



TS TECH Report 2020 Creation of a Foundation for ESG Management

Aiming to Be a Value-Creating Company
That Contributes to a Sustainable Society

We are not bound to the present.

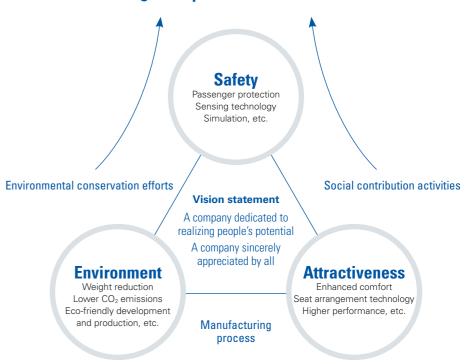
Rather, we will create value that goes beyond the present in order to bring joy to all our stakeholders as we work to help build a sustainable world.



Beyond Comfort

A goal that goes beyond comfort

Working to help build a sustainable world



In the manufacture of its products, TSTECH 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.

Our corporate message is "Beyond Comfort." "Beyond" connotes transcending, rising above, or going ahead of something, while "Comfort" denotes ease, contentment, and relaxation. Put together, they represent our will to deliver much more than just comfort. Our actions are underpinned by the belief that comfort leads to satisfaction, which in turn brings joy to the end users of our products. We are not bound to the present. Rather, we will create value that goes beyond the present in order to bring joy to all our stakeholders.

As we continue to grow as a seat and interior system supplier that is trusted world-wide, we are determined to embody our beliefs to be a company dedicated to realizing people's potential and a company sincerely welcomed by all. To accomplish this, we will incorporate ESG-focused management that considers environmental (E), social (S), and governance (G) issues, and we will strive to contribute to a sustainable world.



TS TECH Philosophy

Vision Statement

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

Mission Statement

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

Operational Directives

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

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Creating Workplaces That Are Even More Employee Friendly

Philanthropy

TS TECH's Products

Original Value Creation Story

Seats for the Honda Fit

Discussion World Yuru Sports Association × Aisareru Seat

Discussion Sony × TS TECH What Are the Future Needs for an Automobile's Interior Space?

Fact Book

The TS TECH Group's Business Operations/ Financial Reporting/Financial Highlights/ Non-Financial Highlights/Financial Information/ Non-Financial Information/Corporate Data

The Year in Review (April 2019-March 2020)

Integrated Report Review

Editorial Policy

The TSTECH Group has been issuing the "TS TECH Report," an integrated report that includes both financial and nonfinancial information, since 2012. These reports introduce the Group's stance as an enterprise and the efforts it is making to contribute to sustainability in the course of its business in order to be a company sincerely appreciated by all whose presence is valued by all of its stakeholders.

About the Report's Formats



TSTECH Website

CSR Activities https://www.tstech. IR Information https://www.tstech

Scope of the Report

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

About This Report's Designations

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

Term Covered

Fiscal 2020 (April 1, 2019-March 31, 2020) * Select activities from before or after this term may be included.

Reference Guidelines

- ISO 26000:2010 standard, International Organization for Standardization (ISO)
- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry (METI) of Japan

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

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It is estimated that people in Japan sit for some seven hours a day, making sitting virtually inseparable from daily life.

Since our founding in 1960, TS TECH has been driving the evolution of automobile seats, and we mark our 60th anniversary in 2020.

When it comes to seating, we are perfectionists, and the automobile seats we have designed over the years highlight the excitement of driving, the comfort of the working person, and family ties.

TS TECH will continue to create and deliver new seating value through automobile seats that provide innovative comfort in next-generation automotive interior spaces, as well as seats that offer a sense of fun that transcends the typical automobile framework by combining

seating with sensing, the Internet of things (IOT), and other technologies.

Revolutionizing Seating

Sixty Years of the TS TECH Group

From Producing **Work Uniforms to** Manufacturing Seats for Motorcycles and Automobiles

TS TECH's predecessor, Teito Fuhaku Kogyo Corporation, manufactured work uniforms for Honda, who recognized



the quality of our sewing technology and asked

us to begin manufacturing motorcycle seats. Honda's Super Cub scooter became a runaway hit and our production system expanded. We then began to manufacture lightweight seats for racing motorcycles, developing technologies early on to make seats lighter.

We later made seats for the Honda T360 pickup truck, which marked the start of TS TECH's full-fledged manufacture of seats for automobiles. From then on, the scale of our operations grew



Early Establishment of a Manufacturing **North America**

TS TECH first expanded its business outside of Japan in 1977, setting up a production subsidiary in Nebraska, U.S.A. to manufacture motorcycle seats locally for Kawasaki.

We later began production for Honda. A series of orders for automobile seats and leisure vehicle seats came in from American automakers, and the scale of local production was expanded. Today, the Group has production centers in Japan, the Americas, Europe, China, and other parts of Asia.

Established Tokyo Seat Co., Ltd.

Took over the motorcycle seat business from predecessor Teito Fuhaku Kogyo Corporation

Began producing automobile seats

Expanded operations to North America

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



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



1996 Honda Sten WGN swivel seats in face-to-face mode

Seat Arrangements **Created Using** Structural Design Technology

The 1990s saw a minivan boom. The interior was seen as a space to enjoy spending one's time, generating demand for more comfortable seats. We then began a multi-pronged pursuit of comfort. One result of this pursuit was seat arrangement technology. We employed structural

design technologies and a wealth of expertise to develop arrangements with various kinds of usability. TS TECH's designs have earned a solid reputation among European automakers, who have long been leaders in the industry.

he Relentless Quest or Weight Reduction: NSX Aluminum Seat Frame

Honda's top-of-the-line sports car, the (Acura) NSX, debuted in 1990. Making the car lighter was essential to achieving its phenomenal performance. We worked to develop a seat frame that only used aluminum instead of steel, the conventional material used for seats. We experimented with processing methods, rustproofing technologies, and more. Our wealth of technical expertise

resulted in seats that greatly reduced the weight of the vehicle. The same technology was utilized for the newest NSX seats to develop a frame that blends aluminum with cutting-edge materials.



Expanded operations to Asia

Expanded operations to South America

Changed company name to TS TECH Co., Ltd.

Honda Civic Seat

The first use of a mechanism

to adjust seat height. This

seat made it possible for

smaller drivers to adjust to a

more comfortable

driving position.

Launched 1995

Expanded operations to Europe



More **Electrical Devices** or More Comfortable Safer Seats

Seats used to be simple, consisting mainly of a frame and cushion with leather covering. They have since evolved, and today many electrical devices are built into seats to add greater safety, comfort, and appeal. TS TECH has a department dedicated to the research and development of electrical devices. The department is a self-

contained entity, handling everything from proposals of new features to control settings and system verification.

Za Lab: A Research Group That Studies the Philosophy and Science of Seating

Za Lab was launched in 2012 with young employees selected from various departments to come together and research seating.

The interaction between different occupations generated many new, outside-the-box ideas. Za Lab continues to routinely conduct research in collaboration with the New Product Development Department to

> commercialize their ideas, a few of which have been shown at events such as the Tokyo Motor Show as prototypes. These and other ideas that have emerged from Za Lab will lead to future technologies.



Aiming for comparable Qualit and Achieving **World-Class Quality**

In order to compete alongside the world's mega-suppliers, in the early 2000s, TS TECH first set its goal of achieving world-class quality. Under the slogan at the time, "Incomparable Quality," we set out to not only improve production efficiency and quality through the installation of facilities such as jig lines but also to change

people's way of thinking about manufacturing. More recently, TS TECH has been a highly ranked supplier by vehicle size class in a seat quality and satisfaction survey conducted by an American research firm.

Stock listed on the

First Section of the Tokyo Stock Exchange

Safety Evaluation Technology Obtained through **High-Performance** Oynamic Sled Testing

In 2004, TS TECH introduced a new cutting-edge dynamic sled testing facility to reliably reproduce car crash impacts. The facility was the first of its kind in Japan. Over 1,000 tests are conducted annually, and the safety assessment technologies have led to TS TECH's seats receiving top-class safety assessments from vehicle safety assessment organizations around the world.



TS TECH's 50th anniversary

Establishing a Strong Profit Structure

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

Expanded operations to China

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



Automated welding equipment

Creating New Value

As the automotive industry enters a period of major transformation, the functions and value demanded of automobiles are also undergoing great change.

Even in the face of significant change we aim to continue delivering attractive products that always exceed customers expectations. TS TECH is working to create new value with an eye to the future through our "Project to Create Exciting, Attractive Products," which transcends the boundaries of the automotive industry.



A combination of sensing technology and the IoT Aisareru Seat

Assuring Quality

The seats for the original Honda Civic could be considered the starting point for TS TECH's manufacture of automobile seats. When the model was launched, however, there were frequent issues involving seam tears in the covering and bent seat frames when used by people with larger body types. The system we established at that time to facilitate the immediate sharing of quality issues among departments and quick improvements is still in place today. We have turned this Seat for rough start into a legacy of a strong
the original Honda Civic commitment to the perfection of quality. Launched 1972



Pursuing Comfort

TS TECH's Value Creation Model

Our goal is to become a seat and interior system supplier that is trusted and appreciated worldwide. To achieve this goal, we will work to build a value creation model that will enable us to continue to provide value to society by taking advantage of our strengths and to adapt that model in response to the changing expectations and demands of society. In addition to value creation through the value chain, we will continue to strive for sustainable growth and increased corporate value through proactive social contribution activities.

Changes in the structure External factors (Exchange rate fluctuations Material price fluctuations A company dedicated to realizing people's potential **Vision Statement** A company sincerely appreciated by all 2030 Vision INNOVATIVE QUALITY COMPANY 2020 Vision INNOVATIVE QUALITY COMPANY **Medium-Term Vision** Continued creation of new value

Long-Term Vision

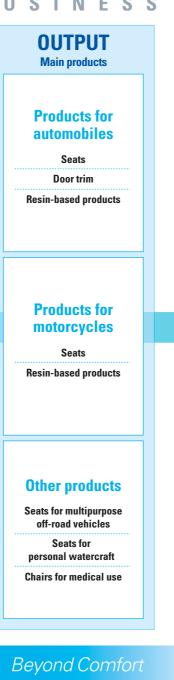
To become a seat and interior system supplier that is trusted worldwide

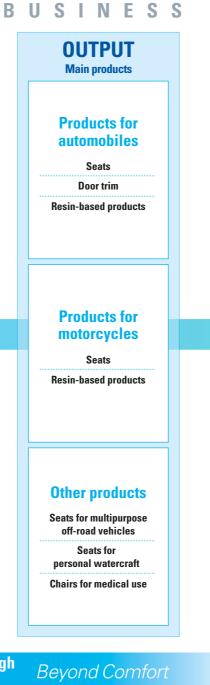
INPUT Strengths **Technological prowess** Expertise related to "the philosophy and science of seating" cultivated since our establishment 60 years ago High degree of stability in all QCDDM* domains Competitive patents Number of patents held in Japan: 1,180 Number of patents held outside of Japan: **644** Research and development expenses 12.3 billion yen (3.4% of revenue) **Global business development** A system arranged into the four regions of Japan, the Americas, China, and Asia and Europe Operations in 14 countries Number of sites: 79 Number of production sites: **51**



BUSINESS ACTIVITIES

Value chain







Contribution to the creation of a sustainable society

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

MISSION Social responsibility

Global promotion of TS TECH Philosophy education

Sustainable management base

A philosophy for debt-free management

since our establishment

A sound financial base

Consolidated equity: **274.5** billion yen

(Transport equipment industry average: 4.4%)

Revenue: 359.6 billion ven

Operating margin: **7.3**%

Social issues

Corporate evolution through

ESG management

Changes in comfort sought for automobile interiors

Car safety

The creation of loyee-friendly workplaces

Investments in sustainable management resources

Top Message



Introduction

I would like to extend my deepest sympathy to all those affected by the novel coronavirus (COVID-19). I would also like to offer my heartfelt respect and gratitude to the medical personnel and essential workers who are giving their all to prevent the spread of the virus.

