounds	223		2	2
Selling Canadian dollars	161		1	1
Selling Thai baht	122		(2)	(2)
Buying Japanese yen	4		0	0

	Millions of Yen			
	Carrying Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
At March 31, 2014				
Foreign currency forward contracts:				
Selling U.S. dollars	¥ 684		¥ (5)	¥ (5)
Selling British pounds	248		(2)	(2)
Selling Canadian dollars	135		(2)	(2)
Selling Thai baht	54		(1)	(1)
Buying Canadian dollars	9		(0)	(0)
Buying Japanese yen	1		(0)	(0)

	Thousands of U.S. Dollars			
	Carrying Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
At March 31, 2015				
Foreign currency forward contracts:				
Selling U.S. dollars	\$ 5,150		\$ (1)	\$ (1)
Selling British pounds	1,852		21	21
Selling Canadian dollars	1,341		8	8
Selling Thai baht	1,016		(14)	(14)
Buying Japanese yen	30		(0)	(0)

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

Derivative transactions to which hedge accounting is applied
(1) Currencies

	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
At March 31, 2015				
Foreign currency forward contracts:				
Selling British pounds	Receivables	¥ 94		¥ 5
Buying Japanese yen	Payables	7		0

	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
At March 31, 2014				
Foreign currency forward contracts:				
Selling British pounds	Receivables	¥ 630		¥ 29
Selling U.S. dollars	Receivables	13		0
Buying Japanese yen	Payables	61		0

	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
At March 31, 2015				
Foreign currency forward contracts:				
Selling British pounds	Receivables	\$ 778		\$ 38
Buying Japanese yen	Payables	61		2

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

(2) Interest

	Millions of Yen		
	Hedged Item	Contract Amount	Contract Amount Due after One Year
At March 31, 2014			
Interest rate swaps (fixed-rate payment, floating-rate receipt)	Long-term debt	¥ 88	¥ 0

The above interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not premeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in the fair value of hedged items (i.e., long-term debt). There were no interest rate swaps in the year ended March 31, 2015.

14. CONTINGENT LIABILITIES

At March 31, 2015, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes endorsed	¥ 24	\$ 199
Guarantees and similar items of bank loans	93	774

15. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities :			
Gains arising during the year	¥ 1,451	¥ 550	\$ 12,073
Amount before income tax effect	1,451	550	12,073
Income tax effect	(27)	(193)	(221)
Total	¥ 1,424	¥ 357	\$ 11,852
Foreign currency translation adjustments :			
Adjustments arising during the year	¥ 14,896	¥ 11,289	\$ 123,956
Total	¥ 14,896	¥ 11,289	\$ 123,956
Defined retirement benefit plans :			
Amount incurred during the year	¥ 1,656		\$ 13,781
Adjustments arising during the year	149		1,236
Income tax effect	(626)		(5,209)
Total	¥ 1,179		\$ 9,808
Share of other comprehensive income in associates :			
Gains arising during the year	¥ 108	¥ 209	\$ 902
Total	¥ 108	¥ 209	\$ 902
Total other comprehensive income	¥ 17,607	¥ 11,855	\$ 146,518

16. RELATED-PARTY DISCLOSURES

Transactions between the Group and a Major Shareholder

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

Transactions between the Company and Honda for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales of products	¥ 40,697	¥ 54,576	\$ 338,661
Purchases of materials and components	6,355	10,265	52,886

The balances due to or from Honda at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Accounts receivable	¥ 4,875	¥ 9,075	\$ 40,568
Accounts payable	141	225	1,177

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

Transactions between Consolidated Subsidiaries and Fellow Subsidiaries

TS TECH USA CORPORATION

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

Transactions between TS TECH USA CORPORATION and Honda of America Mfg., Inc. for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales of products	¥ 55,255	¥ 60,286	\$ 459,807

The balances from Honda of America Mfg., Inc. at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Accounts receivable	¥ 5,621	¥ 3,342	\$ 46,774

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

TS TECH ALABAMA, LLC.

