TS TECH Co.,Ltd.

Beyond Comfort

TS TECH Report
2016

TS Philosophy

Beliefs

"Due regard for human resources"
A "company welcomed with joy"

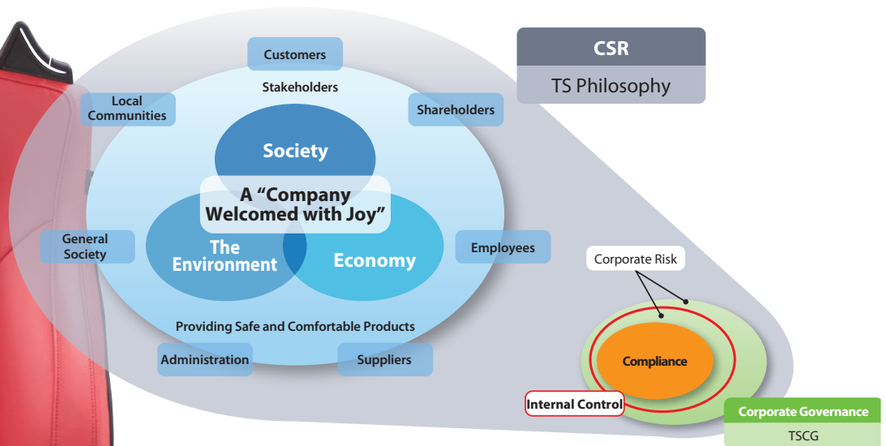
Company Principle

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 realizaton of individual visions.**

Conceptual Overview of TS TECH's CSR



TS TECH Report 2016

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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."

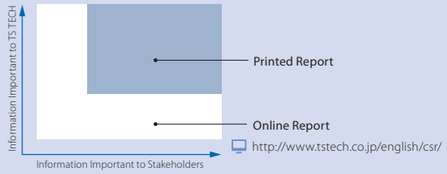
Editorial Policy

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, 2015 to March 31, 2016 (fiscal 2016), but it may include coverage of activities before or after that period.

Guidelines

The ISO 26000 international guidelines for corporate social responsibility and the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) were consulted in editing this report.

ISO 26000 Core Subjects	Section	
Organizational Governance	• Dialogue with the President • Our Relationship with Shareholders and Investors • Corporate Governance and Compliance	P.04-07 P.28 P.34-37
Human Rights	• Our Relationship with Employees	P.29
Labour Practices	• Our Relationship with Employees	P.29
The Environment	• Our Relationship with the Environment	P.32-33
Fair Operating Practices	• Dialogue with the President • Our Relationship with Business Partners	P.04-07 P.29
Consumer Issues	• Dialogue with the President • Our Relationship with Customers (Customer Companies and End Users)	P.04-07 P.28
Community Involvement and Community Development	• Our Relationship with Society and the Communitiy	P.30-31

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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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.

Resources that support TS TECH

Financial Capital

- A strong, sound financial base for capital investment

Consolidated capital: **219.1** billion yen

Manufactured Capital

- Established in the four regions of Japan, the Americas, China and Asia/Europe, with operations in 14 countries worldwide

Number of sites: **72**
Number of production sites: **54**

Intellectual Capital

- Competitive patents

Number of patents held domestically: **724**
Number of patents held overseas: **474**

Human Capital

- Global, diverse human resources
- Stratified education system
- Horizontal deployment of projects across the organization

Number of employees (consolidated): **15,601**

Social capital

- Approximately **70%** of Honda vehicle seats are made by TS TECH
- The search to discover user needs
- Regional contribution activities

Natural Capital

- Minimum necessary energy input
- Reduction of scrap material
- Green Ecosystem Conservation Activities

Value created through business

Financial Capital

- Improve capital efficiency
- Stable return of profit
- Fair evaluation of corporate value

Manufactured Capital

- Global supply system
- Create revolutionary manufacturing technology
- Tough component competitiveness
- Highly-efficient distribution

Intellectual Capital

- Stand out from parts competitors
- Create attractive products

Human Capital

- Provide a workplace environment in which employees can find even more value in their work and undergo personal growth
- Conduct stable hiring that also takes work-life balance into consideration
- Provide opportunities for active involvement by diverse human resources

Social capital

- Provide attractive products to new customers
- Share technology that is useful for society
- Co-existence with local communities

Natural Capital

- Reduce CO_2 and other emissions
- Improve fuel efficiency by reducing product weight
- Maintain biodiversity

Value we offer stakeholders

Customers (Customer Companies and End Users)

- Create attractive products that are safe and comfortable and provide high quality products globally at competitive prices

▶ Pursuit of superior product quality that exceeds customer expectations ···· P.28

Shareholders and Investors

- Proactive disclosure of information stemming from honest, highly transparent corporate management

▶ Disclosure Policy ···· P.28

Business Partners

- Fair, sound transactions with procurement partners for mutual prosperity
- Joint development through cooperation between academia and industry

▶ TS TECH Partners ···· P.29

Employees

- Global human resource development and self-fulfillment to support sustainable business growth
- Foster a corporate culture of proactively accepting individual personalities and differences

▶ Preparation of workplace environments that take diverse human resources into account ··P.29

Society and Community

- Contributing to the economic development of various countries and regions through global business deployment
- Co-existence with local communities by continuing to implement contribution activities in accordance with the society of each local community

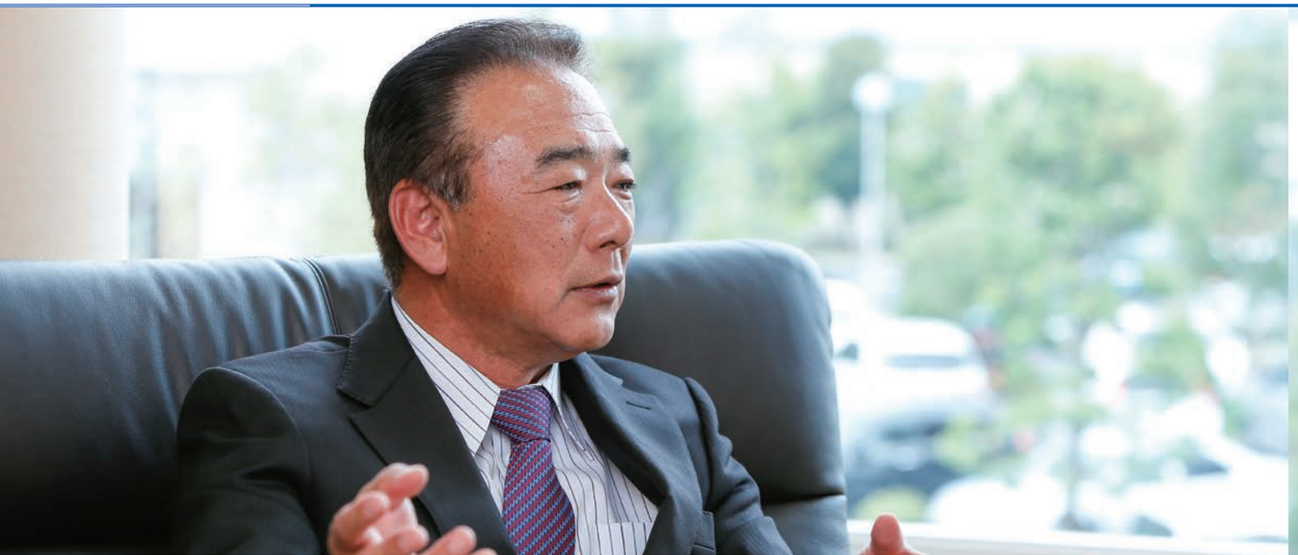
▶ Our Relationship with Society and the Community ···· P.30

The Environment

- Providing products that reduce environmental impact
- Inhibit resource depletion
- Production activities that take the environment into account

▶ Our Relationship with the Environment ··· P.32

Stakeholder Dialogue



Michio Inoue, President and Representative Director

Michio Inoue joined Tokyo Seat (now TS TECH) 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.

Mizue Unno, Managing Director, So-Tech Consulting Inc.

Unno was in charge of marketing strategy and environmental business development support at an economic consulting company. In 1996, she went independent and founded So-Tech Consulting. The company works in the environmental and sustainability sectors and is building a network of professionals around the world. With a focus on the global strategies of Japanese companies, So-Tech Consulting uses its unique eye for analysis to carry out ambitious recommendations regarding management in the areas of ESG and sustainability.

Michio Inoue Dialogue Mizue Unno

We will promote ESG-focused management in our efforts to create a global corporate brand.

Maintaining an Innovative Stance Throughout the Entire Company

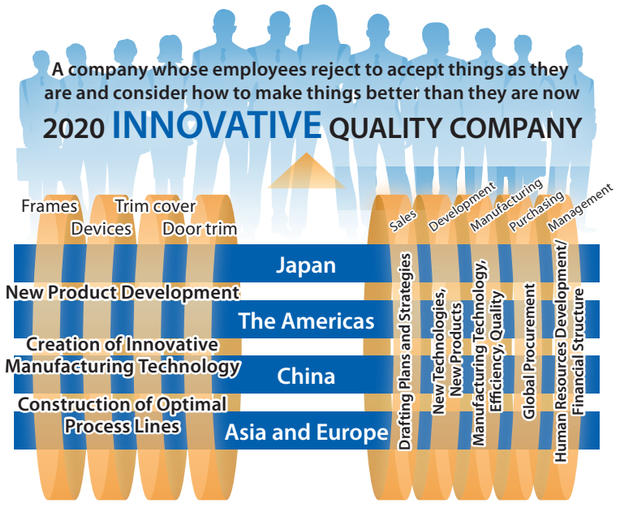
Inoue: TS TECH is currently working to become a world leader in component competitiveness under the qualitative objective to "Establish our position as a global company" enacted in our 12th Medium-Term Management Plan, which lasts through March 2017, as well as our 2020 Vision of becoming an "Innovative Quality Company."

Among the numerous efforts we are pursuing, I think that promoting TS TECH's corporate branding through management that prioritizes ESG—that is, Environmental, Social, and Governance factors—is the key that will drive our future growth. In these times, we must consider ESG factors in every aspect of our business. For example, we have to think about how to minimize the amount of energy we use in manufacturing, how we can keep the products we manufacture themselves energy-efficient, and how we can perform our daily work without disturbing our neighbors. We determine what our group's most important issues are with respect to their impact on stakeholders and from an ESG perspective, and we work toward the realization of our 2020 Vision with the awareness that properly addressing these matters will result in successful branding.

Unno: I believe that the "Innovative Quality" in your 2020 Vision is closely related to ESG-focused management. I feel that behind this is the message that innovation on the part of the entire company—not just technology and products, but also human resources and the organizational system—is what creates TS TECH's sustainability. Is this your intention?

Inoue: Precisely. The pace of change in economic and social environments is quick, and there are many destabilizing elements such as regional conflicts in some parts of the world. No one knows what or when something might happen to the circumstances that surround corporate management. Given such an environment, the attitude that the status quo is acceptable will leave you unable to adapt to environmental changes and ultimately unable to continue as a company. We want to become a company where all employees—not only those directly involved in R&D, design, and product manufacturing, but also those in management who are responsible for supporting them—always reject the status quo and consider what they can do to make things better than they are now. This is what we mean by the "Innovative" our the 2020 Vision.

See Page 26 for an introduction of our ESG-oriented manufacturing.



Creating a New Spirit of Manufacturing While Interacting with Our Stakeholders

Unno: You have talked about how TS TECH is pursuing innovation geared toward medium-to-long-term growth while being ESG-conscious, but in what ways is TS TECH aiming to create value over the medium-to-long term? Also, have you established a basis for growth and value creation? I am very interested in these aspects. What kinds of concrete efforts have you already begun in preparation for the next generation?

Inoue: As far as manufacturing aspects are concerned, there are two things that we are doing in terms of innovation in product development. The first is the Za Lab team, which brings together young employees from different disciplines. This team explores the best ways to make products going forward while researching the philosophy and science of seating. The second is the Exciting, Attractive Product Creation Project, which brings together the sharpest people from our technology departments. They work to achieve manufacturing that goes beyond existing concepts while also cooperating with specialists from outside the company. The results of Za Lab's work have been presented at our unique Za Forum events and exhibited as conceptual models at the Tokyo Motor Show. In these and other ways, their work is already being disseminated to society at large.

The objective of Za Forum is to publicize TS TECH's business activities and have employees come into contact with the knowledge of experts active in different fields and then be innovative themselves. The open communication with an array of individuals that takes place at the gathering after the event is an opportunity that is not available in the course of day-to-day work, and it is another good stimulus for them.

Unno: I think the fact that TS TECH, which practices B-to-B business, creates events like Za Forum to form bonds with various stakeholders and uses opportunities like the Tokyo Motor Show to deliver the results of its R&D to a wide audience is extremely significant. This is because you are creating sustainability that considers society's demands by being aware not only of the needs of the auto manufacturers, who are your direct customers, but also of your end users' needs.

For your next step, why not consider not only unilaterally trying your research results in the market, but also incorporating feedback from end users into your product development activities? By doing so you would increase the value provided by TS TECH from the viewpoint of society, which is the "S" in ESG-focused management.

Inoue: In regard to our manufacturing, we currently hear from end users through surveys conducted via the Internet, and we are involved in the market through, for example, our receipt of the #1 ranking in the Luxury Car segment in the 2015 Seat Quality and Satisfaction Study carried out by the U.S.-based J.D. Power and Associates, which conducts respected customer satisfaction surveys. However, in order to further refine our branding with an eye to the future, we will have to find new ways to interact with the market.

Teaching the TS Philosophy in Order to Evolve into a Truly Global Company

Unno: In the manufacturing industry, people tend to limit their ideas to innovation in manufacturing, so aside from matters dealing with technology and products, what do you view as important?

Inoue: Innovation in the organizational structure and human resources that support the company as a whole. We have focused our efforts on teaching the TS Philosophy as an important foundation for our development into a global company. Right now, the TS TECH Group operates in 14 countries with about 16,000 employees worldwide. While each one of them is a member of the Group, business environments differ according to country and region, and employees' lifestyles and views on life and work are not all the same. Amid all of this diversity, the employees must have some kind of shared awareness. Otherwise, it will be difficult to realize "the provision of value through products," "manufacturing that considers the global environment," and "contributions to regional communities," and we won't be able to grow into a company whose existence alone gives stakeholders high expectations and joy.

In order to help our organization and personnel be competitive, we need a philosophy that respects their diversity. We have been teaching the TS Philosophy in Japan for some time, but in 2015 we began full-scale efforts to teach it to our overseas local affiliates as well.

Unno: I think it is very meaningful that TS TECH is pursuing the road to innovation as an entire company and that the president himself is getting employees around the world to think about the importance of the TS Philosophy.

Inoue: TS TECH will not be able to develop into a truly global company or a world leader in component competitiveness while generating companywide innovation unless we share the same philosophy toward our work.

Having said that, spreading the TS Philosophy and making it stick will take time. This is because we have to transcend linguistic and cultural boundaries. For example, we impart the TS Philosophy through our corporate beliefs "Due regard for human resources" and "A company welcomed with joy," but merely translating "Due regard for human resources" and posting it at the office will not convey the significance or the specific actions that are implicitly desired. Therefore, we worked to train people to spread and instill the essential meaning of the TS Philosophy at each local affiliate.

We carefully select managerial staff from each overseas local affiliate to come to Japan. Then, we spend a considerable amount of time discussing what to convey to local employees and how to convey it in order to get each of them to understand the TS Philosophy and act accordingly. The managers then take what they have learned back with them. Our approach to getting them to accept the TS Philosophy is based on the understanding that respect for diversity is a must; we will not push it on them.

As of 2016, the leaders who received training in Japan are teaching the TS Philosophy to each employee at our various affiliates in the Americas, China, and Asia. At the same time, we are also sending video messages that I made which have been translated into each local language, thus conveying our support from Japan.

Unno: If the TS Philosophy does spread to all of the group companies around the world, then you will be able to get rid of the traditional overseas development pattern of sending Japanese employees to manage overseas affiliates. Today, many companies are adopting strategies for things like "global human resources development" and "management globalization," but the foundations for these strategies of looking into the essence of management are philosophies in themselves. Shouldn't activities such as teaching the TS Philosophy be actively conveyed outside the company as a means of creating a foundation for a growth strategy? Although TS TECH is a B-to-B company, if you could appeal to end users and other stakeholders with regard to the teaching of the TS Philosophy to the employees, then you could expect it to lead to brand building.

Inoue: Since we have few opportunities to communicate with end users, the transmission of information has been a weak point of ours. However, we will need to strengthen this in order to promote management that values our stakeholders.

Unno: Both education aimed at sharing the TS Philosophy as well as Za Lab and other activities that involve manufacturing while interacting with stakeholders can be said to be ways of turning ESG factors into business strategy. Moreover, it builds a reputation for TS TECH as a company that is separate from the reputation of individual products, which is essentially what branding is, so please work to actively circulate information. Conveying things like, "The employees feel an attachment to the company," "The company's manufacturing is strong and secure," and "The company diligently pursues development while earnestly listening to the voice of the market" one by one will lead to confidence in TS TECH and a robust brand image.

Inoue: Certainly, branding is the accumulation of all these types of things. Hearing these suggestions of yours strengthens my desire to systematically organize the activities we should be performing while conducting deeper dialogue with our stakeholders so that we can build the TS TECH brand and increase our corporate value.

Thank you very much for sharing your valuable opinions with me today.

See P.16 for **an introduction to Za Lab**.

TS TECH Co., Ltd. - Acura RLX Highest Seat Quality Among Luxury Cars in the U.S.
TS TECH Co., Ltd. (Acura RLX) ranked highest among seat suppliers of luxury cars in the proprietary J.D. Power 2015 U.S. Seat Quality and Satisfaction Study. Study based on responses from 84,367 U.S. consumers measuring 52 vehicle series and 14 suppliers. Proprietary study results are based on experiences and perceptions of consumers surveyed in February-May 2015. Your experiences may vary. Visit jdpower.com

See **the inside front cover for details on the TS Philosophy**.

Za Forum 2014

"Due regard for human resources" in the languages of our locations

Japanese
人材重視

Indonesian
Titik berat pada SDM

Spanish
Respeto a los recursos humanos

Thai
ให้ความสำคัญกับทรัพยากรบุคคล

German
Wichtigkeit von menschlichen Ressourcen

Portuguese
Valorização dos recursos humanos

Cantonese
重視人才

Pekingese
重視人才

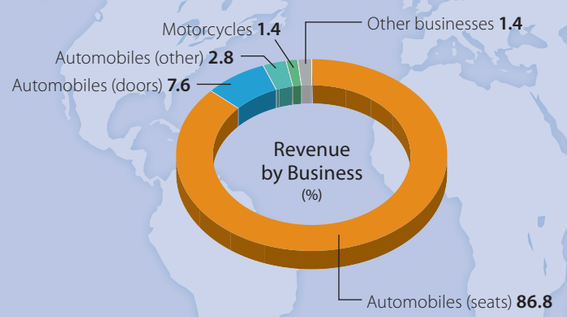
Striving to reinforce the foundations of business administration and make affiliated companies in Japan more self-reliant in order to make TS TECH a global winner in a time of slowing global demand for vehicles and pronounced foreign exchange risks

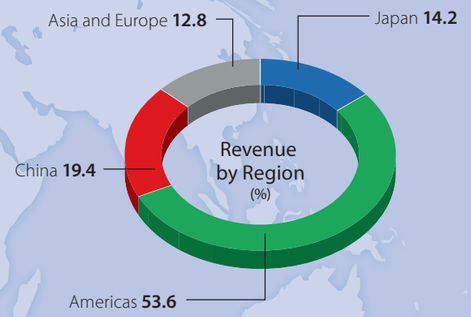
Application of IFRS

TS TECH voluntarily switched from Japanese accounting standards to International Financial Reporting Standards (IFRS) for its consolidated financial statements effective the Consolidated Financial Summary for the Fiscal Year ended March 2016.

The Group has applied IFRS with the goal of facilitating international comparisons of financial data in capital markets. As IFRS takes hold, the Group will further reinforce the foundations of its business.

Atsushi Igaki
Director,
Executive General Manager, Corporate Business Administration Division



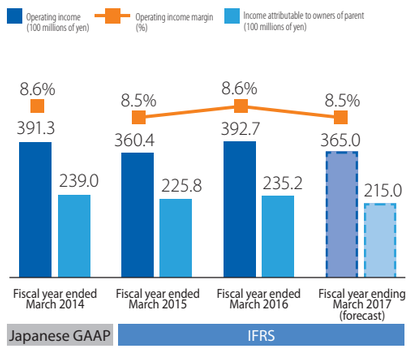


Summary of Consolidated Results for the Fiscal Year Ended March 2016

The Group pursued various measures to improve revenue in the second year of the its 12th Medium-Term Management Plan. In the Americas segment, a subsidiary in Mexico that manufactures seats and interior products began full scale operations in conjunction with the start of production of the new Honda Civic global model, and the Group worked towards even greater self-sufficiency and streamlining by implementing new facilities at each North American location as well as further consolidating the production of seat components. Additionally, in Asia, a new company for the cutting and sewing of trim cover in Bangladesh was established as part of a steady implementation of various measures to improve component competitiveness.

In the fiscal year ended March 2016, the Group recorded a year-on-year increase in revenue and operating income due to the gradual effects of active measures to improve revenue undertaken at each location as well as the impact of exchange rates driven by the weaker yen, which offset a decline in demand for automobiles primarily in emerging countries.

The consolidated results for the next fiscal year are expected to include an operating income of 36.5 billion yen, an income attributable to owners of parent of 21.5 billion yen, and a dividend of 70 yen per share.



External Recognition

TS TECH has earned high praise from various outside organizations as a corporate group that actively pursues ESG-focused activities for sustainable social development.

Toyo Keizai CSR Ranking

CSR TOYOKEIZAI 99th among 1,325 firms

TS TECH placed 99th in the CSR Ranking based on the results of the CSR Survey undertaken by Toyo Keizai, which covers all listed Japanese companies and major unlisted companies.

JPX-Nikkei Index 400

JPX-NIKKEI 400

TS TECH is a constituent of the JPX-Nikkei Index 400, which is comprised of listed issues of companies with high appeal for investors. It has been selected in all three years since the list began in 2014.
http://www.jpx.co.jp/english/markets/indices/jpx-nikkei400/index.html

Morningstar Socially Responsible Investment Index (MS-SRI)

MS-SRI モーニングスター社会的責任投資株価指数 Morningstar Socially Responsible Investment Index

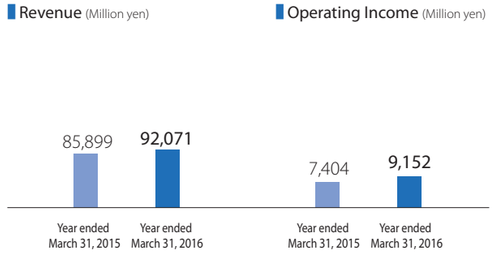
TS TECH was chosen for the second straight year for the 2015 Morningstar Social Responsibility Investment Index (MS-SRI), comprised of 150 socially outstanding firms selected by Morningstar from among companies listed in Japan.

Results by segment for the fiscal year ended March 2016

Japan

Honda Step WGN seat

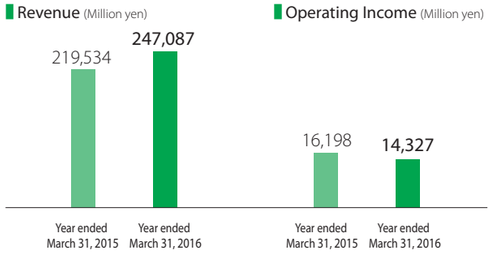
In the Japan segment, the Group commenced the production of seats and interior products for Honda's Step WGN as well as seats for Honda's Shuttle. Organizational reforms (consolidation of production at a new plant, etc.) previously undertaken in the Saitama District were largely completed, and organizational reforms in line with a decline in production and a shift in demand to minicars and other small models were also initiated at other domestic locations.



Americas

Honda Civic seat

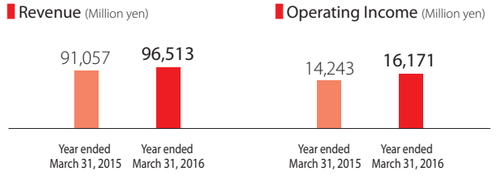
In the Americas segment, the Group commenced the production of seats and interior products for Honda's Civic in North America. To strengthen component competitiveness in the segment, it commenced full-scale operations at a subsidiary in Mexico that manufactures components, consolidated production hubs at TS TECH CANADA INC. and reduced necessary manpower through the installation of automated weld bead visual examination technology at TS TECH INDIANA, LLC.