The global outbreak of COVID-19 in the final year of the 13th Medium-Term Management Plan (fiscal 2018-fiscal 2020) has cast a large shadow over the TS TECH Group. The 14th Medium-Term Management Plan (fiscal 2021-fiscal 2023), which represents the first step of this decade leading up to 2030, began under that shadow, and it will take some time before many regions of the world can return to normal conditions. At the same time, technological innovation in the automotive industry geared toward new forms of mobility in society continues to advance at a remarkable pace, and the value that is required of us as suppliers is changing. Amid this backdrop, we must continue to strengthen our existing foundation as an automotive interior component system supplier, working tirelessly to evolve into a company capable of responding with versatility and flexibility to a wide range of changes in the external environment, and further enhance our corporate value.

The Impact of the COVID-19 Pandemic

The impact of the COVID-19 pandemic on our fiscal 2020 results was sizable, with revenue down by approximately 16.4 billion yen and operating income reduced by approximately 5.3 billion yen. Production stoppages by our customers caused by government-imposed restrictions on business operations and other factors resulted in shutdowns at our plants, first in China and then in the Americas and the Asia and Europe segments. Even at plants that were still able to operate, a decline in demand for automobiles negatively impacted the number of orders received, meaning that with the exception of the China segment, production was down year on year in all regions. As of July 2020, operations have resumed at all TSTECH Group plants.

In terms of business continuity, on January 29, 2020 we established a Group-wide COVID-19 emergency response committee. Thanks to its collection of information and efforts to maintain production, including alternate production of parts and intra-Group supply, we did not experience any disruptions in the supply chain or other issues at plants that were still operating. Although it was necessary to suspend operations at several seat trim cover supply bases, it was possible to maintain a supply thanks to the establishment of an inter-segment supplementation system that transcended national boundaries. These events have

Estimated Impact of COVID-19 Pandemic

Cogmont	FY2020	impact	FY2021 impact (forecast)	
Segment	Revenue	Operating income	Revenue	Operating income
Japan	-500 million yen	-500 million yen	-6.7 billion yen	-2.4 billion yen
Americas	-5.2 billion yen	-1.9 billion yen	-32.0 billion yen	-5.3 billion yen
China	-9.5 billion yen	-2.5 billion yen	_	_
Asia and Europe	-1.6 billion yen	-300 million yen	-15.8 billion yen	-4.4 billion yen
Consolidated	-16.4 billion yen	-5.3 billion yen	-51.0 billion yen	-12.0 billion yen

Duration of Plant Shutdown Due to the COVID-19 Pandemic by Region

Japan: No shutdowns (partial production adjustment implemented)

Americas: Production stoppages in North America from mid-March to early May 2020, and in Brazil from mid-March to mid-July 2020

nina: Production stoppages from early February to mid-March 2020 (excluding Chinese New Year holiday period)

Asia and Europe: Production stoppages in Thailand from late March to early May 2020; in India from mid-March to mid-June 2020; in Indonesia from mid-April

to late June 2020; and in the U.K. from mid-March to early June 2020

underscored for us the importance of achieving a balance between efficiency-oriented consolidation and risk diversification. The TS TECH Group has faced many crises in the past, including the financial crisis of 2008, the Great East Japan Earthquake, and wide-scale flooding in Thailand, but it is the strong financial foundation we have built through the lessons learned from these crises that has enabled us to maintain continuous employment and achieve a smooth restart of operations even in the face of the COVID-19 crisis.

From a global standpoint, it is evident that it will take a good deal of time to contain the COVID-19 pandemic, and the outlook remains uncertain. As we continue to monitor the situation carefully, we will review capital investment and curb costs, and, in accordance with directives from national and local governments, we will take thorough measures to prevent the spread of the virus and ensure business continuity.

Looking Back on the 13th Medium-Term Management Plan

We named the "Creation of a foundation for ESG management" as the Group's management policy under the 13th Medium-Term Management Plan as a means to realize our 2020 vision and become an innovative quality company whose presence is appreciated by stakeholders. To help achieve this, we designated "sustainable business growth," "diversity management," and "harmony with the social environment" as priority measures. Looking back on the results of the plan, we believe that we largely achieved the goals of the priority measures.

In particular, as part of our "sustainable business growth" measures, we worked to become a "world leader in component competitiveness" by undertaking proactive efforts in all regions to promote automated production, and this has helped us to steadily improve our competitiveness. Moreover, not only have we launched projects aimed at

creating fully automated production lines and worked to further enhance our automation efforts, we are also working to bring production technology in-house through means such as the creation of specialized divisions capable of implementing the self-manufacture of production equipment.

With respect to products, we have launched a nextgeneration seat frame that is approximately 28% lighter than existing seat frames and among the lightest in the world.*2 Already in use in the newest model of Honda's Fit, this seat has been well received by drivers, and we will continue to expand the range of models in which it is used.

In terms of "diversity management" that helps human resources thrive, TS TECH has adopted a flextime system with no core time and an elective retirement system in Japan, while overseas the Group is working to enhance personnel systems in line with the characteristics of each region.

As for our efforts to achieve "harmony with the social environment," we have received high acclaim from outside the company. Recognition includes the acquisition of a "Leadership" level A- score in a CDP*3 evaluation of our advanced environmental management initiatives and the receipt of the Minister of Economy, Trade and Industry Award (METI Minister's Award), the top award in the Energy Conservation Grand Prize project.

On the other hand, some challenges remained in the areas of the "creation of a system for world-leading quality" and the "establishment of a base*4 for new customer operations."

In quality-related matters, we experienced significant quality losses in the Americas. Although we are making steady progress in improving quality through a variety of

- *1 ESG Management: Management from an ESG standpoint comprises environmental (E), social (S), and governance (G) issues
- *2 In-house research
- *3 CDP: An international non-profit organization (NPO) headquartered in London, U.K. CDP collects, analyzes, and evaluates information on the environmental activities of the world's major companies that are aimed a sustainable economy and discloses the results of these activities to institutional investors.
- *4The base is a move to expand sales to finished vehicle manufacturers other than major customers.

measures, including initiatives to promote automation and enhanced educational tools, we are still some distance away from achieving world-leading quality. The entire TS TECH Group will continue to work on improving quality through steps to refine our automation technology and other measures.

In terms of establishing a base for new customer operations, although we have secured an increasing number of orders, including 3rd row seats and trim covers for the Volkswagen group and new orders for lighting components from Japanese manufacturers, barriers to receiving orders from European and American automakers remain high, and this has impacted the scale of sales growth. Nonetheless, it is a fact that the number of orders is increasing, and we will ensure that this increase translates into further progress by steadily building trust in our ability to deliver high-quality, competitive products.

Looking at earnings, we fell short of our earnings plan in fiscal 2020 due in part to the impact of external environment factors, including a decrease in orders from customers and the COVID-19 pandemic, but we were able to keep our operating margin in the 8% range, a high level compared to our industry peers. We believe this demonstrates that our profit structure has been strengthened, even in the midst of an increasingly competitive environment.

In summing up the 13th Medium-Term Management Plan, we believe that it has been a three-year period during which we were able to steadily lay the groundwork to take the Group to the next stage in terms of both its business base and earnings structure.

The 14th Medium-Term Management Plan: Toward Further Growth

Our vision statement for this decade leading up to 2030 is "Innovative quality company—Continued creation of new value." We have retained the reform-oriented axis that was an inherent part of the 2020 vision and incorporated the

determination to continue to create new value with high-quality management.

Based on this vision, under the 14th Medium-Term Management Plan management policy of "Corporate evolution through ESG management," we will advance two priority measures from two distinct angles: "Evolution for business growth" from a proactive angle, and a "stronger business operations structure to support evolution" from a protective angle. In the formulation process for the new plan, the issues that remained outstanding from the 13th Medium-Term Management Plan in each region and functional division were clearly identified and reflected in seven priority measures, and they were then broken down by each company and department.

To achieve further corporate growth, it is essential to expand sales. We will, therefore, place a special focus on proactive efforts aimed at the expansion of strategic commercial rights, which is one of the challenges that remains from the previous management plan. To this end, we will aim to acquire new customers and commercial rights as well as increase our share of orders from major customers.

To increase our share of orders from major customers, we will leverage the partnerships we have built to date and work with customers from an earlier stage in the development of new models to propose forward-looking technical solutions that lead to the development of more appealing products. Our most recent share was 58%, but we aim to increase this figure to 70% in the future.

Regarding the acquisition of new customers and commercial rights, although I stated that barriers to receiving orders are high, such perceptions may have arisen because development mechanisms, processes, requirements, and business practices differ greatly from one automobile manufacturer to another, yet TS TECH had been dependent largely on a single customer to date, and, therefore, was not sufficiently aware of the "way things are done." However, as we have gained experience, we have gradually learned different ways of doing things. Using the contacts we have developed thus far as a foothold, we will continue to enhance the

2020 Vision Statement 2030 Vision Statement Innovative quality company Innovative quality company — A company whose presence is appreciated by stakeholders — - Continued creation of new value -Management policy: Creation of a foundation for ESG management Creation of a system for world-leading quality Commercialization of original technologies Expansion of strategic commercial rights **Evolution for** growth Establishment of a base for new customer operations Optimization of business operations structure Contribution to a sustainable society ion of human resources to be promoted to managem Recognition for top quality Creation of measures to promote diversity ntally conscious business activities nization of employee and structural efficiency CSR activities

technologies and products we can offer to new customers and aim to steadily acquire orders for target models. Excluding our key customers, we aim to expand our sales channels to a scale of 300 billion yen by 2030.

To achieve these extremely ambitious targets, we must engage in business development and decision-making more strategically and with a due sense of urgency, rather than simply carrying on with a business-as-usual approach. As part of this initiative, in April 2020 we integrated our Sales Division and Corporate Purchasing Division. This will enable us to integrate all aspects of business, from orders to cost and procurement strategies, and conduct faster, more responsible activities.

In order to expand our commercial rights, it is essential to commercialize our unique technologies that can draw out customers' latent needs. In addition to the development of conventional advanced technologies, we will promote new value creation projects that are not constrained by conventional frameworks and are comprised of employees selected from multiple departments within the company. We will also actively pursue research and development activities through industry–academia joint projects and collaboration with different business sectors.

In addition, we intend to make active use of mergers and acquisitions as a means of achieving enhanced component competitiveness and expedited acquisition of new customers. While taking care not to disperse our managerial resources or dilute our profitability, we will thoroughly evaluate any partner that possesses solid technological capabilities and whose business is highly complementary to our own, utilizing the financial base we have built to date to invest our managerial resources generously.

ESG Management to Achieve Sustainable Growth

The TS TECH Group believes that contributing to the realization of a sustainable society will lead to sustained and further corporate growth, and we will continue to promote a variety of measures with ESG management at their core in our 14th Medium-Term Management Plan.

In order to increase the effectiveness of our ESG-focused initiatives, since the launch of the 13th Medium-Term Management Plan, we have been evaluated by a third party based on the Dow Jones Sustainability Indices (DJSI), which assess corporate sustainability from the three perspectives of economic (including governance), environmental, and social performance. Through the prioritized implementation of measures to address objectively identified weaknesses in areas that would lead to increased corporate value, by the endpoint of the plan we were able to exceed the average for the transportation equipment industry, which was initially used as a benchmark, in all areas.