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

Transactions between TS TECH ALABAMA, LLC. and Honda Manufacturing of Alabama, LLC for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales of products	¥ 41,002	¥ 36,812	\$ 341,201

The balances from Honda Manufacturing of Alabama, LLC at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Accounts receivable	¥ 3,892	¥ 3,061	\$ 32,385

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

TS TECH CANADA INC.

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

Transactions between TS TECH CANADA INC. and Honda Canada Inc. for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales of products	¥ 51,874	¥ 49,315	\$ 431,668

The balances from Honda Canada Inc. at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Accounts receivable	¥ 5,344	¥ 4,719	\$ 44,470

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

TS TECH (THAILAND) Co., Ltd.

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

Transactions between TS TECH (THAILAND) Co., Ltd. and Honda Automobile (Thailand) Co., Ltd. for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Sales of products	¥ 13,767	¥ 26,957	\$ 114,560

The balances from Honda Automobile (Thailand) Co., Ltd. at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Accounts receivable	¥ 3,535	¥ 3,061	\$ 29,416

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

17. NET INCOME PER SHARE

Basic EPS for the years ended March 31, 2015 and 2014, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Year Ended March 31, 2015				
Basic EPS—Net income available to common shareholders	¥ 22,008	67,998	¥ 323.66	\$ 2.69

Year Ended March 31, 2014

Basic EPS—Net income available to common shareholders	¥ 23,901	67,998	¥ 351.49	\$ 2.92
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Diluted net income per share is not presented since there were no shares with dilutive effect for the years ended March 31, 2015 and 2014.

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company’s shareholders’ meeting held on June 23, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (\$0.25) per share	¥ 2,040	\$ 16,976

19. SEGMENT INFORMATION

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

1. Description of reportable segments

The Group’s reportable segments are those for which separate financial information is available, and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group’s reportable segments consist of Japan, Americas, China, and Asia/Europe. Americas consists of USA, Canada, Mexico, and Brazil. China consists of China and Hong Kong. Asia/Europe consist of Thailand, the Philippines, India, Indonesia, and the United Kingdom.

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

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

	Millions of Yen						
	2015						
	Reportable Segment						
	Japan	Americas	China	Asia/Europe	Total	Reconciliations	Consolidated
Sales:							
Sales to external customers	¥ 63,498	¥219,055	¥92,823	¥58,903	¥434,279		¥434,279
Intersegment sales or transfers	25,180	759	5,830	870	32,639	¥(32,639)	
Total	¥ 88,678	¥219,814	¥98,653	¥59,773	¥466,918	¥(32,639)	¥434,279
Segment profit	¥ 6,765	¥ 15,602	¥16,255	¥ 3,007	¥ 41,629	¥ (6,342)	¥ 35,287
Segment assets	90,477	92,576	65,914	54,055	303,022	(7,390)	295,632
Segment liabilities	23,655	34,320	31,056	12,695	101,726	(12,965)	88,761
Other:							
Depreciation and amortization	3,074	3,439	806	2,194	9,513	(33)	9,480
Investment in associated companies accounted for by the equity method	1,340			9	1,349		1,349
Increase in property, plant and equipment and intangible assets	4,159	9,115	3,678	4,067	21,019		21,019

	Millions of Yen						Reconciliations Consolidated
	2014						
	Reportable Segment						
	Japan	Americas	China	Asia/Europe	Total		
Sales:							
Sales to external customers	¥ 79,064	¥214,180	¥ 96,702	¥67,107	¥457,053		¥457,053
Intersegment sales or transfers	25,832	448	7,361	704	34,345	¥(34,345)	0
Total	¥104,896	¥214,628	¥104,063	¥67,811	¥491,398	¥(34,345)	¥457,053
Segment profit	¥ 6,894	¥ 16,335	¥ 13,970	¥ 7,995	¥ 45,194	¥ (6,061)	¥ 39,133
Segment assets	91,147	71,408	61,786	47,402	271,743	(7,107)	264,636
Segment liabilities	29,899	29,261	33,229	12,208	104,597	(10,676)	93,921
Other:							
Depreciation and amortization	3,162	2,906	784	1,782	8,634	(16)	8,618
Investment in associated companies accounted for by the equity method	1,200			8	1,208		1,208
Increase in property, plant and equipment and intangible assets	5,380	6,699	655	7,227	19,961		19,961