China

Honda City seat

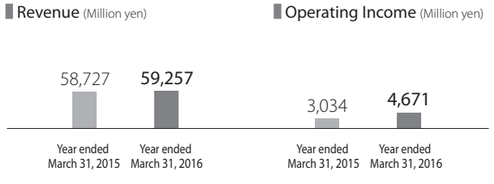
In the China segment, the production of seats for models such as Honda's City and Greiz commenced. The relocation of GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD. has largely proceeded according to plans, which aim to improve efficiency through the optimization of production and logistics, and will continue in anticipation of the start of production in summer 2016. A building expansion project is underway at WUHAN TS-GSK AUTO PARTS CO., LTD. with the goal of increasing competitiveness through measures such as the installation of new injection facilities and in-house seat frame welding.



Asia and Europe

Honda BR-V seat

In the Asia and Europe segment, the Group commenced the production of seats for Honda's BR-V in Thailand and Indonesia. The Group established and brought on-line a new company in the Philippines with the goal of further strengthening development capabilities by transferring non-core development-related tasks to the company. Active deployment of measures to increase competitiveness include the establishment of a new company for the cutting and sewing of trim cover in suburban Dhaka in Bangladesh.



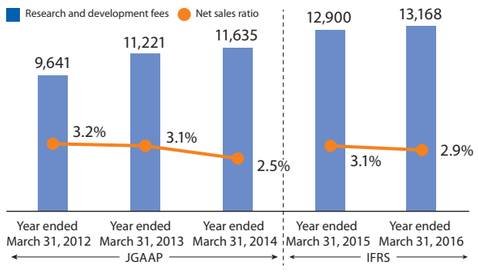
Financial/Non-Financial Highlights

(Million yen)

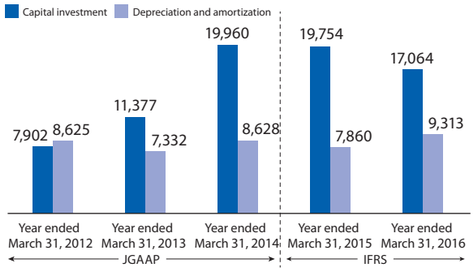
	Year ended March 31, 2012 (JGAAP)	Year ended March 31, 2013 (JGAAP)	Year ended March 31, 2014 (JGAAP)	Year ended March 31, 2015 (IFRS)	Year ended March 31, 2016 (IFRS)
Fiscal year under review on a consolidated basis					
Net sales (Revenue)	¥ 305,482	¥ 359,331	¥ 457,053	¥ 422,317	**¥ 458,732**
Cost of sales	273,813	309,929	385,939	352,716	**381,258**
Selling, general, and administrative expenses	22,268	25,182	31,979	33,768	**39,414**
Operating income	9,401	24,219	39,133	36,047	**39,279**
Net income (Income attributable to owners of parent)	4,712	15,741	23,900	22,585	**23,528**
Depreciation and amortization	8,625	7,332	8,628	7,860	**9,313**
Total at end of fiscal year					
Total assets	¥ 189,343	¥ 207,700	¥ 264,635	¥ 296,858	**¥ 303,948**
Interest-bearing liabilities	7,006	4,832	2,106	5,650	**4,335**
Net assets (Total equity)	112,247	137,523	170,714	216,502	**219,092**
Shareholders' equity	109,073	122,982	143,718	170,545	**189,497**
Net sales (Revenue) per consolidated segment					
Japan	¥ 107,571	¥ 93,862	¥ 104,895	¥ 85,899	**¥ 92,071**
Americas	121,737	172,063	214,628	219,534	**247,087**
China	67,752	71,911	104,063	91,057	**96,513**
Asia and Europe	31,939	50,207	67,811	58,727	**59,257**
Overseas net sales (Revenue)	¥ 219,063	¥ 290,295	¥ 379,382	¥ 362,463	**¥ 395,571**
Overseas net sales (Revenue) ratio	71.7	80.8	83.0	85.8	**86.2**

Financial capital

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

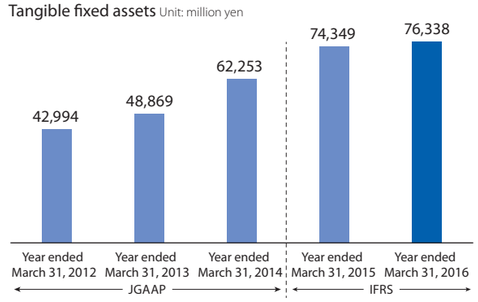


Capital investment/depreciation and amortization Unit: million yen



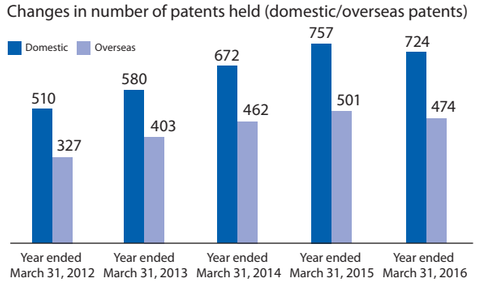
Manufactured capital

Tangible fixed assets Unit: million yen



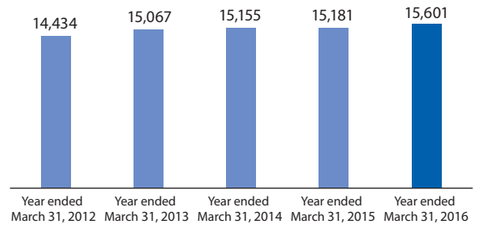
Intellectual capital

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

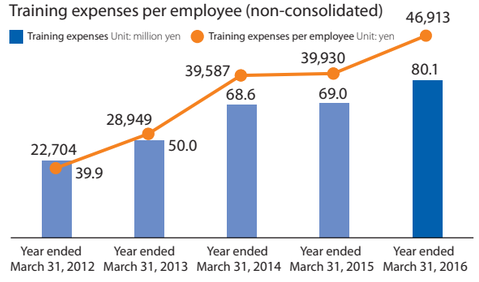


Human capital

Number of employees (consolidated)

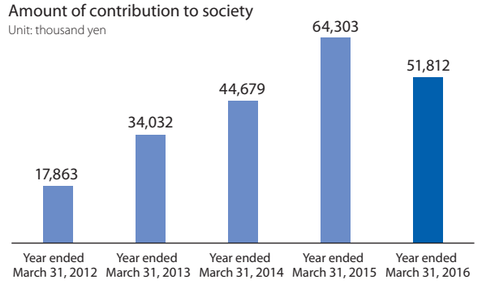


Training expenses per employee (non-consolidated)



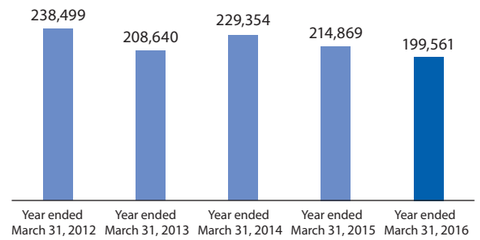
Social capital (non-consolidated)

Amount of contribution to society
Unit: thousand yen

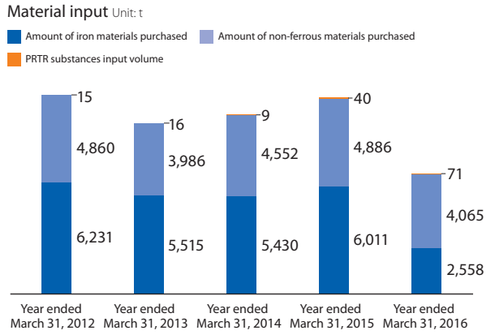


Natural capital

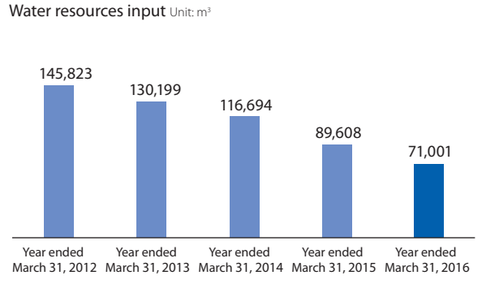
Energy input Unit: GJ



Material input Unit: t



Water resources input Unit: m³



Special Feature TS TECH's Technological Capabilities :

Mastering the Art of Seating

The First Civic

10th Generation Civic Type-R

極 Special Feature 1

Diligent, Thorough Research into Seating

TS TECH started its automotive seating business by applying technology gained through work on motorcycle seats

Fifty years have passed since TS TECH began manufacturing car seats. Looking back, we see that the things customers demand from a seat have changed along with changes to the status of cars in society.

The relationship between people and cars can be traced back to the second half of the 19th century. The automobile was developed as a means for transporting people in place of a horse-drawn carriage, and it was introduced to Japan in the 20th century. In the 1960s, the automobile became more common in Japan as a tool for transporting groups of people and loads of cargo. TS TECH (at the time called Tokyo Seat Co., Ltd.) began manufacturing automobile seats in 1965 when Japan's car industry was just beginning to prosper. It used the processing technologies for creating design patterns for motorcycle seats that it had utilized since its inception and applied them to automobiles, supplying sturdy seats with superior durability for light automobiles.

Seats in the Honda Z360 at the time of TS TECH's founding

Express Comfort Numerically!

TS TECH's philosophy on technology

The 1980s saw a shift in the role of a car. It was now seen not only as a means of transportation, but also as a reflection of its owner's status. Seats began to be considered as an important part of the interior design, and features that support long-distance driving became desirable as well in conjunction with the advent of higher-performance cars and road networks. Driving for several hours would restrict the movement of drivers and cause them to tire easily. TS TECH saw this as a challenge and adopted the mission to produce comfortable seats that effectively reduce driver fatigue even on long trips. This remains the foundation of TS TECH's product manufacturing philosophy today.

To fulfill its mission, TS TECH worked to express comfort numerically. It established indicators for seat comfort, understood driver fatigue in numerical terms, and put this information to use in product development. Specifically, it came up with three unique ratings: a "cushion strength rating," which assesses how well a seat surface can absorb a car's vibrations; a "lumbar form rating," which assesses differences in spine shape between actual driving posture and ideal posture; and a "sensory rating," which is performed by in-house experts and reflects the degree of seat support and the effects of pedal manipulation during driving. It used the results of this work to develop comfortable seats that effectively reduce driver fatigue.

Numerical conversion of body position when seated

Analyzing ride comfort using body pressure distribution measurement

Interpret Comfort in a Broad Sense!

The thinking expressed in TS TECH's corporate message

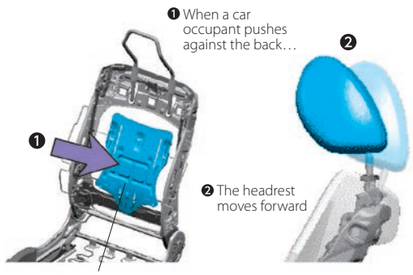

"Restaurant mode" in the 2003 Step WGN

In the 1990s, the car came to be desired as a space for spending an enjoyable time with family and friends. Accordingly, the significance of seat comfort grew, and TS TECH began to pursue comfort in more diverse ways. These efforts bore fruit in the form of seat arrangements that could be configured to accommodate various situations. Using the structural design skills it accumulated, it developed products after conducting inspections based on assumptions of various usage types, as well as strength and durability tests.

TS TECH has always pursued driver safety with the same high level of awareness with which it pursues comfort. Internal standards that are even stricter than the Japanese Industrial Standards (JIS) have been in place since TS TECH's founding, and it has thoroughly implemented safety control from the product design stage. In the 2000s, when the U.S.-based Insurance Institute for Highway Safety (IIHS), which evaluates automobile safety during collisions, established safety evaluation criteria for rear-end collisions, it responded by fitting the seats on the 2005 model Civic with the "Active Headrest," which boasts revolutionary technology to reduce neck injury. This quickly received the top IIHS rating of "Good." Seats equipped with this technology, based on a new theory of posture, are designed with an efficient body support structure that creates the ideal posture without relying on lumbar support,[1] and they dramatically reduce fatigue while securing the highest degree of safety.


Injection-type dynamic testing machine, introduced in 2004

The Active Headrest mechanism



TS TECH's seats combine comfort with safety performance, and they are currently recognized as providing rear-end collision safety performance of the highest order by Euro NCAP (a European car safety performance assessment program) and other organizations around the world.

TS TECH continues to evolve its technology for reducing neck injury. With the introduction of the most up-to-date testing equipment and simulation analysis, it used its seat design expertise to build seats that respond to body movements during a collision. As a result, the seats in the 2015 Civic possess equivalent or superior safety performance without the Active Headrest mechanism.[2] Moreover, they are comfortable and lightweight, and they are available at a reasonable price.

Going beyond safety and comfort. TS TECH will continue to work to realize the desire behind its corporate message "Beyond Comfort."

Transition of the functional parts of the frame that reduce neck injury

1) Lumbar support: Cushion support that protects the driver's lower back and reduces fatigue
2) TS TECH internal comparison

Beyond Comfort

Gradually bringing the Company's aspirations to fruition

Electrical components are essential to the evolution of appealing seats that combine comfort and safety. TS TECH oversees the creation of seats with new functions on a completely autonomous basis, all the way from recommendations to customers through to completion.

Until recently, different parts were used for seat frames that are adjusted manually and seat frames with electrical components that adjust the seat electrically as their respective structures differed. Consequently, seats with electrical components were more expensive. Through advances in shared frame design and lower costs through parts minimization, the company has made the seats available to a wider range of customers. TS TECH conducted a series of feasibility studies and was able to drastically reduce the number of parts for seat frames with electrical components, with the result being the seat for the 2015 Civic.

TS TECH has prepared the technology with a globally-oriented development system in the form of a global-standard frame that responds to manufacturing conditions at a variety of factories. The Group supplies the frame from each manufacturing center not only to its major clients, but also to other companies engaged in the same line of business.


The dark blue areas show the electrical components built into the 2014 Legend seat

Mass-producing a global-standard frame requires innovation in production technology, so in 2015, the production lines were renovated at TS TECH INDIANA, LLC (Indiana, USA), which was the first place to mass produce this frame. As part of efforts to upgrade efficiency, the following equipment has been installed: an automated welding monitoring system that detects light of a specified wavelength from the reflected light plasma produced by laser welding and verifies the state of the welding; a batch welding jig specialized for batch welding; and a weld bead visual examination that verifies on a display screen the length and width of a weld after welding. The manufacture of future models has also been taken into account, with innovative manufacturing lines that can handle manufacturing fluctuations without major changes in the operation rate.


The latest welding equipment, introduced in 2015

TS TECH strives to create without being confined to the present, going beyond the "now" to please as many of its stakeholders as possible. In a similar fashion to how it created the global-standard frame, the TS TECH Group will continue to take up the challenge of gradually yet steadily linking its ambitions for seat evolution to the realization of new products.


A 2015 Civic seat

Stakeholder Dialogue

極 Special Feature 2

Envisioning and Realizing the Future of Seating

TS TECH unveiled the Ambient Seat, which is designed to interpret and respond to the emotions of the person sitting in it, at the 44th Tokyo Motor Show 2015 in order to present its future vision for car interiors. The planning and development team that created this seat included professionals from TS TECH as well as collaborators Toshitaka Kamiya and Yuta Takeuchi from Dentsu ScienceJam Inc.,[1] two experts in technology for interpreting emotions using biological signals. In this Special Feature, the team members look back at their work on the project.

Demanding new "emotional value" from car seats

Higano: The Ambient Seat was born from Za Lab[2] discussions on seating of the future. In the course of product development, we think about what kinds of functions we can put into new seats, but this idea started from our asking "What can we make the seated person feel?" and "What is needed to affect the seated person emotionally?" In other words, we emphasized "emotional value" rather than "functional value" in creating the product.

Iyota: In order to stir the emotions of a seated person, we must recognize what he or she is feeling and then through the seat offer whatever it is the person wants emotionally. In the course of refining this idea, the word "brainwaves" came to mind as something that could make technical sense of a seated person's emotions. In short, they are the ultimate approach to human sensing. We then hit upon the idea that perhaps we could create a new seat that could read a person's brainwaves. However, since we had no knowledge about brainwaves, we called on Dentsu ScienceJam for assistance.

Ambient Seat
Proposes seat arrangements tailored to the interior of a self-driving car of the future

Communication Mode

*1 Dentsu ScienceJam Inc.
Established by DENTSU INC. and Digital Garage, Inc. with the objective of turning the results of cutting-edge scientific research into businesses. For its first undertaking, it is promoting the commercialization of brainwave measurement and analysis technologies.

*2 Za Lab
A research group within TS TECH specializing in the philosophy and science of seating. Za Lab brings together young employees from many departments. They discuss the idea of seating from its roots and pursue even more comfortable seating while studying the state of seating in the world at large.

Toshitaka Kamiya
Representative Director
Dentsu ScienceJam Inc.

Working in the Future Communication Department of the Dentsu Communication Design Center, Kamiya started up the "neurowear" brand and is in charge of production and business development of the brainwave communication tools "necomimi" and "mico." In August 2013, he founded Dentsu ScienceJam Inc. and now brings Dentsu's unique ideas to the pursuit of possibilities for business development that utilizes the intellect of scientists and cutting-edge technology.

Yuta Takeuchi
Planner
Future Communication Department
Communication Design Center
Dentsu Inc.

Takeuchi joined Dentsu in 2013 and is technical director and planner in the Future Communication Department of the Communication Design Center. His responsibilities include digital fields from planning to technical direction as well as software and hardware implementation.

Kamiya: When we were first approached, I was very surprised at TS TECH's close attention to detail when it came to car seats. As I listened to everyone's ideas about measuring the brainwaves of the person sitting in the car seat and using that as a basis for providing a seat that facilitates smooth communication and increases personal comfort, I thought it was quite innovative.

Takeuchi: My impression when I heard about the Ambient Seat plan was that it would be technically feasible. Having said that, thinking about the vast crowds that visit the Tokyo Motor Show, I felt what a challenge it would be to engineer a seat that would provide a high-quality experience by utilizing brainwaves.

Ito: One of the challenges in creating the seat was to become able to correctly classify "relaxed" and "tense" moods by sensing human brainwaves through the seat. I worried that the results from analyzing the brainwave measurements obtained in the extraordinary atmosphere of our company booth stage at the Tokyo Motor Show might not come out cleanly. To dispel this concern, with the help of our employees, we gathered measurement data on dozens of people and eventually settled on the system design, which I oversaw.

Kusano: The challenge with the program I worked on was ensuring the scalability of the system configuration. At the start of development, we only aimed for a function that would change the seat color according to the results of the brainwave measurement, but doubts surfaced: Is a color change really all that exciting by itself? So we also added a function to move the position of the seat in accordance with the brainwaves to give the seated person more of a feeling of excitement.

Higano: As a member of Za Lab, I was involved from the conceptual stage with the structural design. What left the deepest impression on me was the time we tried to deliver a feeling of comfort with a futuristic twist in the final stage in response to the president's instruction to make the seat more comfortable.

We tried to add a footrest that would automatically move in accordance with a shift in the seat mode. We ended up working until the very last minute before the Tokyo Motor Show, adding improvements in our quest for a more comfortable seat. It was just repeated trial and error, but the company entrusted us young employees with the job, and I think that after facing a variety of challenges, we all felt satisfied with what we were able to build.

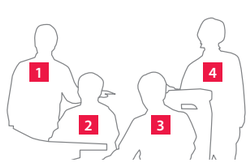
TS TECH staff who worked on the Ambient Seat

1 Electrical Device Development Section, Electrical Device Development Department, Development and Engineering Division
Takayoshi Ito

2 Sales Section 1, Sales Department, Sales Division
Shintaro Iyota

3 Design Section, Design Department, Development and Engineering Division
Yusuke Higano

4 Electrical Device Development Section, Electrical Device Development Department, Development and Engineering Division
Atsushi Kusano



Continuous challenges pave the way for creating the seats of the future

Iyota: The most significant aspect of our exhibit at the Tokyo Motor Show was the fact that TS TECH widely publicized a full-scale approach to sensing, in particular brainwaves, for the purpose of producing future car seats. In my work as a salesman, I am mindful of proactively letting our customers and the market at large know about the challenges of creating this seat of unprecedented product value, and that we are the company that is taking on that challenge.

Ito: My job at the Tokyo Motor Show was to explain this seat to attendees, and when I did so, I had the feeling that seats as a product had not fully manifested their potential. Automated driving technology will advance, eventually people will no longer touch the steering wheel or the pedals, and the seat will be the only point of contact between the person and the car. The seat we are working on will become significantly more important to the car's interior as both an interface between car and person, as well as between the passengers themselves.

Kusano: In the course of developing the Ambient Seat, I sensed that our company's products had not yet sufficiently utilized the power of IT. For me personally, working on this system that uses brainwaves has taken me to a higher level, and I'd like to use this experience as an opportunity to keep growing.

Takeuchi: I learned a lot working with Mr. Kusano. Even doing the same kind of software and system work, it was very useful to me to learn about the creative process of a manufacturer that puts a high priority on procedure and pursues quality exhaustively.

Higano: To exhibit a seat that uses the new technology of brainwave measurement at this event was a valuable experience for TS TECH. However, the most valuable aspect for us was perhaps gaining something we hadn't previously possessed, thanks to the assistance of Dentsu ScienceJam, which has advanced skills in designing forms of communication. I have no doubt that the technology and expertise needed to create communication with end users will be required of TS TECH in its manufacturing going forward.

Kamiya: We constantly rack our brains and continually train ourselves in order to understand what kinds of things we can do to understand people's feelings. I believe that this expertise regarding communication between people and things was useful to us in the creative direction role for this project. While there are many different kinds of creative activities, there are many cases where progress stalls in the R&D phase and never reaches fruition, in particular when cutting-edge technologies such as those for interpreting emotions through biological signals are used. Therefore, I think it was very significant that TS TECH was able to produce the Ambient Seat. Getting your technology and ideas to take shape always requires overcoming many difficulties, but I have high hopes that TS TECH will push through and realize the seat of the future.

Za Lab—Making Steady Advances

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Za Lab was launched in 2011. Among its main activities to date is the exhibition of the Aibou Seat at the 43rd Tokyo Motor Show 2013. It also introduced numerous research themes, including the Ambient Seat, at Za Forum, its unique public event that was held three times between 2011 and 2014.

Pursuing the possibilities of seating: teams Green Salad (left) and NEOVE (right)

極 Special Feature 3

The Engineers Who Research Seating

Here we bring you a report from the development floor where the ultimate in seating is researched, giving you a chance to hear from the engineers who work there.

Technology 1 Electrical Device Development Section, Electrical Device Development Department »

Aiming for electrical device development that provides car interiors welcomed with joy

An Emphasis on Advanced Development with an Eye on the Future

"Electrical devices" as mentioned here refers to the electrical and electronic devices installed in automobiles. In recent years, cars have been fitted with more and more electrical devices, and such devices now also play a role in the area of interior items, which includes seats.

At TS TECH, the Electrical Device Development Department takes full responsibility for product development focused on electrical devices. Product development includes model development performed jointly with automobile manufacturers and advanced development that is conducted independently. The Electrical Device Development Department places priority on the latter. This is because in the new field of electrical devices, a great deal of time is needed to create satisfactory specifications amid severe limitations in development time and cost. Therefore, it aims to create attractive next-generation products with advanced development and see them included in future models by proposing them to its customers.

The first things required for development are keeping a close eye on future societal changes and having a strategy that indicates the future course of development. The basic workflow of the Electrical Device Development Department is as follows: first, it refines its own electrical device strategy based on the product strategy formulated by the New Product Development Department; it then advances development through individual themes in accordance with this strategy. The department repeats a cycle of design, trial, and verification. Once all issues are resolved, it moves to the second trial stage to prepare for mass production, completing its work for that particular theme.

Masayuki Yamaguchi
General Manager,
Electrical Device Development Department,
Development and Engineering Division

What is important in electrical device development is to incorporate new ideas and figure out how to upgrade functions while still using existing systems. In order to constantly generate the necessary ideas, more than anything else, drive and motivation on the job are indispensable. For this reason, we find ways to maintain the motivation of our department personnel. For example, from time to time we assign tasks that pique our team's interests, and we also offer challenges in areas different from the ones in which they typically work.

Kazuhiro Oshima
Manager,
Electrical Device Development Section,
Electrical Device Development Department,
Development and Engineering Division

I joined TS TECH in 2012 with the desire to make use of my 20 years of experience designing audio-visual devices. When I switched from this field to the automobile industry, I sensed a difference in the approach to safety. The culture was completely different, and I experienced some difficulties at first. However, as a person who formerly had no connection to the automobile industry, I now work in development without being tied to industry conventions and freely consider the questions of which car interior atmospheres and seat functions would be the best.

The Significance of Working with Electrical Devices

Why did TS TECH enter the electrical device field and insist on independent development, including electronic control units (ECUs)? It is because, as an automobile interior component manufacturer that boasts an extensive track record and abundant expertise, it determined that it could leverage strengths that no other company had. Incorporating electrical devices into seats and other automobile interior components is not as simple as merely building a system and later incorporating the devices. TS TECH considers electrical devices from the perspective of how to create car interiors that will be welcomed with joy. Therefore, when creating electrical components, questions are asked such as, "How will end users use it? How can we make them happy? How should we plan the car's interior space to achieve this?" and "Which systems will make the car interior more attractive?" These efforts give meaning to TS TECH's work with electrical devices.