In the area of governance, we are accelerating our efforts to enhance the transparency and fairness of the Board of Directors, including an amendment to our Articles of



Incorporation in June 2020 which allows Outside Directors to also serve as Chairperson of the Board of Directors. Since this change, an Outside Director has served as Chairperson of the Board of Directors, and this has led to more active discussions in meetings with Outside Directors and clarified the execution and supervision functions of the Board of Directors.

Going forward, we will continue to work to strengthen each ESG domain, not only by striving to improve the DJSI evaluation but also by working to preserve what we perceive to be the essence of TS TECH. Under the 14th Medium-Term Management Plan, we will further expand the disclosure of financial and non-financial information required of us as a company, including materiality (material issues), as we work to promote dialogue and help all stakeholders better understand our Group.

To Our Stakeholders

In addition to the structural reforms we are seeing in the automotive industry, where suppliers are engaged in a struggle for survival, there are an increasing number of major challenges that threaten corporate operations, such as the COVID-19 pandemic and natural disasters. This year marks 60 years since the TS TECH Group was established in 1960. Over the course of the years, we have faced many hardships, and we are deeply grateful to all the people without whose support we would not have been able to overcome adversity.

So that the TS TECH Group can become a company that will endure for 100 years and beyond, we will make full use of all of our resources, including the technological development and production activities that we have diligently worked on for many years, our strong financial base, the corporate culture that we have fostered, and our human resources, as we strive to achieve the goals set forth in our 14th Medium-Term Management Plan.

With a focus on ESG management, we will continue to create new value that goes beyond the present, and strive to be a company whose presence is further appreciated by stakeholders, so we ask for your steadfast support in the years to come.

Review of the 13th Medium-Term Management Plan

Aimed at creating a foundation for ESG management, our 13th Medium-Term Management Plan (fiscal 2018fiscal 2020) generally proceeded as planned, with steady improvements in each area of our corporate structure. Although some measures fell short or were behind schedule-for instance, the creation of a system for world-leading quality and the establishment of a base for new customer operations—we have identified the related issues and incorporated solutions into our next medium-term management plan.

Management policy	Priority measure	Measure	Evaluation result	Notable initiatives
		Creation of a system for world-leading quality	Average	Stronger product assurance capabilities through quality assurance tool maintenance and improvements Review and stronger management of unified global standards Enhanced quality structure through reforms of supplier weaknesses
	Sustainable business growth	World leader in component competitiveness	Good	Creation of innovative production technology Higher ratio of automated production lines/Launch of automation project Introduction of next-generation seat frame/Shift to inhouse production equipment and molding technology Development of new products such as the Aisareru Seat® Promotion of plans to reorganize domestic and overseas production Enhanced distribution strategy Stronger supply chain management
		Establishment of a base for new customer operations	Average	 Aggressive sales initiatives targeting Japanese, European, and Chinese automakers Establishment of new offices in Detroit and Chongqing Smooth launch of new order models Start of production of 3rd row seats for a new SUV from Volkswagen group subsidiary SEAT, S.A. (Hungary)
Creation of a foundation for ESG manage- ment (Fiscal 2018–) fiscal 2020		Financial strategies to support business growth	Good	Stronger global fund management Consideration and development of guidelines on business operations, risk management, growth investment, etc. Stronger region- and country-specific risk management Formulation of the TS TECH Group Tax Policy
	Diversity management	Cultivation of human resources to be promoted to management	Good	Construction of successor training system to develop local management Implementation of management development programs
		Creation of measures to promote diversity	Good	Introduction and promotion of flextime system Expansion of system for shorter working hours for childcare Introduction of an elective retirement system Promotion of workplaces conducive to the advancement of female employees
	Harmony with the social environment	Environmentally- conscious business activities	Very good	 Stronger initiatives to reduce CO₂ emissions (lighter products, installation of energy-saving equipment) Certification at all domestic locations for energy management system ISO 50001 Completion of a new global Head Office (Saitama Prefecture) that is environment- and community-friendly Revision of the Basic Environmental Policy
		CSR activities	Very good	Implementation of social contribution activities in each country tailored to regional characteristics Stronger support for activities in communities surrounding business locations

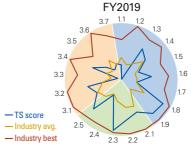
ESG Assessment

In 2018, we received an ESG performance rating conducted by a third party based on the DJSI questionnaire.

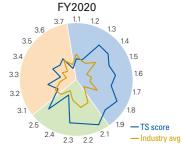
With an objective assessment of the Group offering a clear understanding of our strengths, weaknesses, and position in comparison with other companies, the TS TECH Group developed and implemented the measures needed to make improvements.

Industry average: Average for transportation equipment companies by category

Industry best: Highest rating for transportation equipment companies by category (compiled from figures for multiple companies)



- 1.1 Corporate governance
- 1.2 Materiality (material issues) 1.3 Risk & crisis management
- 1.4 Codes of business conduct/ compliance/corruption and bribery
- 1.9 Product quality and recall management



2.3 Operational eco-efficiency 3.3 Human rights 2.4 Product stewardship 3.4 Human capital development 2.5 Climate strategy

3.6 Corporate citizenship and

Efforts to Improve Product Quality

People We have worked to Structure We have accommodate a diverse workforce by improving and expanding our range of of product quality by peravailable tools, such as videos for our forming audits to verify work manuals in multiple languages the enforcement of rules and a review of standards for critical work processes based on product improvements at both our defects, and to increase awareness of ! Incations and those of product quality.

worked to raise the level and make any necessary our business partners.

ring We have worked to completely eliminate automated welding equipment malfuncpreventing defects by strengthening areas of weakness in facility

Issue: Underdeveloped automation technology



Distribution of TS TECH Group Locations' Overall Quality Rating

Discrepancies in product quality were found among our worksites. Our aim is to further raise the base level of quality at all sites and ensure a uniform

level of high quality.

High-Efficiency Production Lines through Automation

We are working on automating production lines in every region in anticipation of the challenges we expect to face in the future, such as a decline in the manufacturing workforce.

We have also launched a project to fully automate production lines based on a We have also launched production lines based on a thorough review of product specifications and the use of Al and other technologies



Next-Generation Seat Frame

Through increased use of ultra-high tensile steel and utilization of thin-plate welding and other technologies that reduce weight, we have significantly reduced the weight of our next-generation seat frame when compared to our

existing core frame while simultaneously maintaining and improving strength and safety performance. This next-generation frame is among the lightest in the world (inhouse research), thereby helping to improve fuel efficiency



Original Value Creation

With automated driving and other technologies marking a period of great change in the automotive industry, we are focused on creating new value that can contribute to the mobility of the future by incorporating the technologies we have long cultivated and open innovation.



Stronger Sales Structure for New Customers

We have begun production of products for new customers, including 3rd row seats for the Volkswagen group. Some orders, however, did not progress as planned, and we fell short of some targets.

Issue: No orders for target models Fiscal 2020 18.4 billion year



Production Launches

SEAT, S.A.

Taracco 3rd row seats

Volkswagen Trim cover

> Japanese manufacturer Trim cover Foot lamps

Harley-Davidson Motorcycle seats



Work-Style Reforms to Meet the Needs of a **Diverse Workforce**

As part of our work-style reforms, we introduced a flextime system with no core time. We also encourage flexible and varied work styles to improve worker productivity and support employ-

> ees balancing work with childcare, nursing care, and other personal

Selected as a CDP Leadership Level Company

In a climate change survey released by the international non-profit organization CDP, TS TECH was selected as an A- company which corresponds to leadership level for our outstanding efforts to reduce greenhouse gas (GHG) emissions and disclose



Number of Social Contribution

13th Medium-Term Management Plan (Fiscal 2018-fiscal 2020)



14th Medium-Term Management Plan Overview

The 14th Medium-Term Management Plan (fiscal 2021–fiscal 2023) has been formulated in light of challenges that arose under the previous plan and medium- to long-term changes in the external environment. We will use our foundation for ESG management to contribute to a sustainable society while aiming for further corporate evolution.

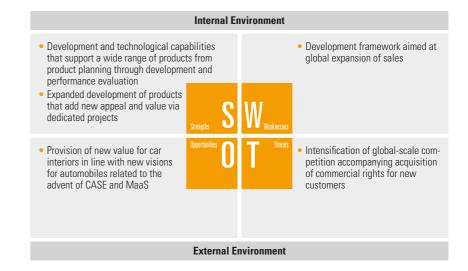
Management Priority Measure Measure		Measure	Notable initiatives
		Commercialization of original technologies	 Acceleration of development of sensing and other technologies that lead to attractive products Active incorporation of joint development and other types of open innovation Application of advanced processing technology, such as production line automation projects, in mass production
	Evolution for business growth	Expansion of strategic commercial rights	 Steady receipt of orders from major customers for target commercial rights through spec proposals that leverage our strengths and enhanced development collaboration Strategic order development through precise selection of target models for new customers and establishment of a large project leader (LPL) system for key commercial rights
		Optimization of business operations structure	Streamlining and increased efficiency through allocation reviews and restructuring of business operations both in Japan and overseas based on reorganization of production
Corporate evolution through ESG management		Contribution to a sustainable society	 Stronger global CO₂ emission reduction activities and related management to help achieve a low-carbon society Maintenance of recycling-oriented operations through risk analysis of water resources Implementation of social contribution activities in line with local needs
(Fiscal 2021–) fiscal 2023	Stronger business opera- tions structure to support evolution	Recognition for top quality	 Enhanced know-how and support from startup base during global rollout of new models Prevention of defects by strengthening verification in the beginning stages of development Stronger quality control systems at Group and business partner locations
		Strengthening of continuous earnings structure	 Establishment of a lowest-cost procurement structure by enhancing our global procurement system More efficient administrative and indirect operations through active use of IT Strengthening of our consolidated earnings management system through the continued evolution of financial strategy aimed at medium- to long-term growth Minimization of global tax risk
		Maximization of employee and structural efficiency	 Establishment of a system to promote advancement of diverse human resources Evolution of our evaluation system to accommodate various work styles Review of our training system for next-generation human resources development



Development and Engineering

Basic Policies on Value Creation

- Create and provide products that exceed global expectations
- Accelerate development of advanced technologies that cannot be imitated by competitors
- Create original technologies that contribute to a sustainable society
- Ensure reliable quality assurance from the outset of development





Takahiro Kobori
Director, Corporate Development and
Engineering Division
Executive General Manager

Overview of Our Value Creation

We believe it is essential to provide products that respond to the changes in customer needs and values related to cars in a speedy, flexible manner. For some time, TS TECH has been pursuing, researching, and developing product appeal that goes beyond the boundaries of cars through the development of projects dedicated to the creation of new appeal and value that exceed customer expectations. In addition, we are seeking to enhance our technical competitiveness and develop new business models by strengthening our electronics-related development systems in areas such as sensing, and engaging in the active expansion of open innovation through collaboration that pairs elements or pieces of our own technology with other industries or development partners to complete the technology required to commercialize this new appeal.

Our Approach to Value Creation and Its Results

TSTECH deploys initiatives related to its "Project to Create Exciting, Attractive Products" as part of its new product development

efforts. We have been launching dedicated in-house projects and working to create new products and value with a series of workshops in collaboration with outside experts.

INNOVAGE and the Aisareru Seat®, which we exhibited at the 46th Tokyo Motor Show 2019, represent examples of the achievements of these activities. INNOVAGE, a next-generation car interior space designed with CASE in mind, serves as a bridge to connect people, cars, society, and the future by fusing and evolving conventional technologies such as sensing technology and seat arrangement technology to provide value that transforms a "space" into a special "place."

Additionally, the Aisareru Seat®, which is a seat that incorporates the IoT, is a new communication tool that utilizes the seat as a controller to embody the concept of bringing enjoyment to people, things, society, and the environment. We have been able to widely publicize the possibilities of the Aisareru Seat® to provide an enjoyable experience for people regardless of age, sex, and physical ability at various events including Yuru Sports Land 2019.