	Thousands of U.S. Dollars						Reconciliations Consolidated
	2015						
	Reportable Segment						
	Japan	Americas	China	Asia/Europe	Total		
Sales:							
Sales to external customers	\$528,401	\$1,822,876	\$772,432	\$490,166	\$3,613,875		\$3,613,875
Intersegment sales or transfers	209,537	6,317	48,511	7,238	271,603	\$(271,603)	
Total	\$737,938	\$1,829,193	\$820,943	\$497,404	\$3,885,478	\$(271,603)	\$3,613,875
Segment profit	\$ 56,296	\$ 129,831	\$135,264	\$ 25,026	\$ 346,417	\$ (52,778)	\$ 293,639
Segment assets	752,908	770,379	548,502	449,821	2,521,610	(61,494)	2,460,116
Segment liabilities	196,848	285,589	258,437	105,645	846,519	(107,891)	738,628
Other:							
Depreciation and amortization	25,583	28,614	6,707	18,259	79,163	(275)	78,888
Investment in associated companies accounted for by the equity method	11,148			78	11,226		11,226
Increase in property, plant and equipment and intangible assets	34,608	75,848	30,610	33,842	174,908		174,908

Notes: The above reconciliations include the following:

- The reconciliations of “segment profit” of ¥6,342 million (\$52,778 thousand) and ¥6,061 million include intersegment eliminations of ¥202 million (\$1,678 thousand) and ¥203 million, and the Company’s administrative expenses of ¥4,742 million (\$39,464 thousand) and ¥4,360 million, which could not be allocated to each segment for the years ended March 31, 2015 and 2014, respectively.
- The reconciliations of “segment assets” of ¥7,390 million (\$61,494 thousand) and ¥7,107 million include the Company’s investments in subsidiaries, which amounted to ¥14,176 million (\$117,968 thousand) and ¥14,176 million, intersegment elimination of receivables of ¥12,911 million (\$107,436 thousand) and ¥10,729 million, and long-term investment securities held by the Company and its subsidiaries, which amounted to ¥18,352 million (\$152,713 thousand) and ¥16,673 million for the years ended March 31, 2015 and 2014, respectively.
- The reconciliations of “segment liabilities” of ¥12,965 million (\$107,891 thousand) and ¥10,676 million for the years ended March 31, 2015 and 2014, respectively, are intersegment eliminations.
- The reconciliations of “depreciation and amortization” of ¥33 million (\$275 thousand) and ¥16 million for the years ended March 31, 2015 and 2014, respectively, are intersegment eliminations.

Segment-Related Information

1. Information about products and services

Sales of a single product to external customers represent more than 90% of the consolidated sales amount. Consequently, details are not presented.

2. Information about geographical areas

(1) Sales

	Millions of Yen					
	2015					
	Japan	Americas	China	Asia/Europe	Other	Total
	¥62,634	¥219,206	¥93,034	¥58,949	¥456	¥434,279
	Millions of Yen					
	2014					
	Japan	Americas	China	Asia/Europe	Other	Total
	¥77,670	¥214,559	¥97,349	¥67,151	¥324	¥457,053
	Thousands of U.S. Dollars					
	2015					
	Japan	Americas	China	Asia/Europe	Other	Total
	\$521,215	\$1,824,128	\$774,190	\$490,546	\$3,796	\$3,613,875

Notes: 1. Sales are classified by country or region based on the location of customers.

2. Sales to the Americas area for the year ended March 31, 2015, which included sales to the United States of America of ¥152,368 million (\$1,267,940 thousand) and sales to Canada of ¥53,202 million (\$442,719 thousand), exceeded 10% of consolidated net sales.