Noriyuki Yamato
Assistant Manager,
Electrical Device Development Section, Group 1,
Electrical Device Development Department,
Development and Engineering Division

Based on my experience working at a lighting instrument manufacturer, I am in charge of the lighting inside the car. I used to only find my work interesting when I was developing things that I wanted for myself. However, these were not always the things that the end user wanted. Recently, I have sensed the difficulties inherent in this approach, and now, I make the effort each day to always keep the end user's point of view in mind.

TS TECH, which has worked to develop automobile interior products for over 50 years, has now worked in the electrical devices field for 15 years. The Electrical Device Development Department, which works in the company's newest business area, is currently comprised of electrical device specialists from many different industries. These department members are young and highly skilled. From now on, in order to keep adding to its achievements, TS TECH will need to raise the speed, quality, and precision of its development to another level. TS TECH has great expectations for its elite young team's abilities to provide even higher quality products in a timely manner.

Special Feature 3 The Engineers Who Research Seating

Technology 2 CAE Section, Design Department

Creating unprecedented value without prototypes or experiments

New Technology That Solves Development Problems

In this age of global competition, the level of performance, including safety, durability, and comfort, demanded from automobile seats continues to rise, and people at the development workplace are faced with the task of handling a rapidly increasing number of test items. They also must take on the task of simultaneously meeting demands for quality improvement, cost reduction, and shorter development periods, and they must do this from the standpoint of providing quality products at competitive prices in a timely fashion.

In this stringent environment, TS TECH attaches importance to computer-aided engineering (CAE), a simulation technology that uses computers. By replacing experiments that used prototypes (actual items) and were performed using traditional development processes with CAE-based virtual experiments, it is improving development efficiency and aiming to achieve the creation of unprecedented new value.

Takahiro Kobori
Deputy Executive General Manager, Development and Engineering Division
General Manager, Design Department

The Design Division, which includes the CAE Section, has two tasks: to never stop evolving and to develop human resources. In order to be ahead of the pack in a rapidly changing automobile industry, there is only one thing to do: drive evolution yourself. If each employee sets high goals and continues to work hard at achieving them, then I believe that five years from now, we will see a more evolved Design Division and more evolved TS TECH.

About 20 years ago, TS TECH introduced CAE into its testing division. Subsequently, it realized the potential this technology has and began to use it for upstream development processes in its Design Division. In 2011, it sought to further strengthen its capabilities and created a new CAE Section in its Design Division.

There Is No Longer Any Product Development without CAE

As a result of bold investments by the company, including the creation of the CAE Section, along with the installation of high-performance computers, the evolution of its tools, and the increase of staff, its CAE has evolved rapidly. The further influx of personnel from other departments and the employment of personnel who possess specialized expertise added new knowledge. Thanks to this synergy, TS TECH's analytic accuracy improved rapidly, and the scope of what it can analyze is also expanding.

Today, CAE analysis is actively utilized in all of TS TECH's product development and is contributing to the improvement of its development efficiency. The improvements do not stop at efficiency. CAE also makes it possible to realize things that are not possible in actual collision tests—for example, confirming the movements of the neck during a collision—and it plays a huge role as a technology that is indispensable to development.

Shinji Shindo
Manager, CAE Section, Design Department, Development and Engineering Division

I always tell employees who have just joined the CAE Section for the first time, "The kind of people we need in this section are not mere operators, but analytic engineers. I want you to come into your own within three years." If you are only an operator, you won't be able to contribute to TS TECH's analysis work. When every member becomes a mature analytic engineer, the true significance of the CAE Section will become stronger.

From now on, as the importance of CAE continues to increase, what will be required from the CAE Section is to investigate areas that cannot be analyzed under current conditions, open up new fields, and further increase analytical accuracy. In addition, in order to accumulate results, knowledge and understanding of manufacturing will be essential for all of the staff. This is because they will get nowhere with their analysis work unless they have knowledge regarding the actual seat and the functions of its components. This is why the CAE Section members will prioritize "looking at things" and continue to actively visit the testing and manufacturing sites.

TS TECH's activities are all connected to "things." This is even true of CAE, which is concerned with them virtually.

Kazuyoshi Iizuka
Assistant Chief Engineer, CAE Section, Design Department, Development and Engineering Division

I used to be in testing, where I looked at, touched and tested actual things. It's been about six years since I was transferred to the CAE Section, and I feel that my eye for things, which was cultivated in my previous position, is being put to good use in my current analysis work. Even now, I go and visit testing whenever I can, and I advise the younger employees to also actually see and confirm things for themselves.

Technology 3 Processing Technique Development Section, Production Technology Department

Overwhelming competitiveness driven by unseen technological innovation

The Key to Competitiveness Is Innovative Manufacturing Technology

If one calls product technology that delivers performance in a product "seen technology," then manufacturing technology that enables the making of a product can be called "unseen technology." In the manufacturing industry, where improvements to manufacturing efficiency lead directly to greater competitiveness, it is imperative to stay even just one step ahead of the competition. At this very instant, a fierce "unseen competition" is being waged among companies.

One of TS TECH's priority policies is to create innovative manufacturing technology that enables it to make products at overwhelmingly low costs, in order to help it realize its 2020 Vision. The Processing Technique Development Section is one of the teams on the front lines of the creation of new technology. It is focused on the subjects of material loss reduction, automation and long-term use in all processes.

Kazuyoshi Nozaki
General Manager, Engineering Center, Production Technology Department, Manufacturing Division

The work of creating new technology is always full of obstacles. They key is refraining from thinking all is lost because there is an obstacle, and instead making efforts to overcome the obstacle without stopping or giving up. The point is that, if you take action, even if you fail, you will see a new challenge or a new path to take. Continuing this cycle of acting and thinking will only bring you closer to your goal.

For example, in the seat frame pressing process, the section is working to reduce scrap material by advancing the development of technology that makes it possible to reduce the amount of steel materials used. In the seat frame welding process and door trim assembly process, it is working on automation by accelerating development of automatic parts dispatch technology, automated assembly technology, and other technologies that eliminate or save manpower. The section is dealing with long-term use by developing more advanced features for processing technology, building that technology into equipment, and incorporating methods for improving manufacturing efficiency.

Among these efforts, some technologies are already integrated into mass production lines, and the company plans to apply subsequent technologies to new models launched in the future. In advancing the development of processing technology, TS TECH is pushing self-sufficiency from design through production. It does this because, it has determined that acquiring expertise through the internal process of trial and error and developing this expertise help TS TECH to distinguish itself from all competitors.

Satoshi Sato
Manager, Processing Technique Development Section, Production Technology Department, Engineering Center, Manufacturing Division

The members of the Processing Technique Development Section, many being young and lacking much factory experience, are sometimes beset with difficulties. On the other hand, they can also come up with innovative ideas unfettered by convention. When they do, I give them a little push from behind—"First, take action," "Give it a try," and so forth. I try to provide an environment that makes it easy for them to take up these challenges and help them maintain the courage to make things happen while taking their ideas forward from a mere concept through to completion.

Strengthening Technology by Collaborating with Factories

The work of the Processing Technique Development Section does not end with the development of new technologies. Cooperation with factories and manufacturing sites on mass production is essential. The section's accomplishments cannot be examined until after it has joined forces with the factories and mass production has begun. Furthermore, work on the next proposal starts while incorporating manufacturing expertise and ideas from the manufacturing sites. There is no finish line in the race of technological evolution.

Newly developed technology is first introduced at a single factory. After mass production starts, it works on evolving the technology based on feedback from the factory. By working in tandem with the factory, manufacturing technology is steadily strengthened. Before long, that initial factory becomes the "mother" that spreads the innovative manufacturing technology to other manufacturing sites. This endless work of the Processing Technique Development Section becomes powerful innovation that drives a sustainable future for TS TECH.

Masanao Nanjo
Assistant Manager, Processing Technique Development Section, Production Technology Department, Engineering Center, Manufacturing Division

In developing new equipment, we are always careful to approach the process from the standpoint of those who will use it. Even if we make something with long-term use in mind, it would be meaningless if the item ends up not being used for reasons such as "maintenance is a hassle," "it breaks easily," or "adjustments are too difficult." We believe there is also a need to give attention to these considerations and create the kinds of technology that the factories require.

TS TECH's Business Model

The TS TECH Business Model report outlines the initiatives that we take in research and development, sales, procurement, and manufacturing based on our Basic Policy on Value Creation.

Research & Development

Development and Engineering Division: Our goal is to provide the world's leading technology. Toward this end, we execute the functions needed for development throughout the entire process, from product planning to mass production.

▶ P.23

Yutaka Arai
Director,
Executive General Manager,
Development and
Engineering Division

Sales

Sales Division: Our ultimate mission is to help boost customer satisfaction by putting together sales proposals for products that our customers will find appealing.

▶ P.24

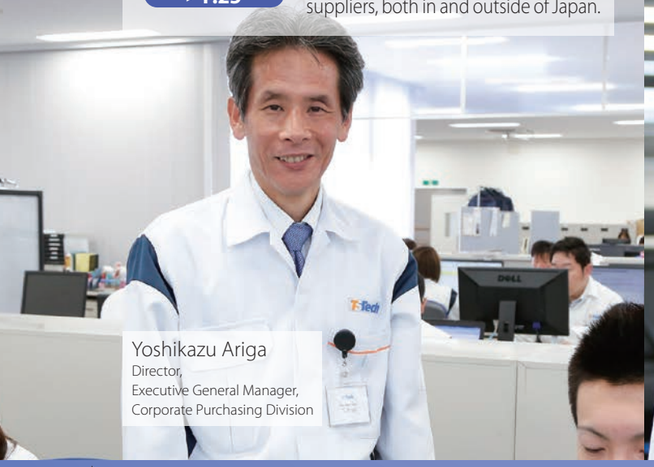
Yoshiaki Yui
Senior Managing Director
(Representative Director),
Executive General Manager,
Sales Division

Promoting On-Site Value Creation

Purchasing

Corporate Purchasing Division: As a matter of basic policy, we work to promote mutually beneficial transactions that are fair and just with all of our suppliers, both in and outside of Japan.

▶ P.25



Yoshikazu Ariga
Director,
Executive General Manager,
Corporate Purchasing Division

Manufacturing

Manufacturing Division: Our focus is to constantly improve our manufacturing technology so that we continue to deliver high-quality, highly competitive products.

▶ P.26

Akihiko Hayashi
Managing Director,
Executive General
Manager,
Manufacturing Division

Research & Development

Basic Policy on Value Creation

- Create original, inimitable technologies
- Create attractive products that exceed customer expectations
- Establish ways of using technologies and expertise acquired in previous product development
- Further enhance areas of strength and handle weaker areas in-house

S (Strengths) W (Weaknesses)

Internal environment

- Capacity for developing high-quality products
- Seat arrangement technology
- Self-sufficiency in electrical components
- Company-wide projects such as Za Lab and the "Project to Create Exciting, Attractive Products"

Strengths S

Weaknesses W

- Insufficient global development capacity
- Delayed development of in-house production of functional components currently purchased (devices, electrical components, materials)

Opportunities O

- Agreement with customers on planned direction for products
- Fewer regional differences regarding safety regulations
- Increased momentum for automated driving technology

Threats T

- Full-scale competition from other mega-suppliers for TS TECH's customers

External environment

O (Opportunities) T (Threats)

Overview of Our Value Creation

The development of a new product has political, socioeconomic, environmental and sociopsychological impacts. Recognizing this, we have introduced the "Project to Create Exciting, Attractive Products" in fiscal 2016, assigning our best talent from our engineering departments to this new project. This group works with expert partners from outside the company to identify the future that TS TECH aspires to create by carefully and thoroughly analyzing social and interpersonal relationships. Our goal is to formulate highly competitive ideas for the global market and translate these ideas into unique, attractive products by 2030.

Value Creation Approach and Results

Expanding Za Lab, Where Young Employees Suggest Seats for the Future

TS TECH generated considerable interest from the media at the 44th Tokyo Motor Show 2015 with its concept model for the Ambient Seat. This seat interprets the emotions of the passenger and reflects them in color, aiming to create value for the future and connect people with the seat they are sitting on. The idea came from Za Lab, a TS TECH research workshop primarily composed of young employees from different departments across the company.

Yutaka Arai
Director,
Executive General Manager,
Development and
Engineering Division

Working Closely with Society to Identify Needs

At TS TECH, we work hard to identify user needs using a variety of methods, including online surveys and direct communication with users. An example of this approach is our concept model for a mechanism that makes seatbelts easier to fasten and unfasten, which we exhibited at the 44th Tokyo Motor Show 2015. The mechanism's engineers spoke with older adults, the demographic for which the mechanism was designed, to identify their needs and create a product that satisfied these needs. This is part of our active approach to work closely with society to bring about innovation with existing products.

Cultivating Inimitable Technological Capabilities

In the arena of mass production, we utilized our strengths for the rear seat in the Honda Step WGN, which launched in April 2015. Taking advantage of our seat arrangement technology, we successfully developed the world's first seat arrangement that allows passengers to enter and exit through the rear door. This innovation earned us a development award from our customer and is a prime example of using our advanced technological capacity to meet customer needs. We believe that cultivating technology that other companies cannot imitate is also a means of creating value.

Sales

Basic Policy on Value Creation

- Provide customers with comfortable, quality products at competitive prices
- Earn implicit trust from customers around the world
- Work with the Development and Engineering Division to develop sales proposals and content regarding our unique technologies

S (Strengths) W (Weaknesses)

Internal environment

- Established production sites worldwide as a mega-supplier with stable operations that provides high-quality products
- Overly dependent on certain customers/lack of autonomous growth

Strengths S / Weaknesses W / Opportunities O / Threats T

- Simultaneous expansion of markets that are shifting to high value-added products and markets where the effects of mass production can be utilized
- Rising costs associated with the increasing diversification of materials accompanying market expansion
- Increasing competition due to factors such as customer purchasing policies

External environment

O (Opportunities) T (Threats)

Overview of Value Creation

In sales, our role is to quickly analyze and apply all of the information required to improve customer satisfaction and to introduce our Group's value creation strategies to our locations around the world.

In order to deliver attractive products that exceed customer expectations, it is important that we in sales understand our end users' dreams and work with the Development and Engineering Division to fulfill these dreams with our products. If we can clearly show our customers that we understand their dreams, we will earn their implicit trust, and this in turn will boost sales.

Value Creation Approach and Results

Sales Proposals at the Global Level

Improving customer satisfaction is only possible when our entire Group, —not just development and engineering, quality control, and production— works together to develop sales proposals and gain the understanding of customers around the world. The Sales Division works to boost customer satisfaction and improve end user satisfaction by presenting sales proposals based on a clear understanding of the QCDD* performance of all the departments and locations.

Yoshiaki Yui
Senior Managing Director
(Representative Director),
Executive General Manager,
Sales Division

Achieving a World-Class Sales Division

In the Sales Division, we are focused on bringing our salesforce to the next level and conduct more than 30 level-specific training sessions a year. Our goal is to earn the trust of customers worldwide by building a sales division that can immediately respond to customer requests from anywhere in the world. Our sales executives also strive to further mutual understanding within the Group and help boost sales by engaging in dialogue with local staff and employees from Japan assigned to Group sites worldwide.

Global Social Action

One outcome of quality sales activities is the contribution to our customers and to society as a whole. The criteria that end users use to determine value varies by region, and the proposals we present to customers are shaped by analysis and understanding of local end user demographics. Functions and parts that end users do not want are discarded, rather than used, which is a considerable loss for both the environment and society. We believe it is important to propose products that can make a contribution to regions around the world.

* QCDD: Quality, cost, delivery, development

Purchasing

Basic Policy on Value Creation

- Engage in fair, just transactions with all parts and materials suppliers in and outside of Japan
- Select suppliers throughout the world who provide outstanding service in every respect, including price, quality, and the ability to respond to risk; communicate closely with suppliers from the development stage through mass production for value creation activities that are mutually beneficial

S (Strengths) W (Weaknesses)

Internal environment

- Global purchasing base covering 14 countries
- An integrated system that promotes planned procurement at all stages from development through mass production
- A global purchasing information system displaying costs in real time
- Lack of self-sufficiency in overseas purchasing
- Skill enhancement opportunities for younger and mid-level employees needed

Strengths S / Weaknesses W / Opportunities O / Threats T

- Expanding automotive industry, primarily in developing countries
- Solid cooperation with major customers
- Increasing useage of parts manufactured by Japanese companies by European and North American OEM
- Increasing competition with overseas mega-suppliers for orders
- Increase of risks associated with natural disasters, terrorism, and other factors
- Stagnant automobile sales in Japan

External environment

O (Opportunities) T (Threats)

Overview of Value Creation

We strive to strengthen our purchasing functions worldwide to ensure stable global procurement of quality products at low prices. Our manufacturing units outside of Japan are, of course, working to improve local purchasing, and our business units in Japan provide support by assigning employees from Japan to work at local sites, guide staff on how to improve processes, and provide expert training.

We hold global purchasing meetings to plan policy and strategies, as well as to discuss localized measures to resolve common issues. This cooperation between operations in Japan, whose role is to oversee global operations, and operations in other countries, which is where value originates, makes it possible to create the same high level of competitiveness throughout the Group.

Value Creation Approach and Results

Innovation in Purchasing

Under our previous purchasing structure, cost planning* was part of new product development. We have reassessed this structure to include cost planning at an earlier stage, making it part of basic research so that value creation activities are pursued in collaboration with development . Our approach focuses on identifying technologies and materials that will make our products more competitive in the future and working on the development of attractive products.

Yoshikazu Ariga
Director, Executive General Manager,
Corporate Purchasing Division

Application of a Global Purchasing System

In the fiscal year ended March 2016, we launched a global purchasing information system in Japan and North America that displays costs in real time. In the fiscal year ending March 2017, we will expand this system to China and our other locations in Asia. Up-to-the-minute, side-by-side comparisons of worldwide costs will make it possible to build an optimal supply chain.

Collaborating with Suppliers to Create Value

We are focused on strengthening our partnerships with suppliers to become a world leader in component competitiveness. To communicate our stance on procurement, which we hope to share with our partners, we hold purchasing policy seminars for our main suppliers and implement on-site activities to put these policies into practice. We welcome feedback from suppliers on issues they face that originate with TS TECH and work to remove any obstacles to improve productivity.

Building the TS TECH Brand to Increase Corporate Value

In order to continue to grow as a "company welcomed with joy," we are actively expanding our CSR activities and, at the same time, asking our suppliers to strengthen theirs as well. We strive to increase the value of the TS TECH brand by pursuing Group-wide environmental and social activities that protect the environment and contribute to the local community.

* Cost planning: A cost management method implemented primarily at the product planning and design stages that focuses on reducing corporate cost and strategically managing profit

Manufacturing

Basic Policy on Value Creation

- Provide even more competitive, highly reliable products
- Create a sustainable manufacturing environment
- Build a base to offer information on underlying technology

S (Strengths) W (Weaknesses)

Internal environment

- QCD[1] structure that ensures standard to excellent QCD at all locations worldwide
- Development of advanced production technology linked to underlying technologies for future new products

Strengths S

- In the process of building a globally competitive structure by strengthening resilience measures[2] and advancing core manufacturing technologies

Weaknesses W

Opportunities O

- Expanding markets in emerging countries

Threats T

- Manufacturing fluctuations due to shrinkage and diversification of Japan's market
- Increasing market competition in the Americas and China

External environment

O (Opportunities) T (Threats)

1: QCD: Quality, cost, delivery

2: Resilience measures: Measures to create a financial structure that generates a certain amount of profit even when earnings drop

Akihiko Hayashi
Managing Director,
Executive General Manager,
Manufacturing Division

Overview of Value Creation

We use certain tools to quantitatively assess our QCD structure as we work to deliver highly reliable products that are even more competitive. We strive for uniform, high QCD standards and work to visually illustrate these standards for our manufacturing units worldwide.

With respect to our advancement of underlying technology, we are working at the Engineering Center to develop cutting-edge technology in connection with "R" (underlying technology) development in the New Product Development Department. These technological advancements are integrated with environmental/underlying technologies that have been developed on-site. This information is presented and shared in global manufacturing technology meetings.

Value Creation Approach and Results

Raising the Entire Manufacturing QCD Structure to the Same High Level

In 2004, we incorporated QCD structure assessment tools into our operations in Japan and the Americas. Today, all of our sites around the world operate at a standard to excellent QCD level.

As a specific example, we have shifted out of activities designed to boost on-site skills based on the *sangen shugi* principle.[3] We are now at the stage of applying these skills to the quality of our products, and at the same time, we are striving to raise the entire structure to the same high level by nurturing local employees to be trainers.

Providing Advanced Technologies

For seats, we have developed manufacturing technology adapted to the evolution of seat frames and integrated this technology throughout our entire process, from the development of molding technology to material casting, welding, and shipping. This technology is also applied to successive next-generation models.

In terms of doors, we have further reduced the time required for die casting and other injection molding, and we maintain a level of excellence for this process. We are also focused on replicating our next-generation assembly lines at manufacturing sites around the world.

Creating a Sustainable Manufacturing Environment

In the Manufacturing Division, we are focused on creating a working environment that is comfortable for all involved, while also instituting mechanical improvements unique to Japan to move objects without electric power. We leverage the force of gravity and the principles of levers and pulleys to use resources and energy efficiently. We strive to create a sustainable manufacturing environment by sharing the effectiveness of this system with our production sites around the world and the technologies we have developed with technicians around the world.

3: The *sangen shugi* principle emphasizes *genba* (the workplace), *genbutsu* (the actual product), and *genjitsu* (the reality of the situation). The idea is that employees come to understand the true nature of a given product in their workplace as they look at, listen to and touch the actual products and learn about the realities of the situation.

Our Relationship with Stakeholders

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

Association with the Seven Attitudes in the TS Guidelines for Conduct

▶ P.28

Customers (Customer Companies and End Users)

Attitude toward customers (customer companies and end users)

In order for TS TECH to provide customers and end users with a high degree of satisfaction,
I always assign myself a creative task from the customer's viewpoint and then proceed with my task while imagining myself in the customer's position.

▶ P.28

Shareholders and Investors

Attitude toward shareholders

In order for the Company to maintain a high degree of transparency,
I make a proactive disclosure of information with a view to ensuring a high degree of transparency in corporate management.

▶ P.29

Business Partners

Our attitude while working for the Company

In order for the Company to respond to the challenge of searching for new values,
I take pride in my company and work and keep an open mind to everything.

▶ P.29

Employees

Our attitude while working for the Company

In order for the Company to be non-discriminatory and fair to everybody,
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.

In order for the Company to respond to the challenge of searching for new values,
I take pride in my company and work and keep an open mind to everything.

▶ P.30

Society and Community

Attitude toward the local community

In order for the Company to take root in the local community,
I make a positive contribution to the local community as a member of the community.

▶ P.32

The Environment

Attitude toward the general public

In order for the Company to be an entity promoting a positive attitude toward environmental preservation,
I take proactive measures for environmental protection.

Our Relationship with Customers (Customer Companies and End Users)

Product Quality That Exceeds Customer Expectations

TS TECH provides products that users can see, touch and sit in during long drives without feeling fatigued. We pursue top-level quality in our products, which always exceed customers' expectations through our commitment to *monozukuri* (the art and science of manufacturing).

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.

Voice

Comfortable, Functional Seats Help Sell the Car

Hiroyuki Iwamoto
Senior Sales,
Wako Central Dealership
Honda Cars Saitama

Seats play an important factor in a customer's decision to buy a particular car. When I show the Step WGN minivan, for example, I make it a point to demonstrate how easy it is to fold down the third-row seats to create a spacious luggage area, and customers looking at the seven-person Odyssey always want to try out the second-row ottomans. These minivans are great family cars, and I know that customers are pleased to learn that the seats are highly resistant to dirt and water damage.

Response
The sale of each car gives us the opportunity to confidently deliver convenience, functionality and comfort through seats, to which passengers develop an attachment. Next to a house, a car is typically a person's most expensive purchase, so we want them to make their purchase based on accurate information, and we want to share in their satisfaction. We will continue working to design and deliver products that delight our end users. (Car Model Manager, Administration Department)

▶ Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/customers.html

Our Relationship with Shareholders and Investors

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 a proactive approach to the disclosure of information deemed useful and appropriate to our stakeholders.

Voice

The Role of Non-Financial Information in Investment Decisions

Yohei Ohama
Analyst,
Equity Research Dept.,
Nomura Securities Co., Ltd.