Going forward, we will continue to identify social trends and engage in product development activities with an eye to becoming a 100-year-old company through products that are truly appreciated by all customers throughout the world.



Corporate Sales and Purchasing



resource allocation aimed at the

development of next-generation technologies

Overview of Our Value Creation

a foundation for maximizing our competi-

tiveness and further strengthen the Group.

* Added value = Product appeal and profit

The TS TECH Group has achieved continuous growth while gaining customers' trust by constantly proposing and providing new value as a system supplier. The Sales Division, which stands at the forefront of the market expansion that serves as the foundation of our growth, strives to achieve a greater share of our major customers' business and win orders from new customers. It does so by working to create original technology and cost competitiveness by swiftly approaching customers and reaping the benefits of these initiatives. We will also strategically expand markets and maximize profit with competitive sales proposals based on analyses of our own company and our competitors so that we can respond flexibly to the changes resulting from the rise of smart mobility.

Our Approach to Value Creation and Its Results

Global Sales Proposal Efforts

In order to accurately ascertain the diverse needs of our customers around the world, our sales staff, primarily at overseas locations, sometimes use targeting data*1 collected from existing customers to research their needs. When approaching new customers, they rely on unique targeting data that starts with analyses of the automobile market. Based on the results of those analyses, we design products suited to customers'

needs in a process of close cooperation among various departments across the Group, including development, quality control, and production. The Sales Division also offers proposals to create new value for customers, adding original, one-of-akind TS TECH ideas that make the most of the different special characteristics of each Group business location. As a result, we enjoy a higher level of trust from our existing customers and receive business opportunities from new customers.

smart mobility

*1 Targeting: Narrowing down objectives/scope

External Environment

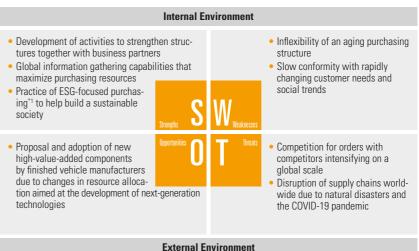
Contributions to a Global Society

High-quality sales activities result in contributions not just to customers but to society as a whole. Since customers' product-related needs vary by region, unnecessary products will get rejected without even being used, which is a big loss for the environment and for society. This is why we work so hard to offer products that satisfy needs around the world.

Purchasing

Basic Policies on Value Creation

- Mutual trust with business partners through fair and equitable transactions based on the Four Principles of TS Procurement
- Work with business partners to strengthen their procurement structures and create a sustainable supply chain
- Joint CSR activities with business partners





Kenichi Hasegawa Senior Managing Director

Overview of Our Value Creation

*1 ESG-focused purchasing: Purchasing activities that take ESG factors into account

We must develop our procurement structure based on trusting relationships with business partners in order to respond appropriately to technical innovation in the automotive industry, trade friction, natural disasters, and other changes in the component purchasing environment to sustain growth.

Toward this end, we are deploying initiatives such as developing measures to strengthen our structures together with our partners; joint development of appealing and competitive products; CSR activities that include further reduction of environmental impact throughout the supply chain; and legal compliance. We also work with our business partners to build management systems for early recovery to facilitate stable procurement in the event of incidents such as natural disasters. By implementing ESG-focused purchasing that balances environmental, social, and governance factors, we create value all stakeholders can appreciate.

Our Approach to Value Creation and Its Results

Stronger Partnerships with Our Business Partners

In order to strengthen partnerships with our business partners, we regularly hold briefings on purchasing policy and discussions with our business partners to share information on medium- and long-term business policies. Our purchasing

departments in 14 countries work with our business partners to build a foundation for mutual prosperity.

Leveraging Industry Reform to Bolster Our Purchasing Structure

With the automotive industry in a transitional period, we continue to work with existing business partners to strengthen their structures while simultaneously moving to gather information on competitive new business partners. We will continue to develop our purchasing structure to use this transitional period as an opportunity to increase value.

Perpetual Cost Reduction Activities

We continue to develop initiatives such as VA/VE*2 to make us more cost competitive. We will utilize the strengths of each business partner, and we will work with these partners to create and develop mechanisms and strategies not only for on-site improvements but also for next generation models, including measures aimed at realizing this from a business perspective.

*2 VA/VE: VA refers to value analysis, a method for improving existing products. VE refers to value engineering, a method to improve product value by reducing the cost of purchased materials.

Implementing ESG-Focused Purchasing

The TS TECH Group asks its business partners to cooperate with its CSR initiatives as well, and we engage in co-creation of corporate value. Going forward, we will aim for an even stronger supply chain with excellent comprehensive capabilities, including cost, technological prowess, quality, and risk-response capability.



Manufacturing



- Restructure competitive manufacturing systems and functions
- Build resilience measures*1, create and share examples of high-productivity lines
- Disseminate manufacturing technology through a "global mother plant" in Japan
- Develop global managers by cultivating global players able to compete worldwide

Internal Environment A QCD*2 structure that ensures a minimum of Still in the process of building a above-average QCD at all locations worldwide resilient manufacturing framework and advancing core manufacturing Advanced technology development and mass technologies production verification capabilities through a department for self-manufacture of Defective output from manufacturproduction equipment ing processes due to weak points in the system to assure defect-free processes Greater market expansion in Response to changes in demand due to shrinkage and diversificaemerging countries tion of Japan's market Further expansion of profit through acquisition of commercial rights Intensifying cost competition from new customers in Japan and overseas with competitors **External Environment**

- *1 Resilience measures: Measures to create a financial structure that generates a certain amount of profit even when earnings drop
- *2 QCD: Quality, Cost, and Delivery

Overview of Value Creation

Going forward, it is forecast that the Japanese market will shrink, and there will inevitably be a trend toward high-mix, low-volume manufacturing even if we can acquire other commercial rights.

Given this situation, it is of the utmost importance to "build a resilient manufacturing framework," and it will be particularly essential to improve the efficiency of personnel who are directly involved in manufacturing as well as those indirectly involved through support positions.

Each department is actively making efforts directed at operational reforms to enable efficient production planning that is not affected by customers' production volume, automated production lines with the minimum number of people, and centralized, efficient indirect operations.

In addition, we are disseminating our know-how of automation and manufacturing equipment technology to each Group site through means such as holding WEM*3 events and will continue to accelerate our efforts to raise manufacturing technology to a uniform level globally.

*3 WEM: World Industrial Engineering Meeting

Our Approach to Value Creation and Its Results

Raising the Manufacturing Framework to a Uniform Level

Under the QCD framework assessment, which we deployed globally starting in 2004, we have been able to raise the framework up to a level that is largely in line with plans.



Yasushi Suzaki

Corporate Manufacturing Division Executive General Manager

Based on uniform manufacturing framework indicators, all TS TECH Group manufacturing sites assess their own weaknesses and strengths.

Each site identifies points for improvement by understanding its own position within the Group and works to further raise productivity.

Deploying Advanced Technology

At our Engineering Center, we build original manufacturing technologies which we deploy around the world once the global mother plant in Japan has verified their performance in mass production.

In terms of seats, we are implementing efforts to fully automate the process spanning frame manufacture and assembly through inspection. With respect to door trim, we are actively working to achieve labor-saving assembly lines with the adoption of new equipment that uses high-speed molding and modularization of small components.

Achieving a Sustainable Manufacturing Environment

As part of our environmental conservation efforts, we are committed to reducing CO₂ emissions at manufacturing facilities. We are striving to implement karakuri*4 improvements so we can perform operations without using electricity.

Going forward, we will develop the Karakuri Presentation Conferences held at the global mother plant in Japan into national- and global-scale conferences to share knowledge and ideas created on the factory floor with the aim of enhancing manufacturing efficiency as well as achieving a sustainable manufacturing environment through the realization of environmentally responsible manufacturing plants.

*4 Karakuri refers to equipment that uses levers, gears, gravity, linking mechanisms, etc., instead of electricity or compressed air.



Basic Policies on Value Creation

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

Internal Environment

- · A globally consistent quality control and assurance system based on international standards
- Development of TC Circles*1 world-
- High ratings in initial quality surveys (IQS)
- Increasingly sophisticated demands for quality assurance accompanying a trend toward multifunctionality in products
- Diversifying customer demands for quality on expanding relations with new customers
- Quality control for changes in manufacturing systems as typified by Industry 4.0*2

- Inadequate mechanisms to respond to changes in manufacturing and maintain stable production
- Shortage of human resources with expertise in global quality assurance
- Increased market problems and delivery defects accompanying alobalization
- Shrinkage of the workforce due to a declining birthrate and aging population

External Environment

- *1 TC Circles: Improvement activities undertaken by small groups. Generally referred to as a "QC (Quality Control) Circle," the activities are aimed at developing human resources who can use the QC method to solve problems and manage and improve operations
- *2 Industry 4.0: A term referring to a technological strategy that the German government came up with in 2012. In Japan it is also called "The 4th Industrial Revolution"

Masashi Takezawa

Managing Officer, Corporate Quality Assurance Division **Executive General Manager**

Overview of Value Creation

In order to provide high-quality products around the world, we are developing a system to assure defect-free processes, verification of functions, and market feasibility of products, along with measures to improve the quality structure of TS TECH locations and business partners. These efforts all aim to earn additional trust from our customers.

We strive to achieve stability in the manufacture of our products by developing quality standards that are consistent from development through production, and by incorporating the results of analyses of complaints from the worldwide market into new specifications. We also use TC Circles to coordinate production site reform activities, leading to greater awareness of quality.

We are working to raise the level of our quality structure at locations around the world with the support of ISO 9001/ IATF 16949^{*3}, global standards on quality.

*3 IATF 16949: International management system standards of the automotive industry

Our Approach to Value Creation and Its Results

Earning Top Rating for Quality

We are working to bolster our quality systems globally, aiming to be a company that is recognized by customers all around the world.

In addition to helping locations acquire ISO 9001 and IATF 16949 certification, we are working hard to maintain and

improve quality at all locations by verifying the status of rule implementations and promoting improvements through periodic QAV-1*4 inspections.

*4 QAV-1 refers to a Quality Assurance Visit.

Offering Products with the Same High Level of Quality Worldwide

We believe that it is the responsibility of a global company to provide customers around the world with high-quality products. In the midst of the globalization of production and increasing local development, our Corporate Quality Assurance Division distributes a quality standards manual that details requirements regarding standards, facilities, work operations, and techniques to our locations around the world to ensure the same high level of quality worldwide. We receive high marks from our customers thanks to our stable provision of high-quality products.

Providing Safety and Security to Customers

"Delivering products that can be used safely and securely" —that is the role of the Corporate Quality Assurance Division. We are working to raise the quality of our product manufacturing by sharing analysis results based on worldwide market quality data with development departments and providing feedback for upcoming models. We also plan to work toward consistent quality control from development to production using means such as reflecting manufacturing requirements identified through fault tree analysis (FTA) and failure mode and effects analysis (FMEA)*5 in the manufacturing process at production sites.

*5 FTA and FMEA are both analysis tools used to prevent product defects.



Continuing to Support "Corporate Evolution through ESG Management" from an Outside Perspective with Knowledge from Different Fields

TS TECH actively works to enhance corporate governance in order to achieve sustainable business growth and improve corporate value. For this year's report, Teruyasu Mutaguchi, who was appointed as TS TECH's first Outside Director and serves as Chairperson of the Board of Directors, and Takeshi Ogita, who was appointed as a new Outside Director in fiscal 2021, discussed their evaluations of the Board of Directors and governance as well as the challenges for further growth.