3. Sales to the Americas area for the year ended March 31, 2014, which included sales to the United States of America of ¥149,895 million and sales to Canada of ¥50,639 million, exceeded 10% of consolidated net sales.

(2) Property, Plant, and Equipment

	Millions of Yen				
	2015				
	Japan	Americas	China	Asia/Europe	Total
	¥23,613	¥30,968	¥6,686	¥17,502	¥78,769
	Millions of Yen				
	2014				
	Japan	Americas	China	Asia/Europe	Total
	¥23,642	¥19,961	¥4,432	¥14,218	¥62,253
	Thousands of U.S. Dollars				
	2015				
	Japan	Americas	China	Asia/Europe	Total
	\$196,495	\$257,706	\$55,639	\$145,643	\$655,483

3. Information about major customers

Name of Customer	Millions of Yen	
	2015	
	Sales	Related Segment Name
Honda of America Mfg., Inc.	¥68,525	Americas
Honda Canada Inc.	53,192	Americas
Guaggi Honda Automobile Co., Ltd.	50,228	China
Name of Customer	Millions of Yen	
	2014	
	Sales	Related Segment Name
Honda of America Mfg., Inc.	¥73,571	Americas
Honda	57,054	Japan
Honda Canada Inc.	50,639	Americas
Guaggi Honda Automobile Co., Ltd.	48,359	China
Name of Customer	Thousands of U.S. Dollars	
	2015	
	Sales	Related Segment Name
Honda of America Mfg., Inc.	\$570,236	Americas
Honda Canada Inc.	442,645	Americas
Guaggi Honda Automobile Co., Ltd.	417,978	China



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of TS TECH Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TS TECH Co., Ltd. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 23, 2015

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

	Millions of Yen						
	2015						
	Japan	Americas	China	Asia/ Europe	Other	Eliminations/ Corporate	Total
Impairment losses of assets	¥101	¥22	¥11				¥134
	Millions of Yen						
	2014						
	Japan	Americas	China	Asia/ Europe	Other	Eliminations/ Corporate	Total
Impairment losses of assets	¥202	¥25	¥181				¥408
	Thousands of U.S. Dollars						
	2015						
	Japan	Americas	China	Asia/ Europe	Other	Eliminations/ Corporate	Total
Impairment losses of assets	\$839	\$180	\$95				\$1,114

5. Information about bargain purchase gain

There was bargain purchase gain incurred in Japan due to the acquisition of TECH TOEI CO., LTD as a wholly owned subsidiary on March 28, 2014.

No bargain purchase gain incurred for the year ended March 31, 2015.

	Millions of Yen						
	2014						
	Japan	Americas	China	Asia/ Europe	Other	Eliminations/ Corporate	Total
Impairment losses of assets	¥97			¥0			¥97

20. INFORMATION ABOUT LOSSES ON DISASTER

The Group recognized losses for the years ended March 31, 2015 and 2014, were as follows. The losses in the year ended March 31, 2015 were caused by flooding and snow damage that occurred in North America and Japan.

	Millions of Yen		Thousands of U.S. Dollars	
	2015	2014	2015	
Loss on disposal of property, plant, and equipment		¥ 96		
Loss on disposal of inventories		115		
Fixed cost during shutdown				
Repair costs of machines, tools, and plants	¥ 26		82	\$ 217
Other			63	
Total	¥ 26	¥ 356		\$ 217

Corporate Data (as of March 31, 2015)