The TS TECH Report includes non-financial as well as financial information. Today's investors are increasingly focused on ESG issues and often look carefully at non-financial information such as corporate governance when making investment decisions. At its Za Forum and the Tokyo Motor Show, TS TECH presents new ideas that offer a glimpse of the future through concepts such as seat technology for self-driving cars. While it is difficult to differentiate between products in the car seat arena at a glance, we expect TS TECH to continue to deliver unique technology and products.

Response
In addition to disclosing our financial data, we are also committed to the appropriate, accurate release of ESG-related information. Moving forward, in addition to continuing to strive to anticipate user needs and to deliver appealing products to fill these needs, we will continue to be proactive through initiatives such as the Za Forum and the Tokyo Motor Show. (General Affairs)

▶ Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/investors.html

Our Relationship with Business Partners

TS TECH's Business Partners

The TS TECH Group builds and strengthens its partnerships not only with suppliers but also with academic institutions through joint development 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 centralized procurement in Japan.

Voice

Industry-Academic Joint Research Creates New Ideas

Kiyoko Yokoyama
Professor, Informatics and Media Design, Graduate School of Design and Architecture, Nagoya City University

Our partnership began when our department in charge of industry-academic research received a call from TS TECH's New Product Development Department regarding our research website. As a result, I was given the opportunity to begin working on the Drowsiness Reduction Seat* design as part of my graduate students' doctoral research.

Joint research allows us to address challenges that don't arise in typical academic laboratories, so this can also help create new ideas. It also gives us the opportunity to bring our research results directly to the public. Meanwhile, participating students gain practical knowledge and skill as well as get a feel for the actual challenges of the manufacturing industry. I would welcome more opportunities to participate in joint research in the future.

Response
We're very grateful to Professor Yokoyama and the graduate students for their valuable work over a considerable period of time on the Drowsiness Reduction Seat. We plan to continue to actively participate in joint research and believe that these efforts will contribute to the development of attractive new products in the future. (New Product Development Section)

* The seat monitors changes in the driver's breathing rate to detect drowsiness and alerts the sleepy driver by vibrating. (Exhibited at the 43rd Tokyo Motor Show 2013)

▶ Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/partners.html

Our Relationship with Employees

FY2015 Activity Highlights

Support for Diversity Leads to a Better Working Environment

The TS Women's Committee (TWC) uses a woman's perspective to promote reforms, such as a new personnel evaluation system and workplace environment improvements. In response to requests for childcare support, TWC proposed the establishment of an on-site day care center in 2014, and, in July 2016, a new day care center housed on the grounds of the Technical Center opened its doors. Efforts to support a diverse workforce make for a better workplace and enhance the company's ability to compete.

A shot of the on-site daycare center

Voice

On-Site Daycare Will Give Me More Time with My Kids and Peace of Mind While at Work

Kozue Haji
Business Development Section 1, Group 1, Business Development Department

As my two children are enrolled in off-site daycare, I take advantage of a system that offers shorter working hours in order to drop them off and pick them up. When I heard that an on-site daycare center would be opening in July, I signed up for help on public-holiday workdays, when outside daycare facilities are closed. Having a center on-site will give me more quality time to spend with my kids, and it will give me peace of mind knowing that they are nearby, particularly in the event of a natural disaster or illness. When a workplace recognizes and supports the needs of workers at different stages of life, the result is more efficient employees.

Response
Under the belief of "Due regard for human resources," we strive to create an environment where every hard-working employee can continue to thrive. We will continue to promote new approaches to support diversity and to provide an appealing workplace where employees can work safely and comfortably and be productive. (Human Resources)

▶ Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/employees.html

Our Relationship with Society and the Community

Basic Stance on Philanthropy

With the aim of continuously providing safe, comfort-enhancing products and becoming a company beloved by its customers through ESG-focused management, TS TECH is working to embody 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.

FY2015 Activity Highlights

Suzuka Plant Provides On-site Experience to Local Junior High Students

Japan

The Suzuka Plant is serving its community through activities to support educational experiences for local students. When asked by a local junior high school to provide hands-on experience for eighth graders, the factory responded in November 2015 with training that covered seat disassembly, reassembly and packaging, thus allowing the students to understand the comprehensive process from assembly through shipment. Participating students commented that they "felt the experience would be helpful when selecting a future path" and that they "hoped to put this experience to use in daily life." The experience also raised awareness in participating employees, who made comments such as "I felt unusually nervous, but I worked to come up with simple explanations that the students could really understand" and "I became more aware of safety issues in general as a result of my making the safety of the students the first priority." The factory plans to offer even more informative programs in the future.

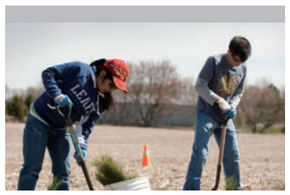
Learning how to assemble seat components

Practicing assembly

TS TECH CANADA INC.: Participation in a Tree Planting Project

Americas

In May 2015, volunteers from TS TECH CANADA INC. and their families, a total of 90 individuals, participated in Ontario's 50 Million Tree Program. Participants spent about two hours planting roughly 1,000 trees native to Canada in a clearing near a water treatment facility, an event that marked the start of a strong commitment to the environment. The branch plans to continue its participation in this event.



Planting trees

Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/social.html

Factory Tours for Elementary School Kids Deepen Community Relationships

Stakeholder Dialogue

(from left)
Karin Sekine and
Saori Kobayashi
Third Grade Teachers,
Gyoda City Minami Elementary School

TS TECH Co., Ltd.
Yasushi Suzaki
Plant Manager,
Manufacturing Division,
Saitama Plant
Shinya Hayashi
Manager,
General Affairs Section,
Administration Department,
Saitama Plant

The Saitama Plant, located in the city of Gyoda, forges connections with the community by offering public tours and hosting traffic safety classes for parents and children. In 2015, the plant invited local third graders to take a tour as part of their social studies curriculum. Factory tours for elementary school students are an effective way to support local education, so in this dialogue, we review the results of the 2015 tour.

Hayashi: The Saitama Plant has hosted numerous tours for the general public, but when we thought about how we might further strengthen our ties to the community, we decided that plant tours for elementary students were necessary, so we began hosting them in 2015. Since we wanted to offer more than a standard tour, we appointed a project team and made a special pamphlet to help the children understand what happens at each stage of the production process.

Kobayashi: Once I heard about the plant tour from our principal, I took a tour of the factory in advance. It made me excited because I knew the kids would be delighted at the chance to get a close look at all of the different processes.

Hayashi: We made it a point to avoid jargon and to not get too technical. For example, when we explained the headrest production process, where we mix two liquid resins to produce a urethane filling, we referred to these resins as "soy sauce" and "egg" based on their colors. We then explained that the process of making urethane is similar to mixing eggs and soy sauce when cooking up a dish of *tamago kake gohan* (egg and soy sauce over rice). Letters we received later from students indicated that our analogy had succeeded and that they understood that our headrests were made by "mixing the ingredients."

Sekine: I toured the plant with the students, and the presentations made it easy to understand how car seats and other components are made.

Hayashi: Kids get bored when they have to sit through a monologue, so we added a variety of hands-on experiences, taking the utmost care to ensure safety. The children had the chance to use wrenches to tighten bolts, experiment with electricity, sit in seats and try out the reclining feature, and more.

Kobayashi: When kids get a chance to see how things are actually made, they also gain a better appreciation for the things they encounter in daily life. They gain important insight such as "Oh, so that's how this gets made" or "This is one kind of job that people can do." Maybe they will begin to dream of doing the same thing, and maybe they will be inspired to work harder to achieve something in the future.

Sekine: The third graders are just starting to learn about their community through social studies. By showing them that car seats are made right here in town, we stimulate their interest and pride in the community that surrounds them.

Hayashi: I've heard people in the community say that they don't know what TS TECH really does. When we asked the children if they had ever heard of TS TECH before, many said they had not. This strengthens our resolve to make ourselves better known to our community.

Suzaki: I think it's important to have many people visit the plant so that they get a real sense that this plant is a part of their community.

Kobayashi: We didn't realize that TS TECH makes so many products at such a large plant until we read the pamphlets and took the tour.

Suzaki: Since our company is part of the automotive industry, in addition to the tours, we also offer traffic safety classes for parents and children where we try to give children a deeper appreciation of the importance of traffic safety.

Sekine: Not long after the tour, our school received information about the traffic safety class. As a result of the tour, the students had an interest in manufacturing at the plant, so many of them signed up for the class.

Hayashi: Plant tours can also have a positive effect on career planning and could possibly play a role in promoting employment at local businesses. We hope that maybe one day we can meet new employees who tell us that they visited us on a social studies field trip when they were in third grade.

Kobayashi, Sekine: We certainly hope that you'll keep our kids in mind and continue to come up with programs that help round out their education.

Suzaki: We at the plant will work hard so that local residents can be proud to have a TS TECH plant in their community. We are very grateful for everyone's support and understanding.

Our Relationship with the Environment

FY2015 Activity Highlights

The TS TECH Head Office and Saitama Plant Receive a Saitama Environmental Excellence Award

Japan

The TS TECH Group received an Excellence Award at the 17th Saitama Environmental Awards* ceremony, held in February 2016.

This award is the result of high marks for our TS TECH Afforestation Program (12.7 ton reduction in CO_2/year), a joint effort between the TS TECH Head Office and the Saitama Plant, and an offshoot of the "Green Ecosystem Conservation Activities" launched by the Group in 2012. The Group will actively continue to expand its efforts in order to remain an environmentally-friendly company welcomed with joy.

* Awards are bestowed upon individuals, organizations and businesses that set an example through eco-friendly behavior and the promotion of environmental awareness.

Award Ceremony (Feb. 8, 2016)
From left: Kiyoshi Ueda (Governor of Saitama), Tetsuya Harada (Deputy Executive General Manager, Corporate Administration Division, TS TECH), Rina Takahashi (General Affairs Section, Administration Department, TS TECH), Ichiro Hiramoto (President, Television Saitama)

Case Examples: Reducing Our Environmental Footprint

Hamamatsu Plant Reduces Electricity Consumption by Coating Their Foaming Ovens

Japan

Seat cushion foam is manufactured by injecting urethane into a mold and then heating that mold in a foaming oven. Hamamatsu technicians discovered that the surface temperature around the oven joints spiked during heating, resulting in a considerable loss of heat and a corresponding hike in electrical consumption.

They corrected the problem by applying a coating of insulation to the joints to prevent heat from escaping, allowing the plant to use less power and maintain an optimal temperature inside the oven. As a result, annual electrical power consumption dropped 33,139 kWh, and there was a corresponding 17.1 ton reduction in annual CO_2 emissions.

Going forward, we will continue developing new production techniques that both cut costs and reduce our environmental impact.

Foaming process (oven)

TS TECH (THAILAND) Boosts Productivity during the Door Bonding Process

Asia and Europe

Our overseas companies are also striving to reduce their environmental load. TS TECH (THAILAND) CO., LTD. won an Environmental Award at the 2015 TC Circle World Competition, which was held in Japan, for reducing annual CO_2 emissions by 6.82 tons annually by making bonding and production more efficient without any change in equipment. This was achieved by replacing and adding guns necessary for applying adhesive to doors, shortening the time needed to spray paint and thereby improving efficiency.

Changing the coating head

Please visit our website to learn more about our activities: http://www.tstech.co.jp/english/csr/

Stakeholder Dialogue

Working with Children to Restore *Satoyama*

Hiroyuki Terao (center)
Deputy Director, Global Warming Response Section, Department of Environment and Forestry

Masashi Kosuge (right)
Director, Takanezawa Industry Support Section

Ikuo Kageura (left)
Manager, Tochigi Administration Section, Administration Department TS TECH Co., Ltd.

As part of TS TECH's Green Ecosystem Conservation Activities, we participate in Tochigi Prefecture's project to promote afforestation by businesses. In October 2015, as part of this project, we created our TS TECH Forest of High Spirits with the aim of preserving *satoyama in the town of Takanezawa. In March 2016, during our first event, we gathered on-site with participating Takanezawa officials to discuss the initiative and our hopes for the future.**

Terao: Your company was involved in afforestation activities in Tochigi before this new initiative. How did you explain this *satoyama* initiative to the employees at your company?

Kageura: In earlier times, *satoyama* played an important role in daily life as a distinctive habitat area that provided food and lumber to locals. But with the spread of modern conveniences, locals began to neglect these areas, and they became overgrown. We explained this to our employees, and we told them that our purpose was to help restore *satoyama* zones to their original condition.

Kosuge: This is a town forest with an area about one-third of the Tokyo Dome, but we didn't have enough hands to maintain it, so we were delighted by your initiative to restore it.

In the past, each farm household had its own *satoyama* area where the family would pick up fallen leaves and firewood for cooking. But as Mr. Kageura says, these areas are slowly disappearing. Many TS TECH employees may not have the chance to interact with nature on a regular basis, so I hope that this type of activity will give them a chance to get back in touch and remind them of the importance of environmental protection.

Wouldn't you agree that another great thing about your initiative is that it involves entire families, including small children?

Kageura: Yes. We had not previously included children in our afforestation activities, but this time we wanted them to learn about the importance of *satoyama* and to enjoy some physical contact with nature—to see how a burr stings their finger when they touch it or to get their hands dirty while picking up leaves, for example. They'll enjoy seeing how the bamboo grass grows in the areas once covered by leaves or seeing raccoon dogs and foxes in the wild with their own eyes. We definitely want to continue keep the children involved.

Terao: As we continue with these activities, we open up new ways to experience nature and learn about the environment, and these can lead us to new ways of thinking about environmental protection.

Kosuge: It's also important to appreciate how the preservation of forests and *satoyama* can benefit us in the future. When forests are clean, so is the underground water. That water in turn helps to enrich the area's rice paddies and strawberry fields. These activities teach us various things about natural cycles, such as how we can see that forestry efforts result in tastier produce.

Terao: The issue of managing the neglected *satoyama* is a problem throughout the prefecture. If we can keep the TS TECH Forest of High Spirits going for several decades, the leaves collected by your employees can be turned into significant quantities of compost, which can then be used on our rice fields to produce better-tasting rice for our communities. I think this effort is part of a new approach where businesses work together with the community to protect *satoyama*. I hope your company will continue with its efforts.

Kosuge: Since your company has strong ties to carmakers, you are probably very aware of how important environmental protection can be to the promotion of your business. I hope this initiative helps raise the environmental consciousness of your employees and that it helps further their interest in some of the other activities and events run by the town.

Kageura: Going forward, our company must continue working to build strong relationships with the residents of Tochigi and Takanezawa, and we must also keep thinking about how best to maintain our community-oriented activities over the long run. I'll be very happy if we can keep the TS TECH Forest of High Spirits going so that we can pass it on to the next generation. I also hope that, through these initiatives, our employees and their children gain a better appreciation of the necessity of preserving forests and *satoyama*, specifically the importance of protecting nature and restoring local areas.

* Semi-wild or arable zones situated between unspoiled nature and populated areas. The term *satoyama* includes rice fields, farmlands, reservoirs, and woods.

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, employees, and the community. 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 as well as improve corporate ethics.

We endorse the Tokyo Stock Exchange's Corporate Governance Code and have set the following basic policies accordingly.

Basic Policies

(1) Securing the Rights and Equal Treatment of Shareholders

We respect the rights of all stockholders, who are important shareholders, and shall maintain an environment that ensures that all shareholders, including non-controlling interests, are treated equally and can fully exercise their rights.

(2) Appropriate Cooperation with Shareholders

We shall cooperate appropriately with all shareholders while working to achieve sustainable growth and an increase in mid-to-long-term corporate value.

(3) Ensuring Appropriate Information Disclosure and Transparency

We shall actively disclose information in order to be viewed as a "Company Welcomed with Joy" by our shareholders, and we shall manage our business with transparency and good faith.

(4) Responsibilities of the Board

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

(5) Dialogue with Shareholders

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

Compliance with the Corporate Governance Code

The Corporate Governance Code mandates a "comply or explain (reasons for non-compliance)" approach with respect to each of its published principles. TS TECH has carefully considered the content and spirit of each of these principles in relation to its underlying goals of achieving sustainable growth and building mid-to-long-term corporate value, and it complies with all principles except two supplementary principles, as explained below.

Supplementary Principle 1.2.4 (The creation of an infrastructure for electronic voting): We shall consider implementation of this principle in the future, based on the ratio of foreign investors to shareholders and the percentage of shareholders who vote.

Supplementary Principle 4.11.3 (Evaluation of the effectiveness of the board as a whole): We have determined that our present approach, whereby the president and auditors conduct interviews with other board members to assess members' management-related views and awareness of issues, does successfully confirm the effectiveness of the board as a whole. However, we are also currently considering the adoption of standards for analyzing, evaluating, and disclosing the results of this confirmation process.

We will conduct dialogue with our shareholders as we continue considering how best to implement the Code's principles.

Group Governance System

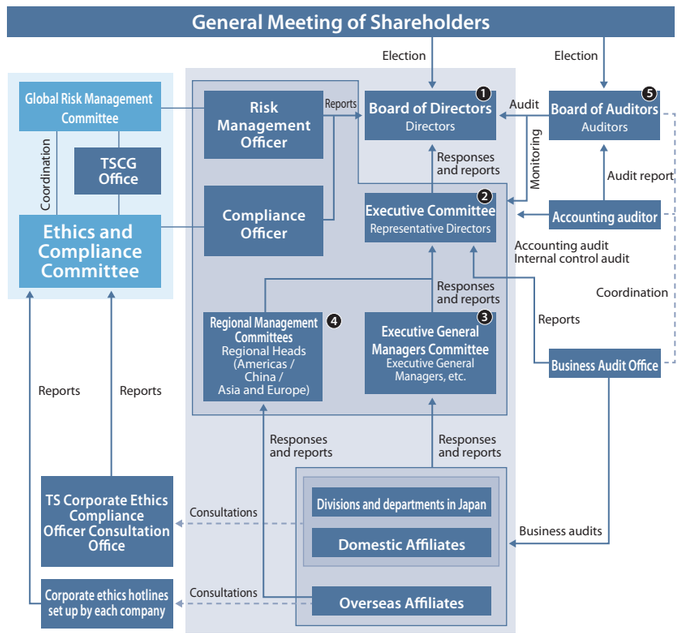
The TS TECH Group has established a sound corporate governance system. It includes sharing the TS Philosophy, a policy on corporate governance, and a three-year medium-term management plan. Affiliated companies also have their own effective, efficient corporate governance systems that are based on the laws of their respective countries and 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 compliance and risk 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.

Governance System Diagram



❶ Board of Directors
The Board of Directors comprises 14 directors, including two outside directors. It convenes at least once per month in principle. The Board of Directors makes decisions regarding management policies, important management issues and matters mandated by laws and regulations. It also supervises the execution of the company's operations.

The outside directors are elected based on their wealth of professional experience because they will be consulted regarding management policies and important company decisions.

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

❸ Executive General Managers Committee
It comprises directors and other members. It discusses matters relating to the policies, planning, and control of each business division's overall operations to enhance efficiency of management.

❹ Regional Management Committees
They comprise directors and other managers in the Americas, China, and Asia and Europe, and deliberate on important matters affecting management in their respective regions.

❺ Board of Auditors
It comprises four members (including two outside corporate auditors). Each corporate auditor audits the directors' execution of duties in accordance with the audit policy determined by the Board of Auditors through attendance at important meetings such as meetings of the Board of Directors, various examinations, and the regular exchange of opinions with the directors.

Outside corporate auditors are elected to utilize their professional experience outside of TS TECH and to make audit functions even more objective and independent.

Appointments of Outside Directors

Name	Reason for Appointment
Shizuo Kitamura	Mr. Kitamura's abundant experience as a corporate manager qualifies him to provide valuable insight and advice related to our management practices. We have determined that Mr. Kitamura has not at any time shared any business or fiduciary interests with the Group and that his appointment poses no risk of conflict of interest with shareholders.
Teruyasu Mutaguchi	Mr. Mutaguchi's abundant experience as a corporate manager of a manufacturing company qualifies him to provide valuable insight and advice related to our management practices. We have determined that Mr. Mutaguchi has not at any time shared any business or fiduciary interests with the Group and that his appointment poses no risk of conflict of interest with shareholders.

Appointments of Outside Auditors

Name	Reason for Appointment
Tatsuya Motoda	Mr. Motoda's abundant experience and broad knowledge as a tax accountant will enable him to contribute significantly to the maintenance of the Group's health and strengthening of our auditing system. We have determined that Mr. Motoda has not at any time shared any business or fiduciary interests with the Group and that his appointment poses no risk of conflict of interest with shareholders.
Akira Kawashita	Mr. Kawashita's broad knowledge and insight achieved through his experience with financial institutions and his work as a corporate manager will enable him to provide valuable support to our auditing system. We have determined that Mr. Kawashita has not at any time shared any business or fiduciary interests with the Group and that his appointment poses no risk of conflict of interest with shareholders.

Operation of an 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 a Board of Directors' meeting held in May 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.

Risk Management

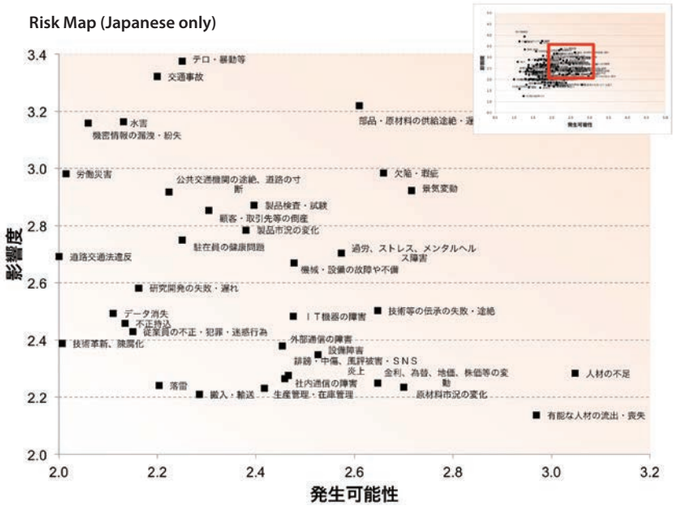
Important management issues are carefully deliberated upon by TS TECH's Executive Committee as well as various advisory committees. Through these discussions, TS TECH makes every effort to avoid and mitigate business risks.

In addition, a Risk Management Officer is appointed from among the Representative Directors and placed in charge of risk management. The Global Risk Management Committee, comprising directors and other officers, has been 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 FY2015, the Group worked to mitigate the possibility of an interruption in the parts supply chain, an issue the Group perceived to be high-risk, through measures such as the designation of high-risk components and supply of parts within the Group in the event of an interruption.

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

Risk Map (Japanese only)



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 a Compliance Officer in order to promote compliance initiatives, and steps are continually taken to prevent legal violations before they occur through regular TSCG self-verifications and deliberations of important ethics and compliance issues by the Ethics and Compliance Committee. Recognizing our position as a member of the automotive industry, in 2015 we reinforced our efforts to prevent driving violations by employees by initiating measures to ensure that all employees are fully aware of the consequences and penalties related to major driving violations (drunk driving, speeding, driving without a license, and hit-and-run).

We have established a whistleblower hotline called the TS Corporate Ethics Compliance Consultation Office, which enables employees to bring issues before compliance officers, who respond with rapid, effective investigations and corrective guidance in the event of a problem. The office handles approximately ten complaints per year, and its continuous availability has been effective in resolving internal issues and maintaining compliance.

Directors and Auditors (as of June 24, 2016)

Directors

PRESIDENT
(Representative Director)
Michio Inoue

Joined TS TECH Co., Ltd. in 1977
President (Representative Director),
TS TECH Co., Ltd.

SENIOR MANAGING DIRECTOR
(Representative Director)
Yoshiaki Yui

Joined TS TECH Co., Ltd. in 1980
Senior Managing Director (Representative Director), TS TECH Co., Ltd.
Assistant to the President, TS TECH Co., Ltd.
Management Supervision, TS TECH Co., Ltd.
Sales Division General Executive Manager
Risk Management Officer

SENIOR MANAGING DIRECTOR
(Representative Director)
Masanari Yasuda

Joined TS TECH Co., Ltd. in 1982
Senior Managing Director (Representative Director), TS TECH Co., Ltd.
Assistant to the President, TS TECH Co., Ltd.
Global Operations Supervision, TS TECH Co., Ltd.
Quality Assurance Supervision, TS TECH Co., Ltd.

SENIOR MANAGING DIRECTOR
Minoru Maeda

Joined TS TECH Co., Ltd. in 1979
Senior Managing Director, TS TECH Co., Ltd.
Americas Executive General Manager,
Chairman and President of
TS TECH AMERICAS, INC.

MANAGING DIRECTOR
Yoshitaka Nakajima

Joined TS TECH Co., Ltd. in 1982
Managing Director, TS TECH Co., Ltd.
Corporate Administration Division
Executive General Manager,
Compliance Officer,
Officer in Charge of Public Relations

MANAGING DIRECTOR
Hitoshi Yoshida

Joined TS TECH Co., Ltd. in 1981
Managing Director, TS TECH Co., Ltd.
Asia and Europe Executive General Manager
Chairman of TS TECH ASIAN CO., LTD. and TS TECH BANGLADESH LIMITED

MANAGING DIRECTOR
Koichi Mase

Joined TS TECH Co., Ltd. in 1979
Managing Director, TS TECH Co., Ltd.
China Executive General Manager
Chairman and President of
TS TECH (HONG KONG) CO., LTD.