The Atmosphere of the Board of Directors

I am free to comment from an outside perspective. (Mutaguchi)

There is greater fairness and objectivity because an Outside Director serves as Chairperson of the Board of Directors. (Ogita)

Mutaguchi: I think the roles that are expected of an Outside Director of the Board of Directors are centered around "pressure" and "cooperation." I try to create a "sense of pressure" for each of the Directors by expressing opinions from an outside perspective that is not just an extension of the conventional TS TECH point of view, and I also strive for "cooperation" by communicating effectively with all of the executives

When meetings of the Board of Directors are held, the secretariat provides us with thorough preliminary explanations of the agenda, and I feel that the atmosphere of the Board of Directors enables the Outside Directors to make comments freely without any worries. Although the type of product was different, I pursued a career in the manufacturing industry to which TS TECH belongs. Based on that experience, I provide my frank opinions on initiatives in production management and quality control, which are indispensable for the manufacturing industry, as well as the validity and timeliness of responses to various management issues.

Ogita: Since I was appointed during the current fiscal year, there may be a number of things with which I am still unfamiliar. However, I feel there is an extremely positive atmosphere in terms of "freedom of speech." Also, I have the impression that there is greater fairness and objectivity in the proceedings because Mr. Mutaguchi, an Outside Director, serves as the Chairperson of the Board of Directors.

Evaluations of the Effectiveness of the Board of Directors

The intrinsic elements of governance demanded by society are in place. (Mutaguchi)

I hope to make useful proposals about management issues aimed at sustainable growth, such as the training of successors. (Ogita)

Mutaguchi: In 2018, TS TECH introduced third-party evaluations of the effectiveness of the Board of Directors. Looking at the results, I feel that the effectiveness of the Board of Directors is improving steadily every year. I believe the results of executive training are the main reason for this progress.

Over the past few years, there has been a generational change of the Internal Directors at TS TECH, so, as a global corporation, I think TS TECH needs to conduct additional training regarding awareness of various issues and expert knowledge. Also, based on the results of the third-party evaluations, we will place an even greater focus on issues regarding corporate governance structure, the decision-making processes for the nomination and remuneration of directors, and diversity on the Board of Directors. TS TECH is a company with a Board of Auditors, and, although it differs from the Western-style standard corporate governance structure that is being called for of late, my evaluation is that both the necessary transparency and fairness, which are the intrinsic elements of governance, are in place.

Ogita: You mentioned corporate governance structure. An organizational framework should be arranged so that it matches a company's actual circumstances and substance. If a company's current framework is functioning properly, I think it is a very positive thing. However, considering the sustainable growth of TS TECH going forward, I think that some changes are necessary. In particular, successor training for the management team is a key management issue, so I am hoping to closely monitor human resource recruitment mechanisms and make some useful proposals.

Improving Corporate Value

We need to work on carefully building a foundation for growth, particularly in tough times. (Ogita)

A balance of "execution" and "supervision" supports sustainable corporate growth. (Mutaguchi)

Mutaguchi: Stability and growth are both needed to increase corporate value. Looking at the consolidated balance sheet, I can see that TS TECH does not have any problems in terms of stability, but what will be important in the future is growth strategy. The Board of Directors continues to discuss the feasibility of the growth strategies proposed by executives.

Ogita: I also consider stability to be one of TS TECH's strengths. However, looking ahead to medium- and long-term growth, a new business model may be required going

forward in order to overcome changes in the operating environment, such as a shift in customer or market needs. Because building a new business model also requires the creation and establishment of a new corporate culture, it might be a struggle using internal capabilities alone. In such a situation, I hope to give my opinions as an Outside Director so that TS TECH can use its potential to create new value.

Mutaguchi: In order to create new value and continue growing, it is necessary to venture into new businesses, and, at the same time, it is important to pursue increased customer satisfaction across all aspects of quality, cost, delivery, and service (QCDS), which is a permanent challenge for a manufacturer. In addition, I think it will be necessary to be at the forefront in research and development to be competitive in the automotive industry, which is experiencing a once-in-a-century transformation. At the moment, we are facing a revolution in the way we work triggered by the COVID-19 pandemic, so I think we have to thoroughly increase efficiency in each business domain, thereby paving the way to an increase in corporate value.

Ogita: There are many issues that need to be tackled, and times are tough due to COVID-19. However, I believe that in tough times companies should be especially determined to work on building the foundations for growth. Accurate identification of future market trends, the targeting of key customers for growth, and a clearer growth strategy will impact post-COVID-19 growth. I think that TS TECH already has the assets for growth, so how it will use those assets will be both important and extremely interesting. For me, the automobile industry is a business sector that I had not previously experienced, so I may sometimes give opinions that the Internal Directors find a bit outlandish. However, I regard this as being one of the things I am expected to do, so I will continue actively making proposals to contribute to building the foundations for the further growth of TS TECH.

Mutaguchi: As the Chairperson of the Board of Directors, I will continue working to further enhance its effectiveness through such means as invigorating the discussion at the Board of Directors and making proposals on matters brought up for debate. I also intend to continue expressing my opinions without hesitation as an Outside Director as necessary. A balance of "execution" and "supervision" is indispensable for sustainable corporate growth, and I believe this balance is achieved by bringing external perspectives into the Board of Directors. I will conduct Board of Directors' meetings so that we take full advantage of the special qualities of the Outside Directors as well as contribute to "corporate evolution through ESG management," which TS TECH has set forth in its 14th Medium-Term Management Plan.

Board of Directors

Directors



PRESIDENT (Representative Director) Masanari Yasuda

Joined TS TECH Co., Ltd. in 1982 President (Representative Director), TS TECH Co., Ltd. Global Operations Supervisor, Quality Assurance Supervisor

Number of shares of the Company held: 28,846 shares Meetings of the Board of Directors attended: 100% (13/13)



SENIOR MANAGING DIRECTOR (Representative Director) Yoshitaka Nakajima

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

Number of shares of the Company held: 9,059 shares Meetings of the Board of Directors attended: 100% (13/13)



SENIOR MANAGING DIRECTOR (Representative Director) Kenichi Hasegawa

Joined TS TECH Co., Ltd. in 1982 Senior Managing Director (Representative Director), TS TECH Co., Ltd. Corporate Sales and Purchasing Division Executive General Manager, Risk Management Officer

Number of shares of the Company held: 4,334 shares Meetings of the Board of Directors attended: 100% (13/13)



SENIOR MANAGING DIRECTOR Akihiko Hayashi

Joined TS TECH Co., Ltd. in 1978 Senior Managing Director, TS TECH Co., Ltd. President of TS TECH AMERICAS, INC.

Number of shares of the Company held: 6.810 shares Meetings of the Board of Directors attended: 100% (13/13)



SENIOR MANAGING DIRECTOR Yutaka Arai

Joined TS TECH Co., Ltd. in 1982 Senior Managing Director, TS TECH Co., Ltd. China Executive General Manager, Chairman and President of TS TECH (HONG KONG) CO., LTD.

Number of shares of the Company held: 4,472 shares Meetings of the Board of Directors attended: 100% (13/13)



MANAGING DIRECTOR Atsushi Igaki

Joined TS TECH Co., Ltd. in 2016 Managing Director, TS TECH Co., Ltd. Corporate Business Administration Division Executive General Manager

Number of shares of the Company held: 2.110 shares Meetings of the Board of 100% (13/13)



MANAGING DIRECTOR Eiji Toba

Joined TS TECH Co., Ltd. in 1994 Managing Director, TS TECH Co., Ltd. Asia and Europe Executive General Manager, President of TS TECH ASIAN CO., LTD., Chairman of TS TECH BANGLADESH LIMITED and TS TECH UK LTD

Number of shares of the Company held: 2,110 shares Meetings of the Board of Directors attended:



DIRECTOR Takahiro Kobori

Joined TS TECH Co., Ltd. in 1994 Director, TS TECH Co., Ltd. Corporate Development and Engineering Division Executive General Manager

Number of shares of the Company held: 1,381 shares Meetings of the Board of Directors attended:



DIRECTOR Yasushi Suzaki

Joined TS TECH Co., Ltd. in 1990 Director, TS TECH Co., Ltd. Corporate Manufacturing Division Executive General Manager

Number of shares of the Company held: 377 shares Meetings of the Board of Directors attended:



DIRECTOR (Outside Director) Teruyasu Mutaguchi

Director, TS TECH Co., Ltd.

Number of shares of the Company held: 300 shares Meetings of the Board of Directors attended: 100% (13/13)



DIRECTOR (Outside Director) Takeshi Oqita

Guest Professor, Graduate School of Creative Science and Engineering, Waseda University (current) Outside Director, Japan Hades Co., Ltd. (current) Director, TS TECH Co., Ltd. (2020)

Number of shares of the Company held: 0 shares Meetings of the Board of Directors attended:



Auditors



AUDITOR (Full-Time) Tatsuo Sekine

Joined TS TECH Co., Ltd. in 1982 Auditor, TS TECH Co., Ltd.

Number of shares of the Company held: 3.862 shares Meetings of the Board of Auditors attended: <u>___</u>%



AUDITOR (Full-Time) Akihiro Miyota

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

Number of shares of the Company held: 300 shares Meetings of the Board of Auditors attended: 100% (14/14)



AUDITOR (Outside Auditor) Tatsuya Motoda

President of Motoda Tax & Accounting Office Auditor, TS TECH Co., Ltd. (2014-present)

Number of shares of the Company held: 1,126 shares Meetings of the Board of Auditors attended: 100% (14/14)



AUDITOR (Outside Auditor) Hajime Hayashi

Sazanka Law Office Auditor, TS TECH Co., Ltd. (2020)

Number of shares of the Company held: Meetings of the Board of Auditors attended:
—%

Efforts to Improve Corporate Governance and Compliance

— 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 a company sincerely welcomed by all of 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-

(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 longterm corporate value.

Basic Policy on Corporate Governance

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

TS TECH endorses the Tokyo Stock Exchange's Corporate Governance Code and has set the above basic policies accordingly.

Complying with Japan's Corporate Governance Code

Since the Tokyo Stock Exchange established the Corporate Governance Code in 2015, TS TECH has endeavored to strengthen its own governance system while keeping it aligned with the intent and spirit of the Code.

When the Code was revised in December 2018, we reviewed and revised the content disclosed in our corporate governance reports. We have currently adopted an "explain" approach with regard to Supplementary Principle 4.10.1 (Use of Optional Approach) and are in compliance with all other codes

In regard to Supplementary Principle 4.10.1, although less than half of TS TECH's directors are outside directors, we endeavor to ensure the transparency and objectivity of the decision-making process when appointing directors and making decisions on compensation and other matters. These matters are discussed by the Executive Committee with monitoring by full-time auditors, and decisions are made at Board of Directors' meetings after outside directors have been briefed and their opinions heard.

At present, this system is functioning effectively, and we thus have no urgent plans to establish voluntary committees, but TS TECH will continue to actively work to strengthen its governance system in line with the Code's intent.

Group Governance Structure

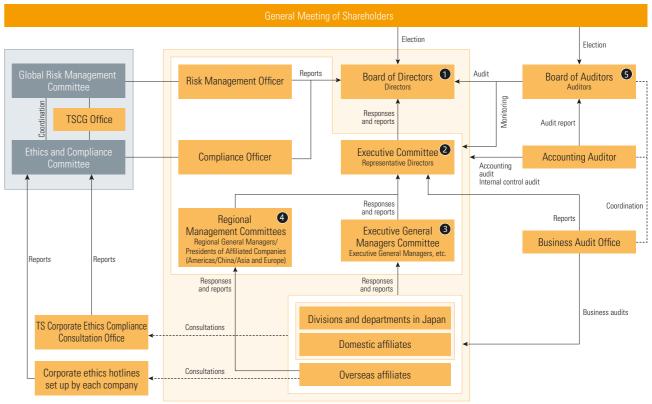
The TS TECH Group has established a sound corporate governance system. It includes a Group-wide commitment to the Vision Statement and Mission Statement that comprise the TS TECH Philosophy, a basic policy on corporate governance, and a three-year medium-term management plan. Affiliated companies also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

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

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

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

Governance System Diagram



A Regional Management Committees

presidents of subsidiaries and affiliated

ompanies in our three business regions of

the Americas, China, and Asia and Europe.