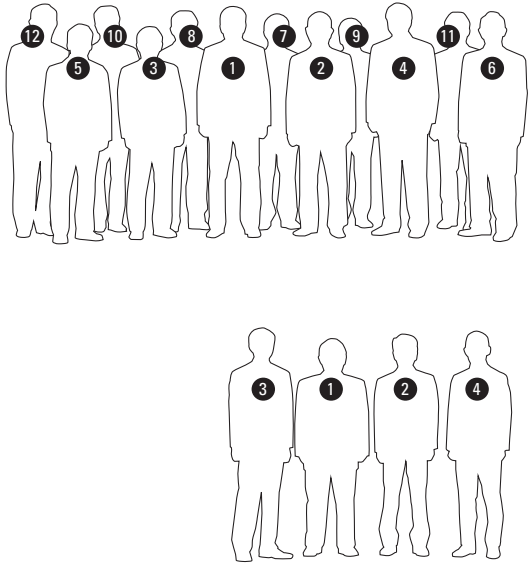
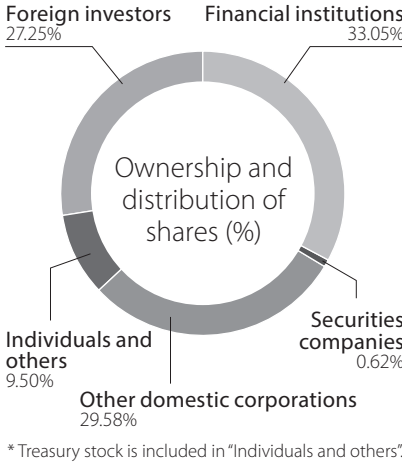
Company Name	TS TECH Co., Ltd.
Establishment	December 5, 1960
Head Office	3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan
Common Stock	¥4,700,000,000
Corporate Representative	President, Michio Inoue
Lines of Business	Manufacturing and sales of seats for automobiles; interior trim and interior components for automobiles; motorcycle seats; and motorcycle parts and accessories
Number of Employees	15,181 (consolidated) 1,727 (non-consolidated)
Closing of Accounts	March 31
Securities Traded	Tokyo Stock Exchange (First Section)
Main Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. / Sumitomo Mitsui Banking Corporation / Saitama Resona Bank, Limited
Main Customers	Honda Motor Co., Ltd. / Honda R&D Co., Ltd. / Honda Trading Corporation / Honda Access Corp. / Suzuki Motor Corporation / Yamaha Motor Co., Ltd. / Kawasaki Heavy Industries, Ltd. / PARAMOUNT BED CO., LTD.

Stock Information (as of March 31, 2015)

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Outstanding	68,000,000
Number of Shareholders	10,223

Major Shareholders (as of March 31, 2015)

	Equity participation	
	Number of shares held (thousands)	Voting stake (%)
Honda Motor Co., Ltd.	15,360	22.6
Japan Trustee Services Bank, Ltd. (Trust Account)	2,748	4.0
Mitsui Sumitomo Insurance Company, Limited	2,451	3.6
Japan Trustee Services Bank, Ltd. (Chuo Mitsui Asset Trust and Banking Company, Limited, Sumitomo Mitsui Banking Corporation Pension Trust Account)	2,199	3.2
Sumitomo Life Insurance Company	1,940	2.9
MSIP CLIENT SECURITIES	1,726	2.5
Saitama Resona Bank, Limited	1,720	2.5
Bridgestone Corporation	1,536	2.3
Taiyo Life Insurance Company	1,400	2.1
Mitsubishi UFJ Trust and Banking Corporation	1,360	2.0