MANAGING DIRECTOR
Akihiko Hayashi

Joined TS TECH Co., Ltd. in 1978
Managing Director, TS TECH Co., Ltd.
Manufacturing Division Executive General Manager

DIRECTOR
Yutaka Arai

Joined TS TECH Co., Ltd. in 1982
Director, TS TECH Co., Ltd.
Development and Engineering Division
Executive General Manager

DIRECTOR
Kenichi Hasegawa

Joined TS TECH Co., Ltd. in 1982
Director, TS TECH Co., Ltd.
Officer in Charge of New Business Development,
Chairman of TS TECH Deutschland GmbH

DIRECTOR
Atsushi Igaki

General Manager of Regional Operations Planning Office (Japan) at
Honda Motor Co., Ltd.
Joined TS TECH Co., Ltd. in 2016
Director, TS TECH Co., Ltd.
Corporate Business Administration Division Executive General Manager

DIRECTOR
Yoshikazu Ariga

Joined TS TECH Co., Ltd. in 1990
Director, TS TECH Co., Ltd.
Corporate Purchasing Division Executive General Manager
Purchasing Department 2 General Manager

DIRECTOR (Outside Director)
Shizuo Kitamura

Director and Deputy President of Resona Business Service Co., Ltd.
Joined TS TECH Co., Ltd. in 2015
Director, TS TECH Co., Ltd.

DIRECTOR Outside (Director)
Teruyasu Mutaguchi

Industry-Academia-Government Collaboration Senior Coordinator at the Comprehensive Open Innovation Center, Saitama University
Joined TS TECH Co., Ltd. in 2016
Director, TS TECH Co., Ltd.

Auditors

AUDITOR (Full-Time)
Masao Uzawa

Joined TS TECH Co., Ltd. in 1976
Auditor, TS TECH Co., Ltd.

AUDITOR (Full-Time)
Senzo Yamazaki

Joined TS TECH Co., Ltd. in 1979
Auditor, TS TECH Co., Ltd.

AUDITOR (Part-Time)*
Tatsuya Motoda

Motoda Tax & Accounting Office
Joined TS TECH Co., Ltd. in 2014
Auditor, TS TECH Co., Ltd

AUDITOR (Part-Time)*
Akira Kawashita

Part-Time Adviser for
Senshu Logisco Co., Ltd.
Joined TS TECH Co., Ltd. in 2016
Auditor, TS TECH Co., Ltd.

*Outside Auditor

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.

Contents

The Group has switched from Japanese accounting standards (Japanese GAAP) to International Financial Reporting Standards (IFRS) effective the end of the fiscal year ended March 2016. All financial information in the text is in accordance with IFRS, except where it is specified that information is based on Japanese GAAP.

1. Analysis of Financial Condition

Assets at the end of FY2016 stood at 303,948 million yen, increasing 7,089 million yen from the end of FY2015. The main factors for the rise were an increase cash and cash equivalents resulting from higher income and an increase in trade and other receivables stemming from an increase in order volume from major customers. These factors offset a decrease stemming from the impact of exchange rates.

Total liabilities at the end of FY2016 amounted to 84,855 million yen, up 4,498 million yen from the end of FY2015. The increase resulted primarily from an increase in trade and other payables chiefly due to an increase in order volume from major customers, offsetting decreases stemming from the impact of exchange rates.

Equity at the end of FY2016 totaled 219,092 million yen, rising 2,590 million yen from the end of FY2015. The increase was chiefly due to an increase in retained earnings resulting from the recorded profit for the period, offsetting a decline in other components of equity due to the effects of exchange rates.

2. Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of FY2016 amounted to 90,437 million yen, up 2,547 million yen from the end of the previous fiscal year.

Cash flows from operating activities amounted to 47,531 million yen, showing a year-on-year increase of 12,475 million yen. The result reflects a change in trade and other payables from a decrease of 13,456 million yen in the previous fiscal year to an increase of 11,731 million yen in FY2016 as well as a decrease of 2,165 million yen in income tax, offsetting a change in trade and other receivables from an increase of 15,476 million yen in the previous fiscal year to a decrease of 5,236 million yen in FY2016.

Cash flows from investing activities came to 25,299 million yen, an increase of 2,528 million yen year-on-year, primarily reflecting a change in time deposits, after addition and withdrawal, from a net increase of 19 million yen in the previous fiscal year to a net increase of 4,919 million yen in the fiscal year under review, offsetting a 2,697 million yen decrease in purchase of intangible assets.

Cash flows from financial activities totaled 12,319 million yen, an increase of 1,088 million yen year-on-year. This reflects an increase of 763 million yen in cash dividends paid (including cash dividends paid to non-controlling interests).

3. Analysis of Operating Performance

Despite sluggish economies in emerging countries and instability resulting from low crude oil prices, the global economy during the fiscal year under review showed steady progress due to moderate growth primarily driven by the U.S. economy. The TS TECH Group faced a challenging business environment overall, despite steady order volume in countries such as the United States and India, chiefly reflecting a decline in order volume in emerging countries including Brazil and Indonesia.

Against this backdrop, the Group pursued various measures to improve revenue in the second year of the its 12th Medium-Term Management Plan. In the Americas segment, a subsidiary in Mexico that manufactures seats and interior products began full scale operations in conjunction with the start of production of the new Honda Civic global model, and the Group worked towards even greater self-sufficiency and streamlining by implementing new facilities at each North American location as well as further consolidating the production of seat components. Additionally, in Asia, a new company for the cutting and sewing of trim cover in Bangladesh was established as part of a steady implementation of various measures to improve component competitiveness.

In the fiscal year under review, the Group recorded a year-on-year increase in revenue and operating income due to the gradual effects of active measures to improve revenue undertaken at each location as well as the impact of exchange rates driven by the weaker yen, which offset a decline in demand for automobiles primarily in emerging countries.

Revenue for the fiscal year under review amounted to 458,732 million yen on a consolidated basis, up 36,414 million yen (8.6%) from the preceding fiscal year. The impact of exchange rates driven by the weaker yen offset a decrease in order volume from major customers. Looking at profits, operating income stood at 39,279 million yen, an increase of 3,232 million yen (9.0%) year on year, primarily reflecting the effects of exchange rates and a change in the makeup of models, which offset temporary extra expenses such as model changeover costs in the Americas. Income attributable to owners of parent totaled 23,528 million yen, a decrease of 942 million yen (4.2%) year-on-year.

The Group's consolidated forecasts for FY2017 are as follows:

Revenue	430.0 billion yen (Down 6.3% year-on-year)
Operating income	36.5 billion yen (Down 7.1% year-on-year)
Income before tax	37.5 billion yen (Down 8.0% year-on-year)
Net income	26.4 billion yen (Down 10.2% year-on-year)
Income attributable to owners of parent	21.5 billion yen (Down 8.6 year-on-year)

(Unit: Million yen)

	Note	Transition Date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
ASSETS				
Current assets				
Cash and cash equivalents	6	¥ 78,634	¥ 87,889	**¥ 90,437**
Trade and other receivables	7	63,997	55,356	**56,849**
Other financial assets	8	5,040	5,249	**8,948**
Inventories	9	23,183	28,340	**27,763**
Income taxes receivable		458	627	**1,201**
Other current assets		2,660	3,754	**4,918**
Subtotal		173,975	181,217	**190,118**
Non-current assets held for sale	10	505	—	**—**
Total current assets		174,480	181,217	**190,118**
Non-current assets				
Property, plant and equipment	11	57,857	74,349	**76,338**
Intangible assets	12	7,195	11,160	**11,467**
Investments accounted for using the equity method	27	1,207	1,349	**1,016**
Other financial assets	8	22,792	25,190	**21,580**
Net defined benefit asset	18	1,038	482	**598**
Deferred tax assets	16	1,752	2,001	**1,897**
Other non-current assets		1,311	1,108	**931**
Total non-current assets		93,156	115,641	**113,829**
Total assets		¥267,637	¥296,858	**¥303,948**

(Unit: Million yen)

	Note	Transition Date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	13	¥ 65,102	¥ 60,191	**¥ 66,224**
Current borrowings	14	2,018	1,551	**1,086**
Other financial liabilities	15	1,840	1,709	**1,452**
Income taxes payable	16	3,738	1,975	**2,406**
Provisions	17	99	122	**107**
Other current liabilities		4,044	3,349	**4,107**
Total current liabilities		76,843	68,899	**75,384**
Non-current liabilities				
Non-current borrowings	14	69	9	**21**
Other financial liabilities	15	1,003	2,381	**1,775**
Net defined benefit liability	18	2,789	842	**945**
Provisions	17	145	141	**78**
Deferred tax liabilities	16	4,728	5,967	**4,847**
Other non-current liabilities		1,457	2,115	**1,802**
Total non-current liabilities		10,193	11,457	**9,470**
Total liabilities		87,037	80,356	**84,855**
Equity				
Common stock	19	4,700	4,700	**4,700**
Capital surplus	19	4,949	4,949	**4,949**
Treasury stock	19	(3)	(3)	**(4)**
Retained earnings	19	142,396	160,899	**179,851**
Other components of equity	19	7,620	21,571	**7,563**
Total equity attributable to owners of parent		159,663	192,116	**197,060**
Non-controlling interests		20,937	24,385	**22,031**
Total equity		180,600	216,502	**219,092**
Total liabilities and equity		¥267,637	¥296,858	**¥303,948**

See notes to consolidated financial statements.

Consolidated Statement of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

(Unit: Million yen)

	Note	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Revenue	5	¥422,317	**¥458,732**
Cost of sales	20	(352,716)	**(381,258)**
Gross profit		69,600	**77,473**
Selling, general and administrative expenses	20	(33,768)	**(39,414)**
Other income	21	1,017	**1,693**
Other expenses	21	(802)	**(472)**
Operating income	5	36,047	**39,279**
Finance income	22	3,753	**1,593**
Finance costs	22	(206)	**(589)**
Share of profit of investments accounted for using the equity method	27	674	**482**
Income before income tax		40,268	**40,766**
Income tax expense	16	(12,570)	**(11,352)**
Net income		27,697	**29,413**
Income attributable to:			
Income attributable to owners of parent		22,585	**23,528**
Income attributable to non-controlling interests		5,112	**5,885**
Net income		¥ 27,697	**¥ 29,413**
Earnings per share			
Basic earnings per share (yen)	23	¥ 332.15	**¥ 346.01**
Diluted earnings per share (yen)	23	—	**—**

See notes to consolidated financial statements.

Consolidated Statement of Profit or Loss and Comprehensive Income

Consolidated statement of comprehensive income

(Unit: Million yen)

	Note	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Net income		¥27,697	**¥29,413**
Other comprehensive income			
Components that will not be reclassified subsequently to net profit or loss			
Remeasurements of net defined benefit plans	24	342	**(196)**
Total components that will not be reclassified subsequently to net profit or loss	24	342	**(196)**
Components that may be reclassified subsequently to net profit or loss			
Change in fair value of available-for-sale financial assets	24	1,406	**(2,314)**
Differences on translation from foreign operations	24	15,472	**(14,498)**
Share of other comprehensive income of associates accounted for using the equity method	24	108	**(65)**
Total components that may be reclassified subsequently to net profit or loss		16,988	**(16,878)**
Other comprehensive income, net of tax		17,330	**(17,074)**
Comprehensive income for the period		45,028	**12,339**
Comprehensive income for the period attributable to:			
Comprehensive income for the period attributable to owners of parent		36,536	**9,520**
Comprehensive income for the period attributable to non-controlling interests		8,492	**2,818**
Comprehensive income for the period		¥45,028	**¥12,339**

See notes to consolidated financial statements.

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

	Note	Equity attributable to owners of parent					Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
Balance at the end of the previous fiscal year		¥4,700	¥4,949	¥(3)	¥142,396	¥ 7,620	¥159,663	¥20,937	¥180,600
Comprehensive income									
Net income					22,585		22,585	5,112	27,697
Other comprehensive income	19					13,950	13,950	3,380	17,330
Total comprehensive income		—	—	—	22,585	13,950	36,536	8,492	45,028
Transactions with owners, etc.									
Dividends	25				(4,079)		(4,079)	(5,043)	(9,123)
Acquisition of treasury stock				(0)			(0)		(0)
Others					(2)		(2)	(1)	(3)
Total transactions with owners, etc.		—	—	(0)	(4,082)	—	(4,082)	(5,044)	(9,126)
Balance at the end of the fiscal year		¥4,700	¥4,949	¥(3)	¥160,899	¥21,571	¥192,116	¥24,385	¥216,502

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

	Note	Equity attributable to owners of parent					Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity			
Balance at the end of the previous fiscal year		**¥4,700**	**¥4,949**	**¥(3)**	**¥160,899**	**¥21,571**	**¥192,116**	**¥24,385**	**¥216,502**
Comprehensive income									
Net income					**23,528**		**23,528**	**5,885**	**29,413**
Other comprehensive income	19					**(14,007)**	**(14,007)**	**(3,066)**	**(17,074)**
Total comprehensive income		**—**	**—**	**—**	**23,528**	**(14,007)**	**9,520**	**2,818**	**12,339**
Transactions with owners, etc.									
Dividends	25				**(4,283)**		**(4,283)**	**(5,170)**	**(9,454)**
Acquisition of treasury stock				**(0)**			**(0)**		**(0)**
Others					**(291)**		**(291)**	**(1)**	**(293)**
Total transactions with owners, etc.		**—**	**—**	**(0)**	**(4,575)**	**—**	**(4,576)**	**(5,172)**	**(9,748)**
Balance at the end of the fiscal year		**¥4,700**	**¥4,949**	**¥(4)**	**¥179,851**	**¥ 7,563**	**¥197,060**	**¥22,031**	**¥219,092**

See notes to consolidated financial statements.

(Unit: Million yen)

	Note	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Cash flows from operating activities			
Income before income tax		¥ 40,268	**¥ 40,766**
Depreciation and amortization		8,994	**10,819**
Impairment loss		133	**14**
Loss (gain) on disposal of non-current assets		404	**(652)**
Finance costs (income)		(1,903)	**(1,452)**
Share of losses (profits) of investments accounted for using the equity method		(674)	**(482)**
Decrease (increase) in trade and other receivables		15,476	**(5,236)**
Decrease (increase) in leased receivables and leased investment property		2,235	**3,072**
Decrease (increase) in inventories		(2,914)	**(1,244)**
Increase (decrease) in trade and other payables		(13,456)	**11,731**
Increase (decrease) in net defined benefit asset and net defined benefit liability		(1,417)	**48**
Increase (decrease) in provisions		25	**(78)**
Other		(1,256)	**(554)**
Subtotal		45,915	**56,752**
Interest income received		1,430	**1,115**
Dividend income received		1,381	**1,147**
Interest expenses paid		(204)	**(182)**
Income taxes paid		(13,466)	**(11,300)**
Net cash provided by operating activities		35,056	**47,531**
Cash flows from investing activities			
Payments into time deposits		(980)	**(8,305)**
Proceeds from withdrawal of time deposits		961	**3,385**
Purchase of property, plant and equipment		(17,746)	**(17,673)**
Proceeds from sales of property, plant and equipment		753	**872**
Purchase of intangible assets		(5,331)	**(2,633)**
Purchase of equity instruments		(55)	**(59)**
Proceeds from sale of equity instruments		—	**102**
Payment of loans receivable		(145)	**(270)**
Collection of loans receivable		182	**287**
Other		(409)	**(1,006)**
Net cash used in investing activities		¥(22,771)	**¥(25,299)**

(Unit: Million yen)

	Note	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable		¥ (433)	**¥ (777)**
Proceeds from long-term loans payable		—	**27**
Repayments of long-term loans payable		(167)	**(59)**
Repayments of finance lease obligations		(1,958)	**(2,073)**
Purchase of treasury stock		(0)	**(0)**
Cash dividends paid	25	(4,079)	**(4,283)**
Cash dividends paid to non-controlling interests		(4,591)	**(5,151)**
Net cash used in financing activities		(11,231)	**(12,319)**
Effects of exchange rate changes on cash and cash equivalents		8,202	**(7,465)**
Net increase (decrease) in cash and cash equivalents		9,255	**2,446**
Cash and cash equivalents at beginning of period	6	78,634	**87,889**
Increase in cash and cash equivalents from newly consolidated subsidiaries		—	**101**
Cash and cash equivalents at end of period	6	¥ 87,889	**¥ 90,437**

See notes to consolidated financial statements.

1. REPORTING ENTITY

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

The consolidated financial statements of the Company at and for the year ended March 31, 2016 comprise the Company, its subsidiaries (hereinafter "the Group") and the Group's interests in its affiliates.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company meets the requirements of a "specified company applying designated international accounting standards" set out under Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements." Accordingly, the consolidated financial statements are prepared according to IFRS pursuant to the provisions of Article 93 of said Ordinance.

The consolidated financial statements were approved by the Board of Directors on June 24, 2016.

(2) Matters regarding the initial application

The Group has applied IFRS from the fiscal year ended March 31, 2016.

The date of transition to IFRS was April 1, 2014 and the tables of adjustment between the previous accounting standards (Japanese generally accepted practices (GAAP)) and IFRS are stated in Note 33, "Initial Application of IFRS." Except for the provisions of IFRS that were not applied early and the provisions exempt during the initial application, compliance with the effective IFRS is verified as of March 31, 2016.

(3) Basis for measurement

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

(4) Functional currency and presentation currency

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

(5) Important accounting judgments, estimates and assumptions

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

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

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

- Scope of consolidation: Note 3, "Important Accounting Policies (1) Basis of consolidation"
- Estimated useful lives of intangible assets: Note 3, "Important Accounting Policies (8) Intangible assets"
- Scope of contracts including leases: Note 3, "Important Accounting Policies (9) Leases"
- Impairment of non-financial assets: Note 3, "Important Accounting Policies (10) Impairment of non-financial assets"
- Measurement of defined benefit obligations: Note 3, "Important Accounting Policies (12) Employee benefits"
- Recognition and measurement of provisions: Note 3, "Important Accounting Policies (13) Provisions"
- Revenue recognition: Note 3, "Important Accounting Policies (16) Revenues"
- Recoverability of deferred tax assets: Note 3, "Important Accounting Policies (18) Income taxes"

3. IMPORTANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Affiliates

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

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

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

(2) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

(3) Foreign currency translations

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

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

(i) Foreign currency transaction

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

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

(ii) Foreign operations

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

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

(4) Financial instruments

(i) Classification of financial instruments

Financial assets and financial liabilities are classified into "financial assets and liabilities measured at a fair value through net profit or loss," "held-to-maturity investments," "loans and receivables," "available-for-sale financial assets" and "financial liabilities measured at amortized cost." These classifications are determined at the time of initial recognition based on the nature and the holding purpose of the financial instrument.

(ii) Initial recognition and measurement

Financial assets and financial liabilities are recognized at the point at which the Group becomes a contractual party to the provision of the financial asset or financial liability and are measured at fair value. Transaction costs directly attributable to the acquisition of a financial asset are added to the fair value of the financial asset, with the exception of transaction costs associated with financial assets at a fair value through net profit or loss.

Transaction costs directly attributable to the issue of a financial liability are deducted from the fair value of the financial liability, with the exception of transaction costs associated with financial liabilities at a fair value through net profit or loss.

(iii) Financial assets and liabilities measured at a fair value through net profit or loss

Financial instruments held for trading such as derivative transactions as well as those designated by the Group as measured at fair value through profit or loss at initial recognition are classified as financial assets and financial liabilities at a fair value through net profit or loss.

Measurements after the initial recognition are made at fair value, and any changes in fair value are recognized in net profit or loss.

(iv) Held-to-maturity investments

Financial assets other than derivatives with a payment amount that is fixed or may be determined and maturity date that is fixed, and for which the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Measurements after the initial recognition are made at amortized cost using the effective interest method less any impairment loss with interest income recognized in net profit or loss using the effective interest method.

(v) Loans and receivables

Financial assets other than derivatives with a payment amount that is fixed or may be determined that are not quoted in an active market are classified as loans and receivables.

Measurements after the initial recognition are made at amortized cost using the effective interest method less any impairment loss with interest income from the effective interest method recognized in net profit or loss.

(vi) Available-for-sale financial assets

Financial instruments designated by the Group as available-for-sale financial assets, and financial instruments not designated as financial assets measured at a fair value through net profit or loss, held-to-maturity investments, or loans and receivables are classified as available-for-sale financial assets.

Measurements after the initial recognition are made at fair value, and any changes in fair value are recognized in other comprehensive income.

(vii) Impairment of financial assets

If objective evidence of impairment of held-to-maturity investments and loans and receivables exists, the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the financial asset's original effective interest rate, is recognized as impairment loss.

Impairment loss on held-to-maturity investments and loans and receivables is recognized as allowance for doubtful accounts. If, after the recognition of impairment loss, it is considered uncollectible, it is written off against the allowance for doubtful accounts and the carrying amount is directly reduced.

If objective evidence of impairment of available-for-sale financial assets exists, the cumulative losses recognized in other comprehensive income are reclassified to net profit or loss.

(viii) Measurement of financial liabilities after initial recognition

Financial liabilities other than financial liabilities at fair value through net profit of loss are measured at amortized cost, with interest expenses according to the effective interest method recognized in net profit or loss.

(ix) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognizes financial liabilities when the Group's obligations are discharged, cancelled or expire.

(x) Offsetting a financial asset and a financial liability

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

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

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Intangible assets

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

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

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

Capitalized development expenses are amortized using the straight-line method over the estimated useful life (mainly 5 years) commencing from the time the product subject to development commences mass production.

The estimated useful lives and amortization methods are reviewed each year and revised as necessary.

(9) Leases

Lease transactions are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, while all other leases are classified as operating leases.

Whether a contract is a lease or whether a contract contains a lease is determined based on the substance of the contract. If the fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset, such assets are considered to be under a lease.

(i) Lease as lessee

Lease assets and lease liabilities under finance leases are recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments in the consolidated statement of financial position at the inception of the lease. Leased assets are amortized using the straight-line method in accordance with the accounting policies applied to the assets.

Payments under operating leases are recognized in net profit or loss throughout the lease term.

(ii) Lease as lessor

Amounts due from lessees under finance leases are recognized in the consolidated statement of financial position at the amount of net investment in the lease.

The difference between the amount of net investment in the lease and the cost of lease investment is recognized in net profit or loss at the inception of the lease.

(10) Impairment of non-financial assets

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

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

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

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

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

(11) Non-current assets held for sale

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

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

(12) Employee benefits

(i) Post-employment benefits

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

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

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

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

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

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

(ii) Short-term employee benefits

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

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

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

(iii) Other long-term employee benefits

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

(13) Provisions

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

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

(14) Government-imposed levies

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

(15) Equity

(i) Common shares

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

(ii) Treasury stock

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

(16) Revenues

Revenues are measured at fair value of the consideration received for sale of goods, etc., less discounts, rebates and taxes including consumption taxes.

(i) Sale of goods

Revenue from the sale of goods is recognized when all of the following conditions are met:

- Significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold have been retained;
- The amount revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income

Interest income is recognized based on the effective interest method.

(iii) Dividend income

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

(17) Government grants

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

Government grants relating to revenues are recognized in net profit or loss over the period the expenses, which the grant is intended to compensate, are recognized.

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

(18) Income taxes

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

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

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

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

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

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

(19) Basic earnings per share

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

4. NEW STANDARDS NOT YET ADOPTED BY THE GROUP

New or revised Standards and Interpretations that were issued by the date of approval of the consolidated financial statements but were not adopted by the Group are as follows. The Company is currently assessing but cannot estimate at the present time the possible impact of these new Standards and Interpretations on its consolidated financial statements.

Standards	Title	Date of mandatory adoption (Fiscal year of commencement thereafter)	Fiscal year of application by the Group	Overview of new/revised Standard
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 31, 2019	Revisions of the classification, measurement and impairment of financial instruments; and hedge accounting
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revision of accounting relating to the recognition of revenue
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revision of accounting relating to lease arrangements

5. SEGMENT INFORMATION

(1) Overview of reportable segments

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

Positioning Japan as its global base, the Company has a control and management system for the three operating regions of the Americas (the U.S., Canada, Mexico and Brazil), China (China and Hong Kong) and Asia and Europe (Thailand, the Philippines, India, Indonesia, the U.K. and Hungary). The Company appoints an officer responsible for control and management in each region. Policies, plans, controls and other matters concerning general operations are discussed at regional management meetings attended by directors and the like in these regions for executing business activities.

Accordingly, the Company positions Japan, the Americas, China and Asia and Europe as its four reporting segments.