They deliberate on important matters affecting management in their respective

regions, as well as measures to promote

companies and to strengthen the system

the independence of these regions and

for the execution of operations.

Board of Directors

directors, including two outside directors. It convenes at least once per month in principle. The Board of Directors makes decisions regarding management policimportant 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 ill be consulted regarding management policies and important company decisions

2 Executive Committee

company's three representative directors. It conducts preliminary deliberations or 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 importan relating to the execution of the duties of

3 Executive General Managers Committee he Executive General Managers

Committee is made up of nine executive general managers. This Committee discusses policies, plans, and governance related to operations in each division to maintain efficient operations

Board of Auditors

The Board of Auditors comprises four members, including two outside auditors Each 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 TSTECH and to make audit functions even more objective and

Appointments of Outside Directors

Name	Reason for Appointment
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 and help ensure the soundness of the company. Since we have determined that an appointment of Mr. Mutaguchi poses no risk of conflict of interest with shareholders, he was selected to serve as an Outside Director.
Takeshi Ogita	Mr. Ogita's abundant experience as a corporate manager of a pharmaceutical company qualifies him to provide valuable insight and advice related to our management practices and help ensure the soundness of the company. Since we have determined that an appointment of Mr. Ogita poses no risk of conflict of interest with shareholders, he was selected to serve as an Outside Director.

Appointments of Outside Auditors

Name	Reason for Appointment			
Tatsuya Motoda	Mr. Motoda's specialized knowledge and abundant experience as a tax accountant will enable him to monitor the company's management from an independent and objective perspective and help ensure the soundness of the company and strengthen its auditing system. Since we have determined that an appointment of Mr. Motoda poses no risk of conflict of interest with shareholders, he was selected to serve as an Outside Auditor.			
Hajime Hayashi	Mr. Hayashi's broad knowledge and abundant experience as an attorney-at-law will enable him to monitor the company's management from an independent and objective perspective and help ensure the soundness of the company and strengthen its auditing system. Since we have determined that an appointment of Mr. Hayashi poses no risk of conflict of interest with shareholders, he was selected to serve as an Outside Auditor.			

Efforts to Improve Corporate Governance and Compliance

Operation of an Internal Control System

Following the inclusion of regulations on internal controls in Japan's Companies Act in 2006, TS TECH passed a resolution on the basic policies of its internal control system at a Board of Directors' meeting held in May 2006.

Additionally, in accordance with Japan's Financial Instruments and Exchange Act, the TS TECH Group has established an internal control system to ensure the reliability of its financial reporting. The effectiveness of this system is maintained and internal control is enhanced through regular evaluations of improvements and operations and corrective actions as needed.

Compliance Framework

Based on the TS TECH Philosophy, the Group established the TS Standards for Conduct—TS TECH's norms and ideals as an organization—and TS Guidelines for Conduct—expectations for day-to-day conduct for individual executives, officers, and employees. Efforts are made to familiarize the entire Group with this code.

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

We have established a whistleblower hotline called the TS Corporate Ethics Compliance Consultation Office, which enables employees to bring issues before compliance officers, who respond with rapid, effective investigations and corrective guidance in the event of a problem. The Office handles approximately 15 complaints per year, and its continuous availability has been effective in resolving internal issues and maintaining compliance.

Appointments of Outside Directors and Outside Auditors

TS TECH appoints outside directors and outside auditors who possess extensive experience in corporate management to provide objective, independent advice and oversight of the Group's business operations in light of the characteristics of the Group's business, and to help ensure the soundness of the Group and strengthen its auditing system.

When selecting outside directors, in addition to satisfying the criteria for independence set forth in the Companies Act, the Ordinance for Enforcement of the Companies Act, and by Tokyo Stock Exchange, Inc., the company makes its decisions in accordance with internal regulations, taking into consideration factors such as candidates' independence from the Company and their past performance and insight in their particular areas of expertise.

TS TECH has appointed Mr. Teruyasu Mutaguchi and Mr. Takeshi Ogita as Outside Directors, and Mr. Tatsuva Motoda and Mr. Hajime Hayashi as Outside Auditors.

Remuneration Policy

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

The Board of Directors has the authority to make decisions on the executive remuneration system, and decisions on the review of socially justifiable remuneration levels and calculation methods, as well as the establishment and revision of the remuneration system, are made by resolutions of the Board of Directors after deliberations by the Executive Committee

Approximately 60% of directors' remuneration is classified as base salary, with the remaining 40% being performance-linked compensation, while outside directors and part-time auditors are paid only a base salary as their role is to supervise and audit management from an independent perspective.

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.

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





Emergency response training

Global Risk Management Committee

This Committee was formed in September 2014 as an advisory committee for the Executive Committee to help ensure appropriate identification and control of the various risks affecting global business activities and to solidify the sustainability and stability of the business.

The following year, regional risk management committees were formed in each region to manage the risks specific to these geographic segments and promptly advance risk mitigation measures. Since then TS TECH has worked to further enhance its risk management structure, including conducting emergency response training that anticipates the most frequently occurring natural disasters in each geographic region where the Group does business.

In fiscal 2020, TS TECH identified five major risks and pursued the appropriate corresponding risk mitigation measures.

Five Major Risks

- 1) Parts supply
- 2) Natural disasters 3) Labor management
- 4) Information systems
- 5) Equipment safety

Response to the COVID-19 Pandemic

In light of the global COVID-19 pandemic, the Company's Risk Management Officer is spearheading the Group-wide emergency response.

On January 29, 2020 a Group-wide COVID-19 emergency response committee was established in Japan to quickly collect information from all Group companies. For parts where the supply chain was considered vulnerable to the impact of COVID-19, various efforts to maintain production, including alternate production of parts and intra-Group supply, were implemented from an early stage, and these efforts helped to prevent shortages and other issues.

Although fixed costs continued to be incurred at sites that had to suspend operations due to the impact of COVID-19, the Group was able to respond to the situation using funds in hand in accordance with Group-wide safe funding guidelines, and, as a result, no production sites experienced major cash flow issues.

As it strives for continued business growth, not only will TS TECH continue to monitor the situation closely and review capital-investment and cost-containment measures, it will also implement thorough measures to prevent the spread of infection in line with guidance from national and local governments.

Risk Map Magnified View of the Risk Map 3.6 ■ Farthquake 3.4 ■ Fire of Impact Flood damage (Tsunami, torrential 3.0 2.8 ■ Tornado/gale force wind Customer/business partner bankruptcy Delays in or disruption of Riots/terror duct market changes

Defects ■ Traffic accident/traffic violation formation leak/loss
Technological innovation
and obsolescence Industrial Machinery/equipment 2.6 Product recall, improper handling of complaints 1.7 1.9 2.1 2.3 2.5 2.7 2.9 3.1 3.3 **Probability of Occurrence**

Efforts to Improve Corporate Governance and Compliance

Tax Policy

The TS TECH Group's tax policy aims to fulfill the appropriate tax obligations and social responsibilities, minimize tax risks while maintaining transparency, and contribute to the development of the communities in which the Group operates. In order to achieve these objectives, the Group has established the TSTECH Group Tax Policy based on the TSTECH Philosophy.

— TS TECH Group Tax Policy —

(1) Tax Governance

The Group positions the reinforcement of tax governance as one of the most important management issues. This policy was approved by TS TECH's Board of Directors, and the Board of Directors bears final responsibility for tax governance.

(2) Compliance

The Group works to promote and instill awareness of compliance among its employees. This enables the Group to comply with and always ensure the correct understanding of tax laws and regulations, etc., in each country and region in which it operates, and to meet the appropriate tax declaration and tax payment obligations.

(3) Tax Planning and Tax Havens

The Group will determine investment and business activities according to its business objectives and economic rationality. The Group will avoid tax planning that is not in line with business purposes or operations, as well as tax activities that use tax havens

(4) Transfer Pricing

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

(5) Minimal Tax Risk

The Group will conduct the appropriate accounting and tax measures in accordance with the tax systems and tax administrations of each specific country and region. In the event of complicated, unclear tax matters, the Group will consult in advance with external experts and tax authorities to minimize tax risks.

(6) Relationship with Tax Authorities

The Group will provide timely, accurate information to tax authorities in each country and region in order to reduce tax risks, and will respond in good faith to maintain trust and good relations.

Policy and Action against Antisocial Forces

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

Intellectual Property Management

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

Disclosure Policy

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

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

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

Basic Policy on Procurement

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

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

— Four Principles of TS Procurement —

(1) Fair Trade

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

(2) Mutually Beneficial Transactions

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

(3) Environmental Responsibility

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

(4) Legal Compliance and Confidentiality

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

Supply Chain Management Policy

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

Based on the TS TECH Philosophy, the TS TECH Group aims to realize a sustainable society with its worldwide business partners by promoting initiatives that consider the environment, safety, human rights, compliance, and social responsibility not only independently but throughout its sup-

Application of TS TECH Supplier Sustainability Guidelines

We established the TS TECH Supplier Sustainability Guidelines in May 2019 to share and promote our views on sustainability with our business partners. We ask all business partners to comply with these Guidelines in the following five categories: (1) Safety and Quality, (2) Human Rights and Labor, (3) The Environment, (4) Compliance, and (5) Informa-

These guidelines are posted on our website and shared with all business partners. We use a survey to verify compliance by our major business partners with these guidelines, and in fiscal 2020, we surveyed a total of 40 partners. As a result, we were able to confirm that all 40 partner companies maintain the same understanding of these guidelines as the TS TECH Group. We will continue to implement this survey annually to ensure widespread observance of these guidelines.



Workflow for handling major business partners



TSTECH Philosophy Vision Statement Mission Statement Operational Directives TS Standards for Conduct—TS TECH's norms and ideals TS Guidelines for Conduct—Expectations for day-to-day conduct

TSTECH Supplier Sustainability Guidelines

Category	Content
1. Safety and Quality	Supply of products and services that satisfy consumer and customer needs Provision of appropriate information concerning products and services Guarantee of safe products and services Guarantee of quality products and services
2. Human Rights and Labor	Elimination of discrimination Respect for human rights Prohibition of child labor Prohibition of forced labor Wages Labor hours Communication and negotiation with employees Safe, healthy work environments Handling of conflict minerals
3. The Environment	Environmental management Reduction of greenhouse gas emissions Prevention of air, water, soil, and other forms of environmental pollution Resource conservation and waste reduction Management of chemical substances Protection of ecosystems
4. Compliance	Compliance with laws and regulations Compliance with competition laws Prevention of corruption Management and protection of confidential information Management of export transactions Protection of intellectual property Rejection of antisocial forces
5. Information Disclosure	Disclosure of information to stakeholders

Other Major Initiatives for Supply Chain Management

Annual Conference with Major Business Partners

The TS TECH Group facilitates communication with business partners by providing opportunities to share information regarding purchasing strategies and policies. We hold an annual conference with major business partners to explain the purchasing policies for the period and to exchange information.



Annual conference with major business partners

Supply Chain Surveys

To address procurement risks, the TS TECH Group works to prevent all "events that impact production," including natural disasters, fires, and financial challenges affecting its business partners. The company considers procured components, etc., for which production is concentrated at a single supplier to be "high-risk components" and is working with business partners to prepare for emergencies (natural disasters, etc.) and secure alternate suppliers.