Directors

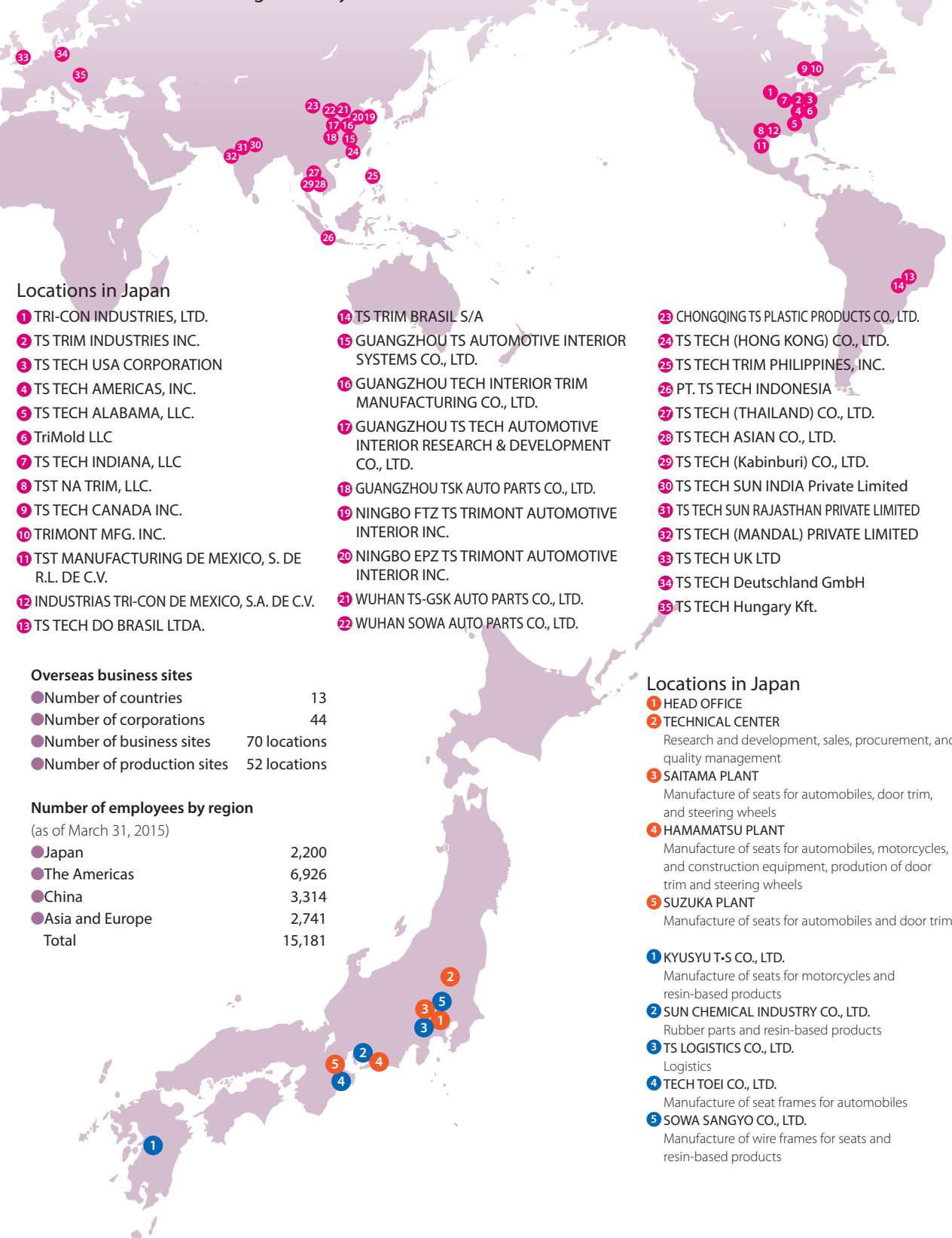
1. President (Representative Director)	Michio Inoue
2. Executive Vice President (Representative Director)	Toyohide Ishii
3. Senior Managing Director (Representative Director)	Kazuhisa Saito
4. Senior Managing Director	Takuo Arai
5. Senior Managing Director	Tatsuo Wada
6. Senior Managing Director	Yoshiaki Yui
7. Managing Director	Minoru Maeda
8. Managing Director	Masanari Yasuda
9. Managing Director	Yoshitaka Nakajima
10. Director	Hitoshi Yoshida
11. Director	Yutaka Arai
12. Director	Shizuo Kitamura

Auditors

1. Auditor (Full-Time)	Masao Uzawa
2. Auditor (Full-Time)	Akira Nemoto
3. Auditor	Takeshi Hanamura
4. Auditor	Tatsuya Motoda

Global Supply Capabilities Meeting Local Needs Optimally Through a Network of 13 Countries

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



Aiming for improved competitiveness and further expansion in sales to other customers and enhancement of our global network

TS TECH SUN RAJASTHAN PRIVATE LIMITED



Expansion of automobile business in India

A new plant for automobile seats was constructed with the aim of expanding our business along with expansion of the automobile market in India. Flexible production lines that can compete with local manufacturers were created using a layout that takes the future into consideration.