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

(2) Accounting method for revenue, profits or losses, assets, liabilities and other items by reportable segment

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

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

Profits for reportable segments are operating income figures based on the consolidated statements of profit or loss and comprehensive income.

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

FY2015 (April 1, 2014–March 31, 2015)

(Unit: Million yen)

	Reportable segments						
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Revenue							
External revenue	¥60,718	¥218,775	¥84,960	¥57,862	¥422,317	¥ —	¥422,317
Inter-segment revenue	25,180	759	6,097	864	32,901	(32,901)	—
Total	¥85,899	¥219,534	¥91,057	¥58,727	¥455,219	¥(32,901)	¥422,317
Segment profits	¥ 7,404	¥ 16,198	¥14,243	¥ 3,034	¥ 40,881	¥ (4,834)	¥ 36,047
Finance income and finance costs	—	—	—	—	—	—	3,546
Return on investment using the equity method	—	—	—	—	—	—	674
Income before tax	—	—	—	—	—	—	40,268

Note: Adjustments of –4,834 million yen for segment profits included an inter-segment elimination of –91 million yen and operating expenses of –4,742 million yen associated with the administration division of the headquarters of the parent, which could not be allocated.

Other important items

(Unit: Million yen)

	Reportable segments						
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Depreciation and amortization	¥2,480	¥3,729	¥1,004	¥1,813	¥ 9,028	¥(33)	¥ 8,994
Impairment loss	100	21	11	—	133	—	133
Capital expenditures	2,891	9,402	4,076	3,383	19,754	—	19,754

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

FY2016 (April 1, 2015–March 31, 2016)

(Unit: Million yen)

	Reportable segments						
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Revenue							
External revenue	**¥64,936**	**¥246,194**	**¥88,975**	**¥58,624**	**¥458,732**	**¥ —**	**¥458,732**
Inter-segment revenue	**27,135**	**892**	**7,537**	**632**	**36,197**	**(36,197)**	**—**
Total	**¥92,071**	**¥247,087**	**¥96,513**	**¥59,257**	**¥494,929**	**¥(36,197)**	**¥458,732**
Segment profits	**¥ 9,152**	**¥ 14,327**	**¥16,171**	**¥ 4,671**	**¥ 44,322**	**¥ (5,043)**	**¥ 39,279**
Finance income and finance costs	**—**	**—**	**—**	**—**	**—**	**—**	**1,004**
Return on investment using the equity method	**—**	**—**	**—**	**—**	**—**	**—**	**482**
Income before tax	**—**	**—**	**—**	**—**	**—**	**—**	**40,766**

Note: Adjustments of –5,043 million yen for segment profits included an inter-segment elimination of –98 million yen and operating expenses of –5,141 million yen associated with the administration division of the headquarters of the parent, which could not be allocated.

Other important items

(Unit: Million yen)

	Reportable segments						
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Depreciation and amortization	**¥2,696**	**¥4,609**	**¥1,473**	**¥2,112**	**¥10,890**	**¥(71)**	**¥10,819**
Impairment loss	**—**	**—**	**14**	**—**	**14**	**—**	**14**	
Capital expenditures	**2,233**	**7,026**	**6,153**	**1,650**	**17,064**	**—**	**17,064**

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

(4) Information related to products and services

FY2015 (April 1, 2014–March 31, 2015)

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

FY2016 (April 1, 2015–March 31, 2016)

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

(5) Information according to regions

(i) Revenue

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Japan	¥ 59,854	**¥ 63,160**
U.S.	152,449	**176,996**
Canada	53,201	**60,388**
China	85,175	**89,219**
Other	71,637	**68,966**
Total	¥422,317	**¥458,732**

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

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

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Japan	¥30,175	**¥29,996**
U.S.	17,484	**18,833**
China	8,595	**12,182**
Other	29,254	**26,792**
Total	¥85,509	**¥87,805**

(6) Information according to major customers

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Honda Motor Co., Ltd. Group	¥389,316	**¥423,410**

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

6. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Cash and cash equivalents	¥78,634	¥87,889	**¥90,437**

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

7. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Notes and accounts receivable–trade	¥61,556	¥53,564	**¥55,400**
Others	2,481	1,812	**1,467**
Allowance for doubtful accounts	(40)	(20)	**(17)**
Total	¥63,997	¥55,356	**¥56,849**

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

8. OTHER FINANCIAL ASSETS

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Deposits with maturities of three months or more	¥ 1,633	¥ 1,890	**¥ 6,336**
Short-term loans receivable	6	6	**6**
Long-term loans receivable	560	551	**517**
Lease receivables	7,613	7,676	**6,450**
Equity instruments	15,447	16,936	**13,283**
Derivative financial assets	—	3	**4**
Others	2,577	3,374	**3,930**
Allowance for doubtful accounts	(5)	(0)	**—**
Total	¥27,832	¥30,439	**¥30,529**
Current assets	¥ 5,040	¥ 5,249	**¥ 8,948**
Non-current assets	22,792	25,190	**21,580**
Total	¥27,832	¥30,439	**¥30,529**

Notes: 1. Deposits with maturities of three months or more, short-term loans receivable, long-term loans receivable and lease receivables are classified as financial assets measured at amortized cost.

2. Equity instruments are classified as financial assets measured at fair value through other comprehensive income.

3. Derivative financial assets are classified as financial assets measured at a fair value through net profit or loss.

9. INVENTORIES

The breakdown of inventories is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Merchandise and finished goods	¥ 2,248	¥ 2,213	**¥ 2,558**
Work in progress	3,225	4,297	**3,690**
Raw materials and supplies	17,710	21,828	**21,515**
Total	¥23,183	¥28,340	**¥27,763**

Note: The amounts of write-down of inventories were 660 million yen in FY2015 and 157 million yen in FY2016 and such amounts are included in cost of sales in the consolidated statement of profit or loss.

10. NON-CURRENT ASSETS HELD FOR SALE

The breakdown of non-current assets held for sale is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Property, plant and equipment	¥505	¥—	**¥—**

Note: Land and buildings held by the Company have been classified as non-current assets held for sale, as a decision to sell the assets was made on the transition date. The sale of such assets was completed in August 2014.

11. PROPERTY, PLANT AND EQUIPMENT

(1) Schedule of property, plant and equipment

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

Cost

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2014	¥44,113	¥56,906	¥33,490	¥ 9,863	¥ 5,874	¥150,248
Acquisition cost	739	1,700	235	72	15,262	18,010
Sales or disposal	(546)	(3,004)	(5,624)	(4)	(2)	(9,181)
Reclassification to other account	8,023	3,121	1,924	1,027	(12,818)	1,277
Effects of foreign currency translation	3,288	5,673	3,550	346	897	13,756
Other	—	(2)	3	6	0	8
Balance as of March 31, 2015	55,619	64,395	33,579	11,312	9,214	174,119
Acquisition cost	**507**	**1,302**	**1,044**	**—**	**14,961**	**17,815**
Sales or disposal	**(1,489)**	**(1,932)**	**(4,053)**	**(192)**	**—**	**(7,667)**
Reclassification to other account	**3,682**	**5,745**	**1,853**	**8**	**(13,044)**	**(1,754)**
Effects of foreign currency translation	**(2,948)**	**(4,118)**	**(1,788)**	**(319)**	**(974)**	**(10,150)**
Other	**0**	**302**	**458**	**15**	**(69)**	**707**
Balance as of March 31, 2016	**¥55,372**	**¥65,694**	**¥31,093**	**¥10,823**	**¥10,086**	**¥173,070**

Accumulated depreciation and impairment loss

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2014	¥20,242	¥42,688	¥29,460	¥—	¥—	¥92,390
Depreciation	1,798	3,927	1,662	—	—	7,387
Impairment loss	97	21	12	—	2	133
Sales or disposal	(504)	(2,733)	(5,277)	—	—	(8,515)
Reclassification to other account	10	240	(326)	—	—	(74)
Effects of foreign currency translation	1,025	4,260	3,119	—	—	8,405
Other	—	(21)	64	—	—	43
Balance as of March 31, 2015	22,669	48,383	28,715	—	2	99,770
Depreciation	**2,069**	**4,443**	**2,163**	**—**	**—**	**8,675**
Impairment loss	**—**	**(6)**	**(7)**	**—**	**—**	**(14)**
Sales or disposal	**(1,249)**	**(1,722)**	**(3,930)**	**—**	**—**	**(6,901)**
Reclassification to other account	**75**	**(199)**	**(160)**	**—**	**(2)**	**(287)**
Effects of foreign currency translation	**(828)**	**(2,727)**	**(1,380)**	**—**	**—**	**(4,937)**
Other	**0**	**37**	**389**	**—**	**—**	**427**
Balance as of March 31, 2016	**¥22,735**	**¥48,207**	**¥25,788**	**¥—**	**¥—**	**¥96,732**

Note: Depreciation of property, plant and equipment is included in the cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

Carrying amounts

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2014	¥23,871	¥14,218	¥4,029	¥ 9,863	¥ 5,874	¥57,857
Balance as of March 31, 2015	32,950	16,011	4,863	11,312	9,211	74,349
Balance as of March 31, 2016	32,636	17,486	5,304	10,823	10,086	76,338

(2) Leased assets

The carrying amounts of leased assets included in property, plant and equipment are as follows.

(Unit: Million yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Balance as of April 1, 2014	¥ —	¥82	¥242	¥ 324
Balance as of March 31, 2015	1,188	76	249	1,514
Balance as of March 31, 2016	1,053	58	214	1,326

12. INTANGIBLE ASSETS

(1) Schedule of intangible assets

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

Cost

(Unit: Million yen)

	Software	Development expenses	Other	Total
Balance as of April 1, 2014	¥4,179	¥9,278	¥ 851	¥14,308
Acquisition cost	216	—	1,441	1,657
Increase due to internal development	—	3,437	—	3,437
Disposal	(136)	(2,008)	—	(2,145)
Effects of foreign currency translation	72	7	413	493
Other	209	—	(209)	0
Balance as of March 31, 2015	4,540	10,714	2,496	17,751
Acquisition cost	**145**	**—**	**48**	**193**
Increase due to internal development	**—**	**2,419**	**—**	**2,419**
Disposal	**(114)**	**(1,446)**	**(4)**	**(1,565)**
Effects of foreign currency translation	**(82)**	**(94)**	**(232)**	**(409)**
Other	**164**	**—**	**(157)**	**6**
Balance as of March 31, 2016	**¥4,652**	**¥11,592**	**¥2,150**	**¥18,396**

Accumulated amortization and impairment loss

(Unit: Million yen)

	Software	Development expenses	Other	Total
Balance as of April 1, 2014	¥3,243	¥3,687	¥181	¥7,112
Amortization	383	1,134	28	1,545
Disposal	(135)	(2,008)	—	(2,144)
Effects of foreign currency translation	47	—	94	141
Other	(0)	—	(64)	(65)
Balance as of March 31, 2015	3,538	2,812	240	6,591
Amortization	**426**	**1,505**	**56**	**1,988**
Disposal	**(107)**	**(1,446)**	**(0)**	**(1,554)**
Effects of foreign currency translation	**(61)**	**—**	**(27)**	**(89)**
Other	**(3)**	**—**	**(3)**	**(6)**
Balance as of March 31, 2016	**¥3,791**	**¥2,871**	**¥264**	**¥6,928**

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

Carrying amounts

(Unit: Million yen)

	Software	Development expenses	Other	Total
Balance as of April 1, 2014	¥ 935	¥5,590	¥ 669	¥ 7,195
Balance as of March 31, 2015	1,002	7,901	2,256	11,160
Balance as of March 31, 2016	860	8,721	1,885	11,467

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

(2) Development expenses

The breakdown of development expenses is as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
R&D expenditures incurred during the period	¥12,900	**¥13,168**
Reclassification to capitalized development expenses	(3,437)	**(2,419)**
Amortization of capitalized development expenses	1,134	**1,505**
Total	¥10,597	**¥12,254**

13. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Notes and accounts payable–trade	¥49,550	¥42,980	**¥47,788**
Other	15,551	17,210	**18,435**
Total	¥65,102	¥60,191	**¥66,224**

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

14. BORROWINGS

The breakdown of borrowings is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**	Average interest rates
Current borrowings	¥1,851	¥1,492	**¥1,070**	0.63%
Non-current borrowings scheduled for payment within one year	167	59	**15**	1.32%
Non-current borrowings	69	9	**21**	0.55%
Total	¥2,088	¥1,561	**¥1,107**	—
Current liabilities	¥2,018	¥1,551	**¥1,086**	
Non-current liabilities	69	9	**21**	
Total	¥2,088	¥1,561	**¥1,107**	

Notes: 1. Borrowings are classified as financial liabilities measured at amortized cost.

2. "Average interest rates" of borrowings indicate the weighted-average interest rate on the balance of borrowings at the end of FY2016.

3. Repayments of non-current borrowings at the end of FY2016 are due in 2017 and 2018.

15. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Lease obligations	¥2,834	¥4,089	**¥3,227**
Derivative financial liabilities	9	1	**0**
Total	¥2,843	¥4,090	**3,227**
Current liabilities	¥1,840	¥1,709	**¥1,452**
Non-current liabilities	1,003	2,381	**1,775**
Total	¥2,843	¥4,090	**¥3,227**

Notes: 1. Lease obligations are classified as financial liabilities measured at amortized cost.

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

16. INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

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

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Balance at the end of the fiscal year
Deferred tax assets				
Inventories	¥ 1,751	¥ 334	¥ —	¥ 2,086
Property, plant and equipment	1,014	(108)	—	905
Intangible assets	820	46	—	866
Accrued expenses and provisions	1,720	(459)	—	1,261
Net defined benefit liability	844	(411)	(268)	165
Unused tax losses	8	5	—	13
Other	706	48	—	754
Total deferred tax assets	¥ 6,866	¥ (544)	¥(268)	¥ 6,054
Deferred tax liabilities				
Property, plant and equipment	¥ 1,139	¥ (71)	¥ —	¥ 1,068
Intangible assets	1,945	613	—	2,559
Investments in equity instruments	4,600	—	13	4,614
Net defined benefit asset	362	(192)	(4)	165
Undistributed earnings of foreign subsidiaries	667	63	—	730
Other	1,127	145	(391)	881
Total deferred tax liabilities	¥ 9,842	¥ 559	¥(382)	¥10,019
Net deferred tax liabilities	¥(2,975)	¥(1,103)	¥ 114	¥ (3,965)

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

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

	Balance at the beginning of the fiscal year	Recognized through net profit or loss	Recognized through other comprehensive income	Balance at the end of the fiscal year
Deferred tax assets				
Inventories	**¥ 2,086**	**¥(362)**	**¥ —**	**¥ 1,723**
Property, plant and equipment	**905**	**(279)**	**—**	**626**
Intangible assets	**866**	**(5)**	**—**	**861**
Investments in equity instruments	**—**	**—**	**1**	**1**
Accrued expenses and provisions	**1,261**	**186**	**—**	**1,447**
Net defined benefit liability	**165**	**29**	**(13)**	**180**
Unused tax losses	**13**	**(8)**	**—**	**5**
Other	**754**	**(28)**	**—**	**726**
Total deferred tax assets	**¥ 6,054**	**¥(468)**	**¥ (12)**	**¥ 5,573**
Deferred tax liabilities				
Property, plant and equipment	**¥ 1,068**	**¥ 57**	**¥ —**	**¥ 1,125**
Intangible assets	**2,559**	**129**	**—**	**2,689**
Investments in equity instruments	**4,614**	**—**	**(1,321)**	**3,292**
Net defined benefit asset	**165**	**99**	**(89)**	**175**
Undistributed earnings of foreign subsidiaries	**730**	**(74)**	**—**	**655**
Other	**881**	**(296)**	**—**	**585**
Total deferred tax liabilities	**¥10,019**	**¥ (84)**	**¥(1,411)**	**¥ 8,523**
Net deferred tax liabilities	**¥ (3,965)**	**¥(384)**	**¥ 1,399**	**¥(2,949)**

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

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

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Deferred tax assets	¥ 1,752	¥ 2,001	**¥ 1,897**
Deferred tax liabilities	4,728	5,967	**4,847**
Net deferred tax liabilities	¥(2,975)	¥(3,965)	**¥(2,949)**

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

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Deductible temporary differences	¥689	¥495	**¥864**

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

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Within 1 year	¥ —	¥ —	**¥ —**
Between 1 and 2 years	—	45	**41**
Between 2 and 3 years	79	26	**401**
Between 3 and 4 years	26	42	**2**
Between 4 and 5 years	45	2	**159**
More than 5 years	204	256	**103**
Total	¥355	¥373	**¥708**

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

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

Amounts are presented on an income basis.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Taxable temporary differences	¥78,730	¥100,680	**¥101,124**

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Current tax expense		
Taxable amount for the fiscal year	¥11,074	**¥11,333**
Adjustment for prior years	89	**(43)**
Total current tax expense	¥11,163	**¥11,290**
Deferred tax expense		
Accrual and reversal of temporary differences	¥ 1,327	**¥ (360)**
Changes in tax rates	273	**67**
Changes in unrecognized temporary differences, etc.	(193)	**355**
Total deferred tax expense	¥ 1,407	**¥ 61**
Total income tax expense	¥12,570	**¥11,352**

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

(Unit: %)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Effective statutory tax rate	34.8%	**32.3%**
Differences with tax rates applied to foreign subsidiaries	(8.4)	**(7.2)**
Undistributed earnings of foreign subsidiaries	0.2	**(0.2)**
Permanent differences including dividend income	(5.1)	**(5.3)**
Differences due to factors including elimination of intra-group transactions	8.3	**9.0**
Tax credits	(1.2)	**(1.6)**
Changes in unrecognized deferred taxes	0.2	**0.9**
Changes in tax rates	0.7	**0.2**
Other	1.7	**(0.3)**
Average actual tax rate	31.2%	**27.8%**

Note: In conjunction with the revision of Japanese tax laws, the effective statutory tax rate was changed from 34.8% to 32.3%.

17. PROVISIONS

Changes in the amounts of provisions are as follows.

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	¥206	¥38	¥245
Increase during the period	25	3	28
Decrease during the period (provision used)	(3)	—	(3)
Effects of foreign currency translation	—	(7)	(7)
Balance at the end of the fiscal year	¥229	¥34	¥263
Current liabilities	¥122	¥—	¥122
Non-current liabilities	106	34	141
Total	¥229	¥34	¥263

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	**¥229**	**¥34**	**¥263**
Increase during the period	**5**	**10**	**15**
Decrease during the period (provision used)	**(74)**	**(14)**	**(88)**
Effects of foreign currency translation	**—**	**(5)**	**(5)**
Balance at the end of the fiscal year	**¥160**	**¥24**	**¥185**
Current liabilities	**¥107**	**¥—**	**¥107**
Non-current liabilities	**53**	**24**	**78**
Total	**¥160**	**¥24**	**¥185**

18. POST-EMPLOYMENT BENEFITS

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

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

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

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

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

(Additional information)

In the fiscal year ended March 31, 2015, the Company adopted a points system and revised its retirement benefits regulations. As a result, the Company has incurred past service costs (decrease of defined benefit obligations).

(2) Defined benefit plan

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

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Ending balance of defined benefit obligations	¥15,163	¥15,185	**¥15,982**
Ending balance of plan assets	(13,412)	(14,825)	**(15,634)**
Net amount of defined benefit obligations and assets	1,750	359	**347**
Net defined benefit liability	2,789	842	**945**
Net defined benefit asset	(1,038)	(482)	**(598)**
Net amount of liabilities and assets recorded in the consolidated statement of financial position	¥ 1,750	¥ 359	**¥ 347**

(ii) Reconciliation of present value of defined benefit obligations

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Beginning balance of defined benefit obligations	¥15,163	**¥15,185**
Service cost	1,003	**1,034**
Interest cost	157	**126**
Past service cost	(1,034)	**5**
Actuarial differences (due to changes in financial assumptions)	410	**464**
Actuarial differences (due to adjustments)	193	**(149)**
Benefits paid	(745)	**(602)**
Effects of foreign currency translation	36	**(81)**
Ending balance of defined benefit obligations	¥15,185	**¥15,982**

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

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

(iii) Reconciliation of the fair values of plan assets

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Beginning balance of plan assets	¥13,412	**¥14,825**
Interest income	196	**60**
Return on plan assets other than interest	1,200	**55**
Contributions from the employer	632	**1,302**
Benefits paid	(638)	**(593)**
Effects of foreign currency translation	21	**(15)**
Ending balance of plan assets	¥14,825	**¥15,634**

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

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

(iv) Major breakdown of fair values of plan assets

(Unit: Million yen)

	FY2015 (As of March 31, 2015)		**FY2016 (As of March 31, 2016)**	
	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets
Equity instruments	¥ 6,350	¥ —	**¥ 7,250**	**¥ —**
Debt instruments	6,328	—	**5,977**	**—**
General accounts	—	1,473	**—**	**1,294**
Other	85	587	**76**	**1,035**
Total	¥12,764	¥2,060	**¥13,305**	**¥2,329**

(v) Investment policy of plan assets

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

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

(vi) Significant actuarial assumptions and analysis of sensitivity thereto

Significant actuarial assumptions are as follows.

(Unit: %)

	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Discount rate	0.6%	**0.3%**

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

(Unit: Million yen)

		Effects on defined benefit obligations	
	Changes in assumptions	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Discount rate	Rise by 0.5%	¥(767)	**¥(814)**
	Fall by 0.5%	823	**894**

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

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

The Company plans to contribute 1,237 million yen to the plan assets in the fiscal year ending March 31, 2017.

(viii) Maturity analysis of defined benefit plans

Maturity analysis of defined benefit plans is as follows.

(Unit: Year)

	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Weighted-average duration	11.3	**11.3**

(3) Defined contribution plans

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

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Amounts recorded as expenses	¥437	**¥548**

19. NET ASSETS AND OTHER COMPONENTS OF EQUITY

(1) Management of shareholders' equity

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

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

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Shareholders' equity			
Total equity attributable to owners of parent	¥159,663	¥192,116	**¥197,060**
Total liabilities and equity	267,637	296,858	**303,948**
Equity ratio (%)	59.7%	64.7%	**64.8%**

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

(2) Details of capital surplus

Details of capital surplus are as follows.

(i) Legal capital surplus

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

(ii) Other capital surplus

Changes in ownership interest in subsidiaries that do not involve loss of control are accounted for as capital transactions and amounts equivalent to goodwill and negative goodwill arising from such transactions are recorded in other capital surplus.

(3) Details of retained earnings

(i) Legal retained earnings

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

(ii) Other retained earnings

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

(4) Details of other components of equity

Details of other components of equity are as follows.

(i) Changes in the fair value of available-for-sale financial assets

Valuation difference between the cost and fair value of equity instruments designated as available-for-sale financial assets

(ii) Remeasurements of defined benefit plans

Returns on plan assets other than actuarial differences and interest

(iii) Differences on translation from foreign operations

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

(5) Changes in other components of equity

Changes in other components of equity are as follows.

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

	Changes in the fair value of available-for-sale financial assets	Remeasurements of defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	¥8,576	¥(956)	¥ —	¥ 7,620
Other comprehensive income	1,395	359	12,195	13,950
Ending balance	¥9,972	¥(596)	¥12,195	¥21,571

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

	Changes in the fair value of available-for-sale financial assets	Remeasurements of defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	**¥9,972**	**¥(596)**	**¥12,195**	**¥21,571**
Other comprehensive income	**(2,294)**	**(195)**	**(11,517)**	**(14,007)**
Ending balance	**¥7,678**	**¥(792)**	**¥ 677**	**¥ 7,563**

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

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

(Unit: Number of shares)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Total number of shares authorized to be issued	272,000,000	272,000,000	**272,000,000**
Number of shares issued	68,000,000	68,000,000	**68,000,000**

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

(7) Treasury stock

The number of treasury stock is as follows.

(Unit: Number of shares)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Number of treasury stock	1,748	1,808	**1,974**

Note: The number of treasury stock increased by 60 shares in FY2015 and by 166 shares in FY2016 due to the purchase of shares constituting less than one unit.

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

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

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Depreciation and amortization	¥ 8,994	**¥10,819**
Employee benefit expenses	64,802	**71,763**

21. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Land and building rent received	¥ 186	**¥ 171**
Gain on disposal of non-current assets	191	**1,031**
Gain on government grants	4	**66**
Other	634	**423**
Total	¥1,017	**¥1,693**

The breakdown of other expenses is as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Loss on disposal of non-current assets	¥596	**¥379**
Impairment loss	133	**14**
Other	72	**78**
Total	¥802	**¥472**

22. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Interest income	¥1,415	**¥1,145**
Dividends income	737	**388**
Foreign exchange gains	1,600	**—**
Other	—	**59**
Total	¥3,753	**¥1,593**

Notes 1. Interest income is interest income associated with financial assets measured at amortized cost.
2. Dividends income is dividend income associated with financial assets measured through other comprehensive income.