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

Business Partner Assessments

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

Survey on Conflict Minerals

The Group checks whether conflict minerals* originating in or near the Democratic Republic of the Congo, as designated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of the United States, are used in our products. We prevent the flow of money used to fund armed forces and/or illegal conduct such as human rights violations in conflict zones. We also refuse to use conflict minerals in order to avoid supporting such armed forces in any way.

In addition, we have conducted a survey on the origins of conflict minerals annually since 2013 to fulfill our social responsibility in procurement. Through the survey, regardless of its country of origin, we implement the appropriate measures with a business partner if a questionable mineral is found during an investigation.

* Conflict minerals: Tin, tantalum, tungsten, and gold are defined as conflict minerals, and they are collectively abbreviated as "3TG."

Promotion of Environmental Initiatives

TS TECH presents its business partners with targets for lowering CO₂ emissions to reduce environmental impact and works with these partners to achieve them.

We are also working with business partners to comply with all laws and regulations concerning all materials and components that comprise products, and to manage chemical substances to reduce impact on the global environment and ecosystems.

Compliance with the Antimonopoly Act and **Prohibition of Corruption**

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

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

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



Compliance education at rank-specific training

comment

Further Strengthening Relations as a Reliable Partner

We started doing business with TS TECH in 1970, and we mainly supply urethane pads for seats and seat wadding material laminated with film. With encouragement from TS TECH, we have also expanded our business not just in Japan but also in China and Brazil.

As a reliable partner, we are committed to contributing to a mutually beneficial relationship, operating under strict guidance in the areas of quality, development, on-site improvements, and cost. With regard to our ESG initiatives, such as the resolution of social issues that we have been working on since the company's founding, we are determined to fulfill our role as a member of the supply chain and respond in accordance with the TS TECH Supplier Sustainability Guidelines.

Given that the aftereffects of COVID-19 are expected to be prolonged, it is likely that various post-COVID changes will also occur in the automotive industry. We will share challenges with TS TECH and the Group will work together to resolve them with a sense of urgency.



Toshio Baba Representative Director, Managing Executive Officer Kurabo Industries Ltd.

Initiatives That Help Make Us a Leading Environmental Company

2019年度(令和元年度)省エネ大賞表



Received the Minister of Economy, Trade and Industry Award (METI Minister's Award) in the Energy Conservation Grand Prize Project

In the fiscal 2020 Energy Conservation Grand Prize project organized by the Energy Conservation Center, Japan (ECCJ), TS TECH received its first METI Minister's Award, the project's top award, in recognition of its new Head Office building, a ZEB*1 that also delivers economic efficiency. The Energy Conservation Grand Prize project recognizes outstanding initiatives

for energy conservation at enterprises and workplaces that serve as a model for others as well as products and business models with outstanding energy conservation features.

Following receipt of the prize, State Minister of Economy, Trade and Industry Hideki Makihara visited the Head Office in February 2020 to get a firsthand look at the office's ZEB features.

*1 ZEB (Zero Energy Building): A building that delivers significant energy savings while maintaining the quality of its indoor environment and is designed to achieve net zero energy consumption through the use of

Selection for CDP A- Rating

Based on its outstanding GHG emission reduction efforts and information disclosure initiatives, TS TECH was selected as an A- company, which corresponds to leadership level, in the Climate Change Report 2019: Japan edition, a climate change study published by NPO CDP, based in the U.K. Under our 13th Medium-Term Management Plan, we focused on the "creation of a foundation for ESG management," and we worked on climate change countermeasures Groupwide in terms of both capital investment and management. Initiatives include upgrades to LEDs and air conditioning, the incorporation of renewable energy, reconstruction of the Head Office building to save energy, and the introduction of ISO 50001. Going forward, we will continue expanding our environmental initiatives with the aim of contributing as a Group to the realization of a sustainable society.





The new Head Office building, completed in March 2018, is an environmentally and community-friendly structure that was built with highly-efficient operations and superior hospitality in mind. In addition to a range of energy-saving equipment, such as a system to efficiently operate air conditioning and lighting using photovoltaic sensors and operating schedule programs, the new building maximizes the use of renewable energy through solar power generation, reducing the volume of electricity purchased by around 40% compared to the old building, where we had been working on energy conservation for some time.

The new building also incorporates the reuse of rainwater for general service water and more on-site greening. As a result, annual energy consumption was 78% less than ordinary buildings. The new building was certified as an energy-saving building and received a "Nearly ZEB"*1 rating under the Building-Housing Energy-efficiency Labeling System (BELS).*2 During its first year of operation, the actual annual primary energy consumption for the new building was 86.9% less than that of a standard building. It also earned the highest ranking of "S" in the Comprehensive Assessment System for Built Environment Efficiency (CASBEE),*3 which rates environmental performance. Additionally, an onsite digital signboard displays the building's target values and real-time usage information for electricity, gas, and water, encouraging employees to be mindful of saving energy.

*1 Certification rank

ZEB: A building with zero or negative net annual primary energy

Nearly ZEB: A building that comes as close as possible to ZEB by nearing zero annual primary energy consumption

ZEB Ready: An advanced building with a ZEB focus that is furnished with an exterior with superior insulation properties and high-efficiency energy-saving equipment

- *2 Building-Housing Energy-efficiency Labeling System (BELS): A system in which a third party evaluates and certifies the energy-saving performance of new and existing buildings based on the Ministry of Land, Infrastructure, Transport and Tourism's guidelines for indicating the energy consumption performance of buildings
- *3 Comprehensive Assessment System for Built Environment Efficiency (CASBEE): A comprehensive evaluation system for building quality that not only takes into account environmental considerations such as energy conservation and use of materials that have low environmental impact but also indoor comfort and scenery

— Major Initiatives Leading to the Receipt of the Award —

The TS TECH project team and Takenaka Corporation (design and construction) worked together from the outset to consider an optimal combination of energy-saving technologies with outstanding versatility and cost performance and to balance comfort with energy-saving performance while achieving an economical ZEB without installing special technologies or expensive equipment. As cost is one of the issues of ZEB, this idea of "accessible ZEB" garnered high praise and led to receipt of the award.

Outstanding energy savings that exceeded the target values at the time of design were also well received. Even after the building's completion, TS TECH and Takenaka have proceeded to work on continuous energy management to make operations even more efficient through such means as analyzing monthly energy data and reflecting the results in the settings of equipment, including air conditioning and lighting.

ISO 50001

ISO 50001 is an international standard for energy management systems (EnMS) published in June 2011. The standard is based on the achievement of better energy performance, namely energy conservation and energy cost reductions, through improvements that use visualization of energy use and efficiency to eliminate unreasonable, inconsistent, and wasteful operations.

Since the standard configurations of ISO 50001 and ISO 14001 are similar, organizations that have implemented ISO 14001 can incorporate ISO 50001 into their environmental management systems and solidify an approach that emphasizes performance based on quantitative data as well as create synergies that stimulate an environmental management system.

ISO 50001 Initiatives

TS TECH began its ISO 14001 initiatives in 1999, and it obtained ISO 50001 certification at all of its sites in Japan in March 2019 in order to promote more efficient, faster reduction activities amid a movement to reduce CO2 emissions globally, exemplified by the Paris Agreement*4 and the SDGs*5.

We have created the Global EnMS Guideline, a compilation of management techniques and TS TECH's operational know-how, and we are deploying it throughout the Group, starting with our affiliates in the Americas and Japan. We will continue our commitment to implementing and consolidating

ISO 50001 in collaboration with affiliates while taking into account differences in culture, approach, and management level at each location.



- *4 Paris Agreement: A globally agreed upon long-term commitment to keep the increase in global average temperature well below 2 degrees Celsius above pre-industrial levels
- *5 SDGs (Sustainable Development Goals): A set of international goals for 2030 established by the United Nations for sustainable developmen

As a result of developing Group-wide environmental initiatives in line with ESG management, TS TECH received a range of positive external evaluations in fiscal 2020 such as the top award in the Energy Conservation Grand Prize project and a CDP A- rating. I feel that the sum of our individual initiatives resulted in these accolades. Individual initiatives include third-party verification of GHG emissions, the installation of LED lighting, a switch to high-efficiency air conditioning, the acquisition and roll out of ISO 50001, and the completion of the new Head Office building.

Nevertheless. I believe we have yet to achieve our goal

At the new Head Office building, which was recognized for high-level energy savings at a low cost, we are exploring further energy reduction measures such as improving air conditioning efficiency by circulating air between areas and optimizing lighting levels. In addition, we have only just begun to deploy ISO 50001 management techniques throughout the Group.

As a leading environmental company, TS TECH will continue to vigorously push forward with various measures that focus on the three areas of low carbon, resource recycling, and social contribution in order to contribute to a sustainable society.



Ikuo Kageura General Affairs Section. Administration Department

Environmental Protection Efforts

Basic Environmental Policy —

Policy

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

Environmental Action Plan

(1) Compliance with Legal and Other Requirements

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

(2) Reduction of Environmental Impact

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

(3) Continuous Improvement of Environmental Management

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

Initiatives to Strengthen Environmental Management

Our Group is promoting environmental management system ISO 14001 certification not just in Japan but at all of our facilities around the world. We are united in our efforts to continuously reduce the burden on the environment. Seeking additional measures to efficiently reduce CO₂ emissions, TS TECH adopted the ISO 50001 energy management system at all of its sites in Japan in fiscal 2019 and obtained certification in March 2019. Going forward, we will continue with efforts to bolster our environmental and energy management not only to reduce the burden on the environment but also to decrease costs by using resources more efficiently.

Internal Environmental Audits

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

Environmental Education

With the introduction of the ISO 50001 energy management system at our development and production sites in fiscal 2019, the functions of the Environmental Experts Committee, which had pursued CO2 reduction measures, were transferred to our energy management team, which is fine-tuning energy management, analysis, and reduction efforts to make them even more effective. Since 2015, we have also been developing our own "energy-saving professionals" by attending seminars organized by the ECCJ and strengthening our development of personnel who specialize in energy conservation at production sites. Learning not only the basic concepts of energy conservation but also detailed facility management methods leads to opportunities to create more efficient measures. We will continue with these types of environmental education initiatives moving forward, using highly knowledgeable, experienced personnel to convey initiatives throughout the entire Group.



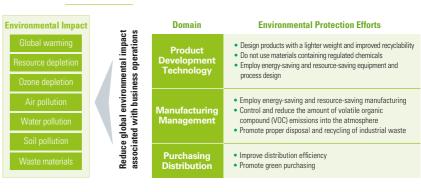
ISO 50001 seminar

Compliance with Environment-Related Laws and Regulations

Under our environmental and energy management systems, TS TECH has prepared a list of legal and other requirements at each site and reviews the laws and requirements that we must comply with at the beginning of each fiscal year. We also evaluate the status of compliance every six months. In fiscal 2020, there were no omissions of notifications under relevant laws and regulations, deviations from mandatory standards, or submissions of external complaints.

Environmental Impact of Business Activities and Environmental Initiatives

TSTECH identifies and strives to reduce the environmental impact of its business activities in each region of the globe.



Main Environmental Targets and Results in Fiscal 2020 and Targets for Fiscal 2021

Under the 13th Medium-Term Management Plan (fiscal 2018fiscal 2020), TS TECH engaged in emissions-reduction initiatives and focused on reducing the level of CO₂ emissions and waste output per unit of production*1. Under the 14th

Medium-Term Management Plan (fiscal 2021-fiscal 2023), we will add a Group target for water usage to the existing targets for CO₂ and waste and promote these initiatives.