TS TRIM BRASIL S/A



Creation of a new sewing company to improve cost competitiveness

A new sewing company for producing trim cover and other products was established with the goal of expanding sales beyond our existing customers in the Americas. This will further enhance our cost competitiveness in the Americas.

TS TECH Hungary Kft.



Start of production of third-row seats for Volkswagen

A new company established in Hungary to produce third-row seats for a new SUV, which marked the start of business with Volkswagen, started operations in May 2015. With this launch, we are aiming for the further expansion of sales beyond our existing customers by demonstrating the capability of the TS TECH Group to European automobile manufacturers.

Toward the Further Integration of Management and CSR



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After graduating from Waseda University, he served a stint at a major automotive-related manufacturer before going on to earn a Master of Business Administration (MBA) from the University of Pittsburgh. He then worked at Sanwa Research Institute, PwC Consulting, and IBM Business Consulting. In 2004 he struck out on his own and established Craig Consulting Co., Ltd.

His areas of expertise are organizational theory and organization revitalization. In addition to CSR consulting, he has expanded his business scope into M&A, business strategy formulation, and human resources development. He is also a visiting professor on organizational theory in the Weekend MBA Program at the Nagoya University of Commerce & Business.

One of his most recent books is entitled “How ISO26000 Will Change Management” (Nikkei Publishing Inc.).

CSR involves thinking about the best relationship between a company and society. A company is a member of society, so CSR involves considering both what type of value a company should provide society and how to continually minimize a company's impact on society. TS TECH's philosophy is to be a “company welcomed with joy” and gives “due regard for human resources” to realize this goal. This means that TS TECH's CSR can be summarized as having employees think about how TS TECH can become a company welcomed with joy.

TS TECH's 2015 report takes the integrated version of its previous CSR report and annual report one step further. The highlight of this year's report is perhaps the stakeholder dialogue section. For many years TS TECH has pursued research activities on seating and presented the results to society through the Za Lab. This year's dialogue featured a conversation between young employees from TS TECH participating in Za Lab and prominent designer Kota Nezu. Dialogue with stakeholders represents a very important opportunity for a company to learn about the expectations placed upon it by society. Other companies typically ask experts to attend and publish the dialogue in their CSR reports, which on occasion makes this dialogue a mere formality. However, TS TECH's dialogue session successfully broadens the conversation about its core seating business through the different perspective of design. It goes without saying that young team members, who will be tackling the challenge to realize TS TECH's philosophy to be a “company welcomed with joy” and pave the way for the future of the company, will definitely be stimulated by this type of activity. I encourage readers to take a look at this article as TS TECH lives up to its reputation of giving “due regard for human resources.”

I would like to point out two issues TS TECH faces in the further integration of management and CSR.

The first is ensuring that risk management is practiced on the factory floor. TS TECH further reinforced its approach to risk management by establishing the Global Risk Management Committee this fiscal year. Going forward, the challenge will be finding ways to have this committee take the lead and continually increase sensitivity toward risk management by the front lines. The frightening aspect of global risk is when the front line makes a decision and acts on its own without the correct knowledge. To address this and prevent potential problems, TS TECH must foster awareness on the factory floor about the need to consult with the Legal Affairs Section about certain matters. It will also be effective if senior management repeatedly talks about risk and greater awareness is raised through case studies.

The second is fostering a culture in the organization where people question what should be achieved through CSR and why TS TECH engages in CSR. As long as it is a part of corporate activities, CSR needs to be linked with corporate value. This requires that the organization continuously think about how CSR is linked to corporate value. TS TECH has solid platforms in the form of the TS Philosophy and Za Lab, which may actually make it more apt to overlooking these fundamental issues. TS TECH's materiality should come into view when considering these two points in greater detail.



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