The breakdown of finance costs is as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Interest expense	¥204	**¥182**
Foreign exchange losses	—	**378**
Other	2	**28**
Total	¥206	**¥589**

Note: Interest expense is interest expense associated with financial liabilities measured at amortized cost.

23. EARNINGS PER SHARE

Basic earnings per share and the basis for estimation are outlined below.
Latent common stock that has a dilution effect is not included.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Income attributable to owners of parent	¥22,585	**¥23,528**
Average number of common shares for the period (1,000 shares)	67,998	**67,998**
Basic earnings per share (yen)	¥332.15	**¥346.01**

24. OTHER COMPREHENSIVE INCOME

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

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of net defined benefit plans		
Gains (losses) during the year	¥ 604	**¥ (265)**
Income tax benefit (expense)	(261)	**69**
Subtotal	342	**(196)**
Components that may be reclassified subsequently to net profit or loss		
Change in fair value of available-for-sale financial assets		
Gains (losses) during the year	1,421	**(3,605)**
Reclassification adjustments	—	**(32)**
Before tax	1,421	**(3,637)**
Income tax benefit (expense)	(15)	**1,323**
Subtotal	1,406	**(2,314)**
Differences on translation from foreign operations		
Gains (losses) during the year	15,472	**(14,498)**
Share of other comprehensive income of associates accounted for using the equity method		
Gains (losses) during the year	108	**(65)**
Total other comprehensive income, net of tax	¥17,330	**¥(17,074)**

25. DIVIDENDS

For the fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2014	Common shares	¥2,039	¥30.00	March 31, 2014	June 25, 2014
Board of Directors' meeting held on October 30, 2014	Common shares	¥2,039	¥30.00	September 30, 2014	December 1, 2014

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2015	Common shares	Retained earnings	¥2,039	¥30.00	March 31, 2015	June 24, 2015

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2015	Common shares	¥2,039	¥30.00	March 31, 2015	June 24, 2015
Board of Directors' meeting held on November 4, 2015	Common shares	¥2,243	¥33.00	September 30, 2015	November 30, 2015

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2016	Common shares	Retained earnings	¥2,243	¥33.00	March 31, 2016	June 27, 2016

26. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Acquisition of assets through a finance lease arrangement	¥3,118	**¥1,436**

27. SUBSIDIARIES AND AFFILIATES, ETC.

(1) Composition of the corporate group

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

(2) Matters concerning subsidiaries

The Group does not have significant subsidiaries in which the Group has non-controlling interests.

(3) Matters concerning affiliates

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

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Carrying amount of equity interest	¥1,207	¥1,349	**¥1,016**

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
The Group's equity interest in		
Net income	¥674	**¥482**
Other comprehensive income	108	**(65)**
Comprehensive income	783	**416**

28. FINANCIAL INSTRUMENTS

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

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

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

In terms of investments, the Group primarily uses principal-guaranteed time deposits and similar financial instruments while in terms of the procurement of funds, the Group procures its necessary funds through bank loans and similar financial instruments.

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

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

Trade and other receivables are exposed to the credit risk of customers.

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

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

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

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

(iii) Market risk (Foreign currency risk)

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

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

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

In terms of the financial instruments held by the Group at the end of FY2015 and FY2016, the impact of a 1% appreciation of the Japanese yen against the U.S. dollar and Chinese yuan on the income before tax is as follows.

(Unit: Million yen)

	Impact on income before tax	
	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
1% appreciation of Japanese yen against the U.S. dollar	¥(35)	**¥(29)**
1% appreciation of Japanese yen against the Chinese yuan	(43)	**(36)**

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

(Price fluctuation risks of equity instruments)

The Group holds equity instruments that include the stocks of publicly traded companies with which it maintains business relationships and is thus exposed to the risk of fluctuating market prices of these instruments.

The Group manages such risks by periodically monitoring the fair value of said instruments and the financial condition of its investment targets as well conducting ongoing reviews of its status of holdings.

In terms of the equity instruments held by the Group at the end of FY2015 and FY2016, the impact of a 1% decline in market prices on other comprehensive income is as follows.

(Unit: Million yen)

	Impact on other comprehensive income	
	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
1% decline in market price	¥(168)	**¥(131)**

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

(iv) Liquidity risk (Risk of not being able to execute payment on the payment date)

While the Group procures necessary funds from bank loans and other means, it is exposed to the risk of not being able to execute payment on the payment date due to deterioration of the fund-raising environment and other factors.

The Group manages said risk by having the Company's accounting division prepare and update fund management plans based on the reports of each division in order to mitigate liquidity risk.

The outstanding balance of financial liabilities by contractual maturity is as follows.

Trade and other payables, short-term loans payable and derivative finance liabilities have been omitted as their contractual maturities are all less than one year.

Lease obligations are stated Note 29, "Leases."

Long-term loans payable (including those scheduled for payment within one year)

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Within 1 year	¥167	¥59	**¥15**
Between 1 and 5 years	69	9	**21**
More than 5 years	—	—	**—**
Total	¥236	¥69	**¥36**

(2) Fair value measurement

Fair values are classified into the following three levels according to the extent to which the input information used in the measurement is observable and the materiality of said input.

Level 1: Quoted prices of similar assets and liabilities in active markets

Level 2: Input other than quoted prices included in Level 1 that is observable either directly or indirectly

Level 3: Input including that not based on observable market data

No transfers occurred between Levels 1, 2 and 3 during FY2016.

(i) Method of measuring fair value

(Equity instruments)

Equity instruments are mainly stocks of publicly traded companies and are measured based on the prices quoted by the stock exchanges.

(Derivative financial assets and derivative financial liabilities)

The fair values of the forward exchange contracts are measured based on the prices quoted by the financial institutions.

(Long-term loans receivable)

Long-term loans receivable are measured at the present value of future cash flows discounted by an interest rate that reflects an appropriate indicator such as the yield on Japanese government bonds to which a credit spread has been added.

(Long-term loans payable)

Long-term loans payable are measured at the present value of the total of principal and interest discounted by an interest rate that would be used for a similar loan.

(Financial instruments other than those above)

Financial instruments other than those above are measured at amortized cost but statement thereof has been omitted as their measured carrying amounts approximate their fair values.

(ii) Carrying amounts and fair values of financial instruments

(Financial instruments measured at fair value on a recurring basis)

Transition date (April 1, 2014)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Equity instruments	¥15,447	¥15,321	¥—	¥125	¥15,447
Financial assets measured at a fair value through net profit/loss					
Derivative financial assets	—	—	—	—	—
Financial liabilities measured at a fair value through net profit/loss					
Derivative financial liabilities	9	—	9	—	9

FY2015 (As of March 31, 2015)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Equity instruments	¥16,936	¥16,828	¥—	¥108	¥16,936
Financial assets measured at a fair value through net profit/loss					
Derivative financial assets	3	—	3	—	3
Financial liabilities measured at a fair value through net profit/loss					
Derivative financial liabilities	1	—	1	—	1

FY2016 (As of March 31, 2016)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Equity instruments	**¥13,283**	**¥13,198**	**¥—**	**¥84**	**¥13,283**
Financial assets measured at a fair value through net profit/loss					
Derivative financial assets	**4**	**—**	**4**	**—**	**4**
Financial liabilities measured at a fair value through net profit/loss					
Derivative financial liabilities	**0**	**—**	**0**	**—**	**0**

(Financial instruments measured at amortized cost)

Transition date (April 1, 2014)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Loans and receivables					
Long-term loans receivable (including those scheduled for payment within one year)	¥560	¥—	¥533	¥—	¥533
Financial liabilities measured at amortized cost					
Long-term loans payable (including those scheduled for payment within one year)	236	—	234	—	234

FY2015 (As of March 31, 2015)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Loans and receivables					
Long-term loans receivable (including those scheduled for payment within one year)	¥551	¥—	¥516	¥—	¥516
Financial liabilities measured at amortized cost					
Long-term loans payable (including those scheduled for payment within one year)	69	—	68	—	68

FY2016 (As of March 31, 2016)

(Unit: Million yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Loans and receivables					
Long-term loans receivable (including those scheduled for payment within one year)	**¥517**	**¥—**	**¥489**	**¥—**	**¥489**
Financial liabilities measured at amortized cost					
Long-term loans payable (including those scheduled for payment within one year)	**36**	**—**	**36**	**—**	**36**

(3) Offsetting of financial assets and financial liabilities

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

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Gross amount of financial assets recognized	¥180,784	¥181,468	**¥188,527**
Offset amount	10,320	7,783	**10,711**
Amount of financial assets presented in consolidated statement of financial position	170,464	173,685	**177,816**
Gross amount of financial liabilities recognized	80,354	73,626	**81,270**
Offset amount	10,320	7,783	**10,711**
Amount of financial liabilities presented in consolidated statement of financial position	70,034	65,843	**70,559**

29. LEASES

(1) Lease as lessee

(i) Minimum total lease payments

The breakdown of the minimum total lease payments (present value) under finance leases is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Within 1 year	¥1,831	¥1,707	**¥1,452**
Between 1 and 5 years	996	1,783	**1,342**
More than 5 years	6	597	**433**
Total	¥2,834	¥4,089	**¥3,227**

Notes: 1. The outstanding balance of minimum total lease payments is included in "Other financial liabilities" in the consolidated statement of financial position.

2. Certain major lease contracts have renewal and purchase options. However, there are no lease contracts with contingent rent, escalation clauses (a provision to increase lease obligations) or specific contractual restrictions (such as restrictions on dividends, additional borrowing or additional lease contracts).

(ii) Non-cancelable operating leases

The breakdown of the minimum total lease payments under non-cancelable operating leases is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Within 1 year	¥ 623	¥479	**¥ 414**
Between 1 and 5 years	698	410	**718**
More than 5 years	188	—	**—**
Total	¥1,511	¥890	**¥1,133**

(iii) Operating lease payments recognized as expenses during the fiscal year

Operating lease payments recognized as expenses during the fiscal year are as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Operating lease payments	¥815	**¥687**

(2) Lease as lessor

Minimum total lease payments to be received

The breakdown of the minimum total lease payments to be received under finance leases is as follows.

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	**FY2016 (As of March 31, 2016)**
Within 1 year	¥3,233	¥3,209	**¥2,470**
Between 1 and 5 years	4,379	4,467	**3,980**
More than 5 years	—	—	**—**
Total	¥7,613	¥7,676	**¥6,450**

Notes: 1. The outstanding balance of minimum total lease payments to be received is included in "Other financial assets" in the consolidated statement of financial position.

2. There are no lease contracts with renewal and purchase options, contingent rent and escalation clauses (a provision to increase lease receivables).

30. RELATED-PARTY DISCLOSURES

(1) Transactions between the submitting company and related parties

The balances of transactions and receivables/payables between the submitting company and related parties are as follows.

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Other affiliates	Honda Motor Co., Ltd.	Sale of the Company's products	¥40,696	Accounts receivable–trade	¥4,875

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

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Other affiliates	Honda Motor Co., Ltd.	Sale of the Company's products	**¥47,692**	Accounts receivable–trade	**¥7,507**

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

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

The balances of transactions and receivables/payables between the consolidated subsidiaries of the submitting company and related parties are as follows.

(i) TS TECH USA CORPORATION

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda of America Mfg., Inc.	Sale of the Company's products	¥55,254	Accounts receivable–trade	¥5,620

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

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda of America Mfg., Inc.	Sale of the Company's products	**¥69,515**	Accounts receivable–trade	**¥4,756**

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

(ii) TS TECH ALABAMA, LLC.

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Manufacturing of Alabama, LLC.	Sale of the Company's products	¥41,002	Accounts receivable–trade	¥3,891

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

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Manufacturing of Alabama, LLC.	Sale of the Company's products	**¥46,536**	Accounts receivable–trade	**¥4,149**

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

(iii) TS TECH CANADA INC.

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Canada, Inc.	Sale of the Company's products	¥51,873	Accounts receivable–trade	¥5,343

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

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Canada, Inc.	Sale of the Company's products	**¥58,633**	Accounts receivable–trade	**¥3,404**

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

(iv) TS TECH (THAILAND) CO., LTD.

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Automobile (Thailand) Co., Ltd.	Sale of the Company's products	¥15,344	Accounts receivable–trade	¥3,184

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

For the year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Unit: Million yen)

Type of related party	Name	Nature of related-party transaction	Transaction amount	Account	Outstanding balance
Subsidiaries of other affiliates	Honda Automobile (Thailand) Co., Ltd.	Sale of the Company's products	**¥13,646**	Accounts receivable–trade	**¥3,009**

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

(3) Remuneration of key management personnel

The remuneration to the Directors and Auditors of the Company is as follows.

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Basic remuneration and bonuses	¥552	**¥552**

31. CONTINGENT LIABILITIES

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

(Unit: Million yen)

	FY2015 (April 1, 2014–March 31, 2015)	**FY2016 (April 1, 2015–March 31, 2016)**
Employees (Company housing and mortgage loans)	¥92	**¥74**

32. SUBSEQUENT EVENTS

Not applicable

33. INITIAL APPLICATION OF IFRS

The Group adopted IFRS starting the fiscal year ended March 31, 2016. The date of transition to IFRS is April 1, 2014, and the tables below show reconciliations between the accounting standards used previously (Japanese GAAP) and IFRS.

The "Reclassification" column in the reconciliation tables shows items that do not affect retained earnings and comprehensive income, and the "Differences in recognition and measurement" column includes items that affect retained earnings and comprehensive income.

The figures under Japanese GAAP as of the transition date reflect the effect of revisions to the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015).

(1) Reconciliation of equity as of the transition date (April 1, 2014)

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
Assets						**Assets**
Current assets						Current assets
Cash and deposits	¥ 78,181	¥ (1,721)	¥ 2,174	¥ 78,634	A	Cash and cash equivalents
Notes and accounts receivable–trade	65,530	2,379	(3,912)	63,997	A	Trade and other receivables
Allowance for doubtful accounts	(40)	40				
		1,988	3,051	5,040	C	Other financial assets
Merchandise and finished goods	2,609	23,006	(2,432)	23,183	A	Inventories
Work in progress	3,325	(3,325)				
Raw materials and supplies	19,681	(19,681)				
Income taxes receivable	65		393	458		Income taxes receivable
Deferred tax assets	2,703	(2,703)				
Other	5,338	(2,686)	9	2,660		Other current assets
			505	505		Non-current assets held for sale
Total current assets	177,394	(2,703)	(211)	174,480		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	62,253	(226)	(4,168)	57,857	C	Property, plant and equipment
Intangible assets	1,546	226	5,423	7,195	B, E	Intangible assets
Investments in capital of subsidiaries and affiliates	3,082	(1,874)		1,207		Investments accounted for using the equity method
Investment securities	16,673	2,644	3,474	22,792	C	Other financial assets
Long-term loans receivable	399	(399)				
Allowance for doubtful accounts	(6)	6				
Net defined benefit asset	1,039		(0)	1,038		Net defined benefit asset
Deferred tax assets	1,569	2,703	(2,519)	1,752		Deferred tax assets
Other	1,455	(376)	232	1,311		Other non-current assets
Total non-current assets	88,012	2,703	2,440	93,156		Total non-current assets
Total assets	¥265,407	¥ —	¥ 2,229	¥267,637		Total assets

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
						Liabilities and equity
Liabilities						**Liabilities**
Current liabilities						Current liabilities
Notes and accounts payable–trade	¥ 56,932	¥17,853	¥(9,683)	¥ 65,102	A, D	Trade and other payables
Provision for bonuses	3,053	(3,053)				
Provision for directors' bonuses	151	(151)				
Short-term loans payable	1,869	167	(18)	2,018		Current borrowings
Long-term loans scheduled for payment within one year	167	(167)				
Lease obligations	416		1,423	1,840	C	Other financial liabilities
Income taxes payable	3,049	576	111	3,738		Income taxes payable
		99		99		Provisions
Deferred tax liabilities	36	(36)				
Other	19,095	(14,772)	(278)	4,044		Other current liabilities
Total current liabilities	84,772	516	(8,445)	76,843		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	69			69		Non-current borrowings
Lease obligations	404		598	1,003	C	Other financial liabilities
Net defined benefit liability	2,787	(0)	2	2,789		Net defined benefit liability
		145		145		Provisions
Deferred tax liabilities	4,940	36	(247)	4,728		Deferred tax liabilities
Provision for directors' retirement benefits	60	(60)				
Other	1,235	(637)	858	1,457	C, D	Other non-current liabilities
Total non-current liabilities	9,497	(516)	1,212	10,193		Total non-current liabilities
Total liabilities	94,269	—	(7,232)	87,037		Total liabilities
Net assets						**Equity**
Common stock	4,700			4,700		Common stock
Capital surplus	5,163		(213)	4,949	G	Capital surplus
Treasury stock	(3)			(3)		Treasury stock
Retained earnings	134,281		8,114	142,396	G	Retained earnings
Accumulated other comprehensive income	7,886		(265)	7,620	A, F	Other components of equity
	152,027	—	7,635	159,663		Total equity attributable to owners of parent
Minority interests	19,110	—	1,826	20,937		Non-controlling interests
Total net assets	171,137	—	9,462	180,600		Total equity
Total liabilities and net assets	¥265,407	¥ —	¥ 2,229	¥267,637		Total liabilities and equity

Principal adjustments made for differences at the transition date are as follows:

(i) Reclassification of accounts

- Time deposits with a deposit term exceeding three months were included in "cash and deposits" under Japanese GAAP but are included in "other financial assets" under IFRS.
- Accounts receivable (other) and advance payments (trade) were included in "other current assets" under Japanese GAAP, and are included in "trade and other receivables" under IFRS.
- "Merchandise and finished goods," "work in progress," and "raw materials and supplies" were presented separately under Japanese GAAP but are combined as "inventories" under IFRS.
- All "deferred tax assets" are presented as non-current assets and "deferred tax liabilities" are presented as non-current liabilities under IFRS.
- "Provision for bonuses" and "provision for directors' bonuses" were presented separately under Japanese GAAP but are included in "trade and other payables" under IFRS.
- Accounts payable–other and accrued expenses were included in "other current liabilities" under Japanese GAAP but are included in "trade and other payables" under IFRS.

(ii) Differences in recognition and measurement

A. Change of accounting reporting period

The last days of the reporting period of the consolidated subsidiaries were uniformly set to March 31, which affected the account items in the consolidated statement of financial position.

Notable effects include an increase of 2,020 million yen in "cash and cash equivalents," a decrease of 4,053 million yen in "trade and other receivables," a decrease of 2,432 million yen in "inventories," a decrease of 10,191 million yen in "trade and other payables," and a decrease of 587 million yen in "other components of equity."

B. Capitalization of development costs and amortization of development assets

While development costs were recorded as expenses when incurred under Japanese GAAP, those meeting the requirements to be an intangible asset are recognized as assets under IFRS.

Development costs recognized as assets are amortized using the straight-line method over their estimated useful life (five years in many cases), which starts at the beginning of the mass production of the products concerned.

As a result, "intangible assets" increased by 5,590 million yen.

C. Conversion of tool transactions to leases

While the payments for tools received from clients were recorded as sales under Japanese GAAP, they are treated as finance leases of the lessor based on the substantial judgment of the contracts under IFRS.

The prices of tools paid to clients (excluding the payments for tools owned by the Group) were recorded as accrued expenses under Japanese GAAP but are treated as finance leases of the lessee under IFRS.

As a result, "other financial assets (current)" increased by 3,140 million yen, "property, plant and equipment" decreased by 3,270 million yen, "other financial assets (non-current)" increased by 4,009 million yen, "other financial liabilities" (current)" increased by 1,291 million yen, "other financial liabilities (non-current)" increased by 360 million yen, and "other non-current liabilities" increased by 102 million yen.

D. Recognition of liabilities associated with paid leave, etc.

While accounting treatment of employee benefit liabilities associated with the paid leave system and the long-service award system is not required by Japanese GAAP, under IFRS, liabilities are recognized at the time when employees provide the relevant services.

As a result, "trade and other payables" increased by 437 million yen and "other non-current liabilities" increased by 710 million yen.

E. Adjustment of goodwill

Under IFRS 1, companies introducing IFRS may choose between the method of retroactively applying "IFRS 3: Business Combinations" (hereinafter "IFRS 3") to all business combinations prior to the date of transfer to IFRS, and the method of applying IFRS to specific business combinations on or prior to the date of transfer to IFRS.

The Group has selected the method of retroactively applying IFRS 3 to the business combinations implemented on and after April 1, 2013, and it introduced IFRS 10 on said date.

Consequently, an additional purchase of shares of consolidated subsidiaries is treated as a capital transaction that reduces "capital surplus" under IFRS, while such additional shares were recognized as goodwill under Japanese GAAP.

As a result, "intangible assets" decreased by 181 million yen.

F. Transfer of translation differences from foreign operations

Translation differences from all foreign operations as of the date of transfer have been transferred to "retained earnings" by introducing the exemption rules of IFRS 1.

As a result, "other components of equity" increased by 295 million yen.

G. Reconciliation of capital surplus and retained earnings

(Unit: Million yen)

	Note	Amount of reconciliation of difference	
		Capital surplus	Retained earnings
Change of accounting reporting period	A		¥3,648
Capitalization of development costs and amortization of development assets	B		5,590
Conversion of tool transactions to leases	C		2,124
Recognition of liabilities associated with paid leave, etc.	D		(1,118)
Adjustment of goodwill	E	¥(213)	32
Transfer of translation differences from foreign operations	F		(295)
Tax effects on above reconciliations			(1,702)
Proportionate allocation of above reconciliations to non-controlling interests			(621)
Other reconciliations			457
Total		¥(213)	¥8,114

(2) Reconciliation of equity at the end of the previous fiscal year (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
Assets						**Assets**
Current assets						Current assets
Cash and deposits	¥ 86,440	¥ (1,887)	¥ 3,336	¥ 87,889	A	Cash and cash equivalents
Notes and accounts receivable–trade	60,737	1,790	(7,172)	55,356	A	Trade and other receivables
Allowance for doubtful accounts	(20)	20				
		2,138	3,110	5,249	C	Other financial assets
Merchandise and finished goods	2,361	28,705	(2,727)	28,340	A	Inventories
Work in progress	4,351	(4,351)				
Raw materials and supplies	24,353	(24,353)				
Income taxes receivable	533		94	627		Income taxes receivable
Deferred tax assets	2,767	(2,767)				
Other	6,310	(2,080)	(476)	3,754		Other current assets
Total current assets	187,836	(2,784)	(3,834)	181,217		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	78,769	(247)	(4,173)	74,349	C	Property, plant and equipment
Intangible assets	3,183	247	7,729	11,160	B, F	Intangible assets
Investments in capital of subsidiaries and affiliates	3,221	(1,872)	0	1,349		Investments accounted for using the equity method
Investment securities	18,351	2,705	4,133	25,190	C	Other financial assets
Long-term loans receivable	412	(412)				
Allowance for doubtful accounts	(3)	3				
Net defined benefit asset	472		9	482		Net defined benefit asset
Deferred tax assets	1,744	2,767	(2,509)	2,001		Deferred tax assets
Other	1,643	(406)	(128)	1,108		Other non-current assets
Total non-current assets	107,795	2,784	5,061	115,641		Total non-current assets
Total assets	¥295,632	¥ —	¥ 1,226	¥296,858		Total assets

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
						Liabilities and equity
Liabilities						**Liabilities**
Current liabilities						Current liabilities
Notes and accounts payable–trade	¥45,880	¥23,308	¥(8,998)	¥ 60,191	A, E	Trade and other payables
Electronically recorded	4,491	(4,491)				
Provision for bonuses	3,634	(3,634)				
Provision for directors' bonuses	151	(151)				
Short-term loans payable	1,674	59	(182)	1,551		Current borrowings
Long-term loans scheduled for payment within one year	59	(59)				
Lease obligations	585	(71)	1,195	1,709	C	Other financial liabilities
Income taxes payable	1,687	541	(253)	1,975		Income taxes payable
		122		122		Provisions
Deferred tax liabilities	603	(603)				
Other	19,601	(15,064)	(1,187)	3,349		Other current liabilities
Total current liabilities	78,369	(45)	(9,425)	68,899		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	9			9		Non-current borrowings
Lease obligations	1,631	71	678	2,381	C	Other financial liabilities
Net defined benefit liability	775	(33)	100	842		Net defined benefit liability
		141		141		Provisions
Deferred tax liabilities	5,920	603	(556)	5,967		Deferred tax liabilities
Other	2,054	(737)	799	2,115	C, E	Other non-current liabilities
Total non-current liabilities	10,390	45	1,021	11,457		Total non-current liabilities
Total liabilities	88,760	—	(8,404)	80,356		Total liabilities
Net assets						**Equity**
Common stock	4,700			4,700		Common stock
Capital surplus	5,163		(213)	4,949	H	Capital surplus
Treasury stock	(3)			(3)		Treasury stock
Retained earnings	152,069		8,829	160,899	H	Retained earnings
Accumulated other comprehensive income	23,004		(1,433)	21,571	A, D, G	Other components of equity
	184,933	—	7,182	192,116		Total equity attributable to owners of parent
Minority interests	21,937	—	2,448	24,385		Non-controlling interests
Total net assets	206,871	—	9,630	216,502		Total equity
Total liabilities and net assets	¥295,632	¥ —	¥ 1,226	¥296,858		Total liabilities and equity

Principal adjustments made for differences at the end of the preceding consolidated fiscal year are as follows:

(i) Reclassification of accounts

- Time deposits with a deposit term exceeding three months were included in "cash and deposits" under Japanese GAAP but are included in "other financial assets" under IFRS.
- Accounts receivable (other) and advance payments (trade) were included in "other current assets" under Japanese GAAP but are included in "trade and other receivables" under IFRS.
- "Merchandise and finished goods," "work in progress," and "raw materials and supplies" were presented separately under Japanese GAAP and are combined as "inventories" under IFRS.
- All "deferred tax assets" are presented as non-current assets and "deferred tax liabilities" are presented as non-current liabilities under IFRS.
- "Electronically recorded obligations–operating," "provision for bonuses," and "provision for directors' bonuses" were presented separately under Japanese GAAP but are included in "trade and other payables" under IFRS.
- Accounts payable–other and accrued expenses were included in "other current liabilities" under Japanese GAAP but are included in "trade and other payables" under IFRS.

(ii) Differences in recognition and measurement

A. Change of accounting reporting period

The last days of the reporting period of the consolidated subsidiaries were uniformly set to March 31, which affected the account items in the consolidated statement of financial position.

Notable effects include an increase of 3,336 million yen in "cash and cash equivalents," a decrease of 7,176 million yen in "trade and other receivables," a decrease of 2,641 million yen in "inventories," a decrease of 9,498 million yen in "trade and other payables," and a decrease of 1,706 million yen in "other components of equity."

B. Capitalization of development costs and amortization of development assets

While development costs have been charged to expenses as incurred under Japanese GAAP, those meeting the requirements to be an intangible asset are recognized as assets under IFRS.

Development costs recognized as assets are amortized using the straight-line method over their estimated useful life (five years in many cases), which starts at the beginning of the mass production of the products concerned.

As a result, "intangible assets" increased by 7,901 million yen.

C. Conversion of tool transactions to leases

While the payments for tools received from clients were recorded as sales under Japanese GAAP, they are treated as finance leases of the lessor based on the substantial judgment of the contracts under IFRS.

The prices of tools paid to clients (excluding the payments for tools owned by the Group) were recorded as accrued expenses under Japanese GAAP but are treated as finance leases of the lessee under IFRS.

As a result, "other financial assets (current)" increased by 3,105 million yen, "property, plant and equipment" decreased by 3,726 million yen, "other financial assets (non-current)" increased by 4,049 million yen, "other financial liabilities" (current)" increased by 1,211 million yen, "other financial liabilities (non-current)" increased by 706 million yen, and "other non-current liabilities" increased by 91 million yen.

D. Adjustment of post-retirement benefits

Under Japanese GAAP, actuarial differences and past service costs were recorded in the section of net assets through other comprehensive income as they were incurred and recognized in profit or loss over a certain number of years.

Under IFRS, actuarial differences are recorded in the section of equity through other comprehensive income as they are incurred, and past service costs are recognized in profit or loss in a lump sum as they are incurred.

As a result, "other components of equity" decreased by 1,115 million yen.

E. Recognition of liabilities associated with paid leave, etc.

While accounting treatment of employee benefit liabilities associated with the paid leave system and the long-service award system is not required by Japanese GAAP, under IFRS, liabilities are recognized at the time when employees provide the relevant services.

As a result, "trade and other payables" increased by 434 million yen and "other non-current liabilities" increased by 678 million yen.

F. Adjustment of goodwill

Under IFRS 1, companies introducing IFRS may choose between the method of retroactively applying "IFRS 3: Business Combinations" (hereinafter "IFRS 3") to all business combinations prior to the date of transfer to IFRS, and the method of applying IFRS to specific business combinations on or prior to the date of transfer to IFRS.

The Group has selected the method of retroactively applying IFRS 3 to the business combinations implemented on and after April 1, 2013, and introduced IFRS 10 on said date.

Consequently, an additional purchase of shares of consolidated subsidiaries is treated as a capital transaction that reduces "capital surplus" under IFRS, while such additional shares were recognized as goodwill under Japanese GAAP.

As a result, "intangible assets" decreased by 138 million yen.

G. Transfer of translation differences from foreign operations

Translation differences from all foreign operations as of the date of transfer have been transferred to "retained earnings" by introducing the exemption rules of IFRS 1.

As a result, "other components of equity" increased by 295 million yen.

H. Reconciliation of capital surplus and retained earnings

(Unit: Million yen)

	Note	Amount of reconciliation of difference	
		Capital surplus	Retained earnings
Change of accounting reporting period	A		¥2,406
Capitalization of development costs and amortization of development assets	B		7,894
Conversion of tool transactions to leases	C		1,126
Adjustment of post-retirement benefits	D		1,115
Recognition of liabilities associated with paid leave, etc.	E		(1,113)
Adjustment of goodwill	F	¥(213)	74
Transfer of translation differences from foreign operations	G		(295)
Tax effects on above reconciliations			(2,350)
Proportionate allocation of above reconciliations to non-controlling interests			(474)
Other reconciliations			446
Total		¥(213)	¥8,829

(3) Reconciliation of profit/loss and comprehensive income from the previous fiscal year (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
Net sales	¥434,279		¥(11,961)	¥422,317	A, D	Revenue
Cost of sales	(364,530)	¥ 101	11,712	(352,716)	A, B, C, D, E	Cost of sales
Gross profit	69,748	101	(249)	69,600		Gross profit
Selling, general and administrative expenses	(34,462)		694	(33,768)	B, E	Selling, general and administrative expenses
		860	156	1,017	D	Other income
		(494)	(308)	(802)	D	Other expenses
Operating income	35,286	467	293	36,047		Operating income
Non-operating income	5,319	(5,319)				
Non-operating expenses	(242)	242				
Extraordinary income	127	(127)				
Extraordinary loss	(428)	428				
		3,810	(57)	3,753	D	Finance income
		(176)	(29)	(206)		Finance costs
		674	0	674		Share of profit of investments accounted for using the equity method
Income before tax	40,061	—	206	40,268		Income before income tax
Total income taxes	(12,563)	—	(7)	(12,570)	F	Income tax expense
Income before minority interests	27,498	—	199	27,697		Net income
Minority interests in income	5,490	—	(377)	5,112	F	Income attributable to non-controlling interests
Net income	¥ 22,008	¥ —	¥ 577	¥ 22,585		Income attributable to owners of parent

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
Income before minority interests	¥27,498		¥199	¥27,697		Net income
Other comprehensive income						Other comprehensive income
Remeasurements of net defined benefit plans	1,178		(835)	342	E	Remeasurements of net defined benefit plans
Valuation difference on available-for-sale securities	1,424		(17)	1,406		Change in fair value of available-for-sale financial assets
Foreign currency translation adjustment	14,895		577	15,472	F	Differences on translation from foreign operations
Share of other comprehensive income of associates accounted for using the equity method	108			108		Share of other comprehensive income of associates accounted for using the equity method
Total other comprehensive income	17,607	—	(276)	17,330		Other comprehensive income, net of tax
Comprehensive income	45,105	—	(76)	45,028		Comprehensive income for the period
Comprehensive income attributable to owners of parent	37,127	—	(590)	36,536		Comprehensive income for the period attributable to owners of parent
Comprehensive income attributable to minority interests	7,978	—	514	8,492		Comprehensive income for the period attributable to non-controlling interests

Principal adjustments made for differences in the preceding consolidated fiscal year are as follows:

(i) Reclassification of accounts

Of the items presented under "non-operating income," "non-operating expenses," "extraordinary income," and "extraordinary loss" under Japanese GAAP, those related to financial affairs are placed under "finance income" and "finance costs," and other items are placed under "other income," "other expenses," and "share of profit of investments accounted for using the equity method."

(ii) Differences in recognition and measurement

A. Change of accounting reporting period

The last days of the reporting period of the consolidated subsidiaries were uniformly set to March 31, which affected the account items in the consolidated statement of profit or loss and the consolidated statement of comprehensive income.

Notable effects include a decrease of 7,818 million yen in "revenue" and a decrease of 5,775 million yen in "cost of sales."

B. Capitalization of development costs

While development costs have been charged to expenses as incurred under Japanese GAAP, those meeting the requirements to be an intangible asset are recognized as assets under IFRS.

As a result, "cost of sales" decreased by 3,009 million yen and "selling, general and administrative expenses" decreased by 427 million yen.

C. Amortization of development assets

Development costs recognized as assets are amortized using the straight-line method over their estimated useful life (five years in many cases), which starts at the beginning of the mass production of the products concerned.

As a result, "cost of sales" increased by 1,134 million yen.

D. Conversion of tool transactions to leases

While the payments for tools received from clients were recorded as sales under Japanese GAAP, they are treated as finance leases of the lessor based on the substantial judgment of the contracts under IFRS.

The prices of tools paid to clients (excluding the payments for tools owned by the Group) were recorded as accrued expenses under Japanese GAAP but are treated as finance leases of the lessee under IFRS.

As a result, "revenue" decreased by 4,143 million yen, "cost of sales" decreased by 3,236 million yen, "other income" increased by 150 million yen, "other expenses" increased by 306 million yen, and "finance income" increased by 64 million yen.

E. Adjustment of post-retirement benefits

Under Japanese GAAP, actuarial differences and past service costs were recorded in the section of net assets through other comprehensive income as they were incurred and recognized in profit or loss over a certain number of years.

Under IFRS, actuarial differences are recorded in the section of equity through other comprehensive income as they are incurred, and past service costs are recognized in profit or loss in a lump sum as they are incurred.

As a result, "cost of sales" decreased by 894 million yen, "selling, general and administrative expenses" decreased by 220 million yen, and "remeasurements of net defined benefit plans" decreased by 1,115 million yen.

F. Tax effects, non-controlling interests, and foreign exchange differences relevant to the adjustments

In connection with the above adjustments, tax effect adjustment, proportionate allocation to non-controlling interests, and adjustment from foreign exchange differences have been performed.

As a result, "income tax expense" increased by 7 million yen, "income attributable to non-controlling interests" decreased by 377 million yen, and "differences on translation from foreign operations" increased by 577 million yen.

(4) Reconciliation of cash flows from the previous fiscal year (April 1, 2014 to March 31, 2015)

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
Cash flows from operating activities	¥29,959		¥5,096	¥35,056		Cash flows from operating activities
Cash flows from investing activities	(20,368)		(2,403)	(22,771)		Cash flows from investing activities
Cash flows from financing activities	(9,871)		(1,360)	(11,231)		Cash flows from financing activities
Cash and cash equivalents	8,218		(16)	8,202		Effect on exchange rate changes on cash and cash equivalents
Net increase (decrease) in cash and cash equivalents	7,939	¥—	1,315	9,255		Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of period	76,460	—	2,174	78,634		Cash and cash equivalents at beginning of period
Increase in cash and cash equivalents from newly consolidated subsidiaries	153	—	(153)	—		Increase in cash and cash equivalents from newly consolidated subsidiaries
Cash and cash equivalents at end of period	¥84,552	¥—	¥3,336	¥87,889		Cash and cash equivalents at end of period

In addition to the effect of uniformly setting the last day of the reporting period of the consolidated subsidiaries to March 31, the transfer of expenditures for development costs meeting the requirements of capitalization from "cash flows from operating activities" to "cash flows from investing activities" resulted in the differences in the amounts under Japanese GAAP and IFRS.

(5) Other

Quarterly information for the fiscal year under review.

(Unit: Million yen)

Cumulative period	1st quarter	2nd quarter	3rd quarter	4th quarter
Net sales	¥117,226	¥229,479	¥345,407	¥462,383
Income before income taxes	12,170	20,779	28,817	39,837
Income attributable to owners of parent	7,279	12,103	16,687	22,753
Earnings per share (yen)	¥ 107.06	¥ 178.00	¥ 245.42	¥ 334.61

Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share (yen)	¥107.06	¥70.94	¥67.41	¥89.20

Notes: 1. Quarterly information for the fiscal year under review has been prepared on the basis of Japanese GAAP.

2. Auditing procedures based on Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act were not undertaken for financial statements for the current fiscal year (April 1, 2015 to March 31, 2016) and the 4th quarter of the current fiscal year (January 1, 2016 to March 31, 2016).

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 24, 2016

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Hirohisa Kato

Designated Unlimited Liability Partner
Engagement Partner,
Certified Public Accountant: Kenji Morita

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kazuyoshi Kuramoto

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2016 of TS TECH Co., Ltd. (the "Company") and its consolidated subsidiaries, and the consolidated statements of comprehensive income, changes in equity and cash flows for the fiscal year from April 1, 2015 to March 31, 2016, and notes to consolidated financial statements.

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 International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, 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.

Audit Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TS TECH Co., Ltd. and its consolidated subsidiaries as of March 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Audit of Internal Control]
Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of TS TECH Co., Ltd. as of March 31, 2016.

Management's Responsibility for the Report on Internal Control
Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility
Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

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, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of TS TECH Co., Ltd. as of March 31, 2016 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest
Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

CSR Contributing to the TS TECH Brand

Mitsuo Ogawa
Representative Director
Craig Consulting Co., Ltd.

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.).

In the four years since I started providing a third-party opinion for TS TECH, one gets the sense that the automotive industry has been in a major innovative phase. We see this, for example, in the development of engines not relying on internal combustion, and also in automated driving reaching the point of being transformed into a practical reality. Technological innovations like these also have a major impact on the business structure of TS TECH, which researches the science behind seating. The dialogue with President Michio Inoue in this year's report sees him frequently mentioning innovation, which in itself is a sign of the anxiety over major innovations in the automotive industry. Moreover, the Ambient Seat for the automated driving of the future, the subject of a special feature, could be regarded as a manifestation of such innovation.

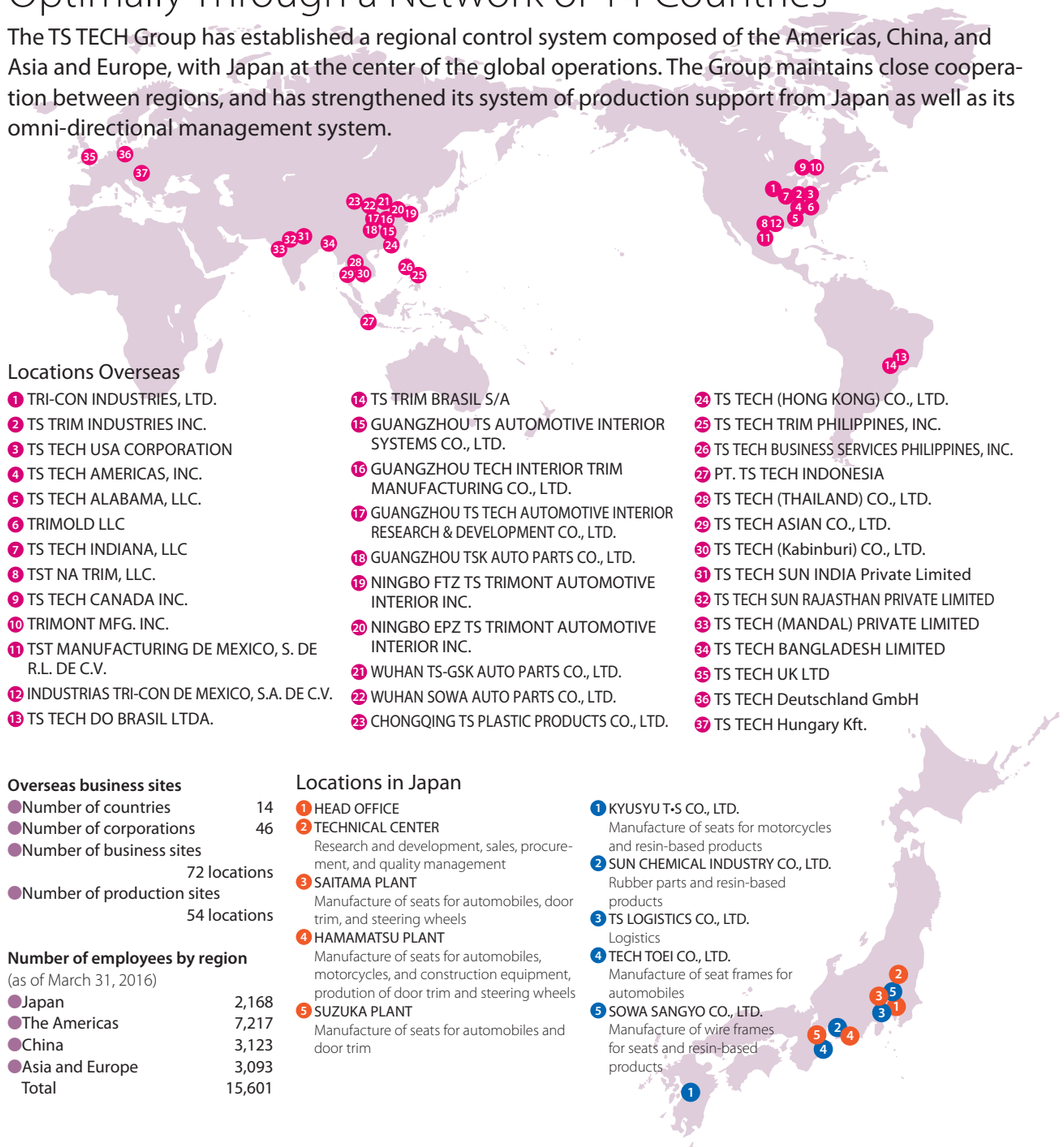
For a firm to survive a major innovative phase, it must calmly and accurately observe the major trends (megatrends) in society and consider what it needs to do in terms of backcasting. For this reason the human resources who will meet the future head on are key. I was impressed with the pride and sense of worth expressed by the young employees in the special feature about the development of the Ambient Seat. When young workers provide ideas in response to the direction shown by their leadership, it makes for a desirable organizational climate, which will undoubtedly create a wholesome TS TECH brand. I encourage readers to take a look at this special feature.

On the other hand, there have recently been a number of incidents in the automotive industry revealing what can only be regarded as a disregard for stakeholders. A fierce competitive environment in a major innovative phase can lead to concern only for short-term gains, and this was likely a factor in condoning the fabrication of data. It hardly needs to be said that companies have a social presence, and those which have shown disregard for the interests of society cannot expect to survive. In any business, one must constantly bear in mind what can be done to achieve both the interests of society and those of the corporation. In that sense, we can understand the importance TS TECH attaches to being a "company welcomed with joy by its stakeholders" and that this also requires diligent effort. Bringing joy to stakeholders entails a constant, active dialogue with them, with this communication creating an organizational climate that provides a sense of the interests of society. This will contribute to the TS TECH brand creation. I hope there will be progress in the communication with end users that is touched on in the President's message.

I would like to mention one particular issue in closing—the urgent nature of the recent global movement concerning CSR-based procurement. Last year, the United Kingdom enacted the Modern Slavery Act 2015. The international standard for sustainable procurement (ISO 20400) is due to come into effect next year. Japan has already enacted procurement codes for the 2020 Tokyo Olympics. Resolving issues in the supply chain pertaining to human rights, labor practices, etc. underlies these movements. TS TECH is a global company, which also has a growing overseas supply chain. It cannot casually think, "We don't have any suspicious sources of supply." The Group needs to quickly grasp and resolve any issues in its global CSR-based procurement. I hope the results of this will be disclosed in next year's report.

Global Supply Capabilities Meeting Local Needs Optimally Through a Network of 14 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.



Locations Overseas

1. TRI-CON INDUSTRIES, LTD.
2. TS TRIM INDUSTRIES INC.
3. TS TECH USA CORPORATION
4. TS TECH AMERICAS, INC.
5. TS TECH ALABAMA, LLC.
6. TRIMOLD LLC
7. TS TECH INDIANA, LLC
8. TST NA TRIM, LLC.
9. TS TECH CANADA INC.
10. TRIMONT MFG. INC.
11. TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V.
12. INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.
13. TS TECH DO BRASIL LTDA.
14. TS TRIM BRASIL S/A
15. GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.
16. GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO., LTD.
17. GUANGZHOU TS TECH AUTOMOTIVE INTERIOR RESEARCH & DEVELOPMENT CO., LTD.
18. GUANGZHOU TSK AUTO PARTS CO., LTD.
19. NINGBO FTZ TS TRIMONT AUTOMOTIVE INTERIOR INC.
20. NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC.
21. WUHAN TS-GSK AUTO PARTS CO., LTD.
22. WUHAN SOWA AUTO PARTS CO., LTD.
23. CHONGQING TS PLASTIC PRODUCTS CO., LTD.
24. TS TECH (HONG KONG) CO., LTD.
25. TS TECH TRIM PHILIPPINES, INC.
26. TS TECH BUSINESS SERVICES PHILIPPINES, INC.
27. PT. TS TECH INDONESIA
28. TS TECH (THAILAND) CO., LTD.
29. TS TECH ASIAN CO., LTD.
30. TS TECH (Kabinburi) CO., LTD.
31. TS TECH SUN INDIA Private Limited
32. TS TECH SUN RAJASTHAN PRIVATE LIMITED
33. TS TECH (MANDAL) PRIVATE LIMITED
34. TS TECH BANGLADESH LIMITED
35. TS TECH UK LTD
36. TS TECH Deutschland GmbH
37. TS TECH Hungary Kft.

Overseas business sites

Number of countries	14
Number of corporations	46
Number of business sites	72 locations
Number of production sites	54 locations

Number of employees by region
(as of March 31, 2016)

Japan	2,168
The Americas	7,217
China	3,123
Asia and Europe	3,093
Total	15,601

Locations in Japan

1. HEAD OFFICE
2. TECHNICAL CENTER
   Research and development, sales, procurement, and quality management
3. SAITAMA PLANT
   Manufacture of seats for automobiles, door trim, and steering wheels
4. HAMAMATSU PLANT
   Manufacture of seats for automobiles, motorcycles, and construction equipment, prodution of door trim and steering wheels
5. SUZUKA PLANT
   Manufacture of seats for automobiles and door trim

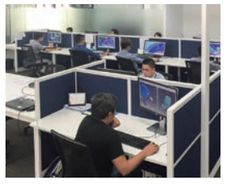
1. KYUSYU T•S CO., LTD.
   Manufacture of seats for motorcycles and resin-based products
2. SUN CHEMICAL INDUSTRY CO., LTD.
   Rubber parts and resin-based products
3. TS LOGISTICS CO., LTD.
   Logistics
4. TECH TOEI CO., LTD.
   Manufacture of seat frames for automobiles
5. SOWA SANGYO CO., LTD.
   Manufacture of wire frames for seats and resin-based products

Aiming for improved competitiveness and enhancement of our global network

TS TECH BUSINESS SERVICES PHILIPPINES, INC.

Philippines

Establishment of a new company to enhance the competitive power of design work



Some design work in Japan has been transferred to this new company. Going forward, the Japanese design division will work to not only increase cost competitiveness, but also to achieve design work with greater added value.

TS TECH BANGLADESH LIMITED

Bangladesh

Establishment of a new company to respond to increasing global demand for trim cover

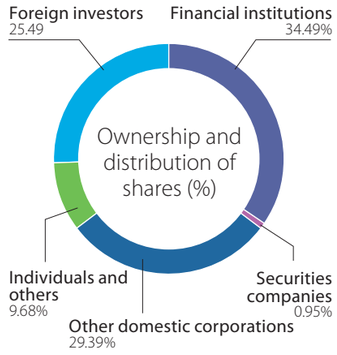
A new company has been established to engage in the cutting and sewing of trim cover. As personnel expenses increase in emerging nations, the aim is to further improve cost competitiveness for automobile seat parts and to establish a supplementary global base to respond to increasing trim cover demand worldwide.

Corporate Data (as of March 31, 2016)

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	Manufacture and sale of seats for automobiles; interior trim and interior components for automobiles; motorcycle seats; and motorcycle parts and accessories
Number of Employees	15,601 (consolidated) 1,709 (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, 2016)

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Outstanding	68,000,000
Number of Shareholders	11,424



Major Shareholders (as of March 31, 2016)

	Equity participation: Number of shares held (thousands)	Equity participation: Voting stake (%)
Honda Motor Co., Ltd.	15,360	22.6
Japan Trustee Services Bank, Ltd. (Trust Account)	2,936	4.3
Mitsui Sumitomo Insurance Company, Limited	2,451	3.6
MSIP CLIENT SECURITIES	2,380	3.5
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
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

* Treasury stock is included in "Individuals and others".

TS TECH Co.,Ltd.

3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan
URL: http://www.tstech.co.jp

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