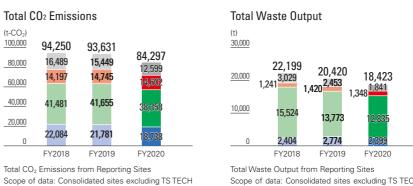
Environmental Targets and Achievements

Item	FY2020			FY2021		
Itelli	Targets	Measures	Results	Targets	Measures	
CO2*2	Basic unit per vehicle 2% lower than FY2018 FY2018 performance: 0.0085 t-CO ₂ /vehicle	Shift to energy-saving production equipment Promote a shift to LEDs Shift to energy-saving air conditioning Shift to hybrid company vehicles	Basic unit per vehicle 1.6% lower than FY2018 FY2020 performance: 0.0083 t-CO ₂ /vehicle	CO ₂ emissions reductions 935 t-CO ₂ lower than FY2020 Basic unit per vehicle 1% lower than FY2020	Shift to energy-saving production equipment Promote a shift to LEDs Shift to energy-saving air conditioning Introduction of renewable energy Shift to hybrid company vehicles	
Waste*2	Basic unit per vehicle 3% lower than FY2019 FY2019 performance: 0.00180 t/vehicle	Promote recycling Reduce product defect rate Reduce packaging materials Group-wide rollout of effective solutions via case studies	Basic unit per vehicle 1.8% lower than FY2019 FY2020 performance: 0.00177 t/vehicle	Recycling rate 3% higher than FY2020	Promote recycling Reduce product defect rate Reduce packaging materials Group-wide rollout of effective solutions via case studies	
Water*3	Basic unit per vehicle Lower than FY2019 performance FY2019 performance: 0.088 m³/vehicle	Conserve water at all worksites Inspect and repair water supply equipment for leakage	Basic unit per vehicle 33% higher than FY2019 FY2020 performance: 0.117 m³/vehicle	FY2020 Maintain water intake level (Consolidated target)	Conserve water at all worksites Inspect water supply equipment for leakage	

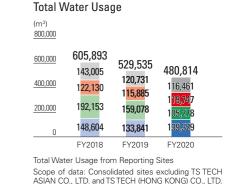
^{*1 &}quot;Per unit" figures are calculations performed according to TSTECH's standards and indicate CO2 emissions, volume of waste generated, and water use relative to production

The TS TECH Group's Environmental Data

Japan Americas China Asia and Europe



Scope of data: Consolidated sites excluding TS TECH ASIAN CO., LTD. and TS TECH (HONG KONG) CO., LTD.



^{*2} We are working to deploy reduction efforts at 38 locations (including some unconsolidated companies) selected using internal standards.

^{*3} Water: Figures for FY2020 represent the results for TSTECH Co., Ltd. on a non-consolidated basis

Environmental Protection Efforts

Efforts to Reduce Our Environmental Footprint

Development-Focused Measures

Efforts to Reduce Product Weight

The TS TECH Group understands that reducing the weight of our products is one of the most effective ways in which we can reduce our impact on the environment. For example, our seat frames account for a large portion of the weight of our products, so we strive to apply weight-reducing technologies wherever possible while further improving safety and comfort in line with changes in specification needs. The next-generation seat frame installed in the new 2020 Honda Fit has reduced weight by about 28% compared our existing core frame*1 through increased use of ultra-high tensile steel and thin-plate welding technology, thereby contributing to a significant reduction in the environmental impact of the car as a whole.

We are also keeping an eye on the future, reviewing the use of aluminum and other materials and proceeding with research into technology that fuses different materials. We are working to develop frames that will be the lightest in the world yet improve safety and comfort. The TS TECH Group will not simply use lighter materials; it will use the optimal designs for those materials and conduct research and development via state-of-the-art facilities and CAE to cut out even a single extra gram.

*1 Core frame: TS TECH's global standard seat frame has been used in a wide range of vehicle models



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

Production-Focused Measures

With a policy to "build production plants that are sincerely welcomed by the local community," environmental conservation is a key component of our social responsibility and a matter of great importance to our Manufacturing Division, which oversees our production plants. Accordingly, our Manufacturing Division aims to contribute to a recyclingoriented society and promotes efforts to build "peoplefriendly, environment-friendly production plants." Through the use of Japan's traditional karakuri mechanisms, we have been able to simultaneously save energy, reduce workloads, and improve production efficiency through the promotion of

a plant-wide framework that aims to automate work without consuming energy.

In fiscal 2020, we exhibited three karakuri mechanisms from the Saitama Plant at Japan's Karakuri Kaizen Exhibition*2 2019, organized by the Japan Institute of Plant Maintenance, and showcased examples of our in-house improvements to

Since fiscal 2018, Karakuri Presentation Conferences have been held twice a year at the Saitama Plant to present examples of successful in-house improvements. Starting in fiscal 2021, TS TECH will hold in-house karakuri conventions in Japan as an effort to implement successful improvements at other sites and to encourage further activities.

*2 The Karakuri Kaizen Exhibition is held every year in Japan to showcase improvements using karakuri mechanisms



Saitama Plant Karakuri Presentation Conference

Fostering Social Sustainability

The TS TECH Group is focusing its efforts on reducing CO₂ emissions with the aim of achieving a sustainable society. However, the products handled by the Group contain a great number of components from a wide range of suppliers. Therefore, we make relevant calculations based on the Scope 3*3 standard in order to encourage the entire supply chain, not just TS TECH, to undertake initiatives as a whole.

TS TECH is formulating long-term reduction targets for CO₂ emissions in the spirit of the Paris Agreement and the SDGs. The company recognizes that continuing to grow its business while also making substantial reductions in CO₂ emissions will be challenging, but it is determined to address this problem in order to contribute to the planet's sustainability.

*3 Scope 3: The amount of CO₂ emissions produced indirectly by a business, such as in the supply chain

Task Force on Climate-Related Financial Disclosures (TCFD)

Climate-related risks and opportunities will have a significant financial impact on corporations over the medium to long term.

The TCFD is a task force established by the Financial Stability Board at the request of the G20 in order to reduce the risk of financial market instability. The Task Force studied methods of information disclosure that would enable financial markets to properly evaluate climate-related risks and opportunities, and it released its recommendations in a final report. The Task Force recommended the disclosure of information centered around the four elements of governance, strategy, risk management, and metrics and targets as these areas will help give investors an accurate understanding of the financial implications of climate-related risks and opportunities when making decisions.

The TS TECH Group recognizes that the risks and opportunities that climate change and climate change countermeasures bring about for the Group is an important management issue and began initiatives related to the recommendations from the TCFD in 2020. We will continue working to enhance our disclosure of information based on our ESG management approach.

Verification of GHG Emissions

TS TECH has received third-party verification from SGS Japan Inc. in order to ensure the reliability of environmental data disclosure.

The scope of verification uses data from fiscal 2019 for GHG emissions at TS TECH's 10 production sites in Japan and 28 sites outside of Japan and includes Scope 1 and 2 (CO₂ emissions from energy) as well as Scope 3 Category 1 (procurement of raw materials and components).



Installing Environmentally Friendly Equipment

In line with international efforts to reduce the impact on the global environment, such as the regulations of the Minamata Convention on Mercury and the CFC emission controls set forth in the Montreal Protocol, we are moving forward with efforts to remove mercury lamps, switch from fluorescent bulbs to LEDs, and replace equipment that uses R-22 CFCs. We focused on implementing Group-wide efforts as part of the 13th Medium-Term Management Plan that ran from fiscal 2018 until fiscal 2020. As a result, on a nonconsolidated basis, TS TECH completely removed mercury lamps, switched to LEDs, and replaced air conditioners that use R-22 CFCs. We are continuing to promote initiatives aimed at completing these changes for the entire Group as soon as possible.

Green Ecosystem Conservation Activities

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

TS TECH has participated in the Green Wave Movement*1 annually since 2012. In 2016, the TS TECH Afforestation Program, an initiative undertaken by the Saitama Plant and TS TECH Head Office, received an Excellence Award at the 17th Saitama Environmental Excellence Awards*2

As of the end of fiscal 2020, TS TECH had exceeded its target to conduct forest and biodiversity preservation activities on an area of land worldwide equivalent to two million m² by 18%, but the company will continue with these activities in and outside of Japan.

- *1 Actions by groups and organizations that lead to an understanding or increased public awareness of biodiversity through contact with forests, trees, etc.
- *2 Awards are bestowed upon individuals, organizations in the prefecture, and businesses that set an example through environmental initiatives to promote public environmental awareness and eco-friendly behavior.



TS TECH Afforestation Program event

Creating Workplaces That Are Even More Employee Friendly

Diversity Generates Innovation

I work at TS TECH AMERICAS, INC. (TSAM), the U.S. subsidiary that oversees TS TECH's opera-

tions in North and South America. Since we operate in the U.S., which is home to people from all

walks of life, we are a very diverse team of many different nationalities and ethnicities. We may in

create a workplace environment of mutual respect where individuals can make full use of their

strengths. For example, under the 13th Medium-Term Management Plan, TSAM conducted gender

sensitivity training for all Associates in the Americas to examine unconscious biases regarding

gender and other personal attributes, as well as barriers to the advancement of women in the

workplace. We are also looking into implementing a workplace mentoring program for Associates

who have a heightened awareness of career advancement following these training sessions.

In the Americas region, we have focused on training based on the TS TECH Philosophy to

A Company Dedicated to Realizing People's Potential — Part of the TS TECH Group Vision Statement

As part of the corporate philosophy in which its business activities are rooted, the TS TECH Group is dedicated to realizing people's potential, believing that "people are the decisive factor in a company." This conviction underpins our stance on a diverse range of issues, including human rights, human resource development, evaluation and treatment of personnel, benefits, and the workplace environment. Under our corporate philosophy, we strive to create safe, comfortable environments where every employee can thrive

Fostering A Greater Awareness of Human Rights

Based on international standards such as the Universal Declaration of Human Rights, the TS TECH Group has incorporated human rights and work environment standards into its Code of Conduct. The Group respects human rights, does not practice discrimination, strives for equal opportunities

- TS TECH's Code of Conduct -

- 1. Providing safe, comfortable, and high-quality products and services
- 2. Human rights and work environment
- 3. Protection of the environment
- 4. Relationship with society
- 5. Compliance

comment

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6. Protection of company assets and information

fact be the most diverse worksite within the TS TECH Group.

- 7. Fair and clean business practices
- 8. Proper disclosure of information

in employment, and does not accept any form of child labor or forced labor. We also conduct fair hiring practices in line with the TS TECH Philosophy.

To foster a greater awareness of human rights, all employees, including new hires, receive educational training and a copy of the Corporate Principles Manual, which includes TS TECH's Code of Conduct. Our Group companies outside Japan base their own manuals on our Corporate Principles Manual, tailoring them to reflect local culture, customs, and laws in each region. All overseas employees also receive training to foster a deeper understanding of human rights.

Human Rights Due Diligence

In accordance with the UN Guiding Principles on Business and Human Rights, the TS TECH Group has established a risk verification framework to prevent or mitigate negative societal impact with regard to human rights.

All affiliates participate in routine compliance and risk verification measures conducted by TS TECH (the TSCG self-verification system). The Group is also involved with initiatives to reduce human rights risks.

Educating Employees Globally about the TS Philosophy

Since 2015, the TS TECH Group has provided TS TECH Philosophy Education through TS TECH Philosophy promoters selected by Group companies outside Japan. Promoters and the managers they train regularly provide educational opportunities to local staff to familiarize them with the TS TECH Philosophy. In line with our initial goals, we plan to complete promoter training in fiscal 2021. We will continue to strengthen Group unity by sharing and establishing a common understanding (values) on a global level.

The manual distributed to all employees **Diversity Initiatives**

The TS TECH Group recognizes the importance of diversity, and promotes various initiatives in accordance with TS TECH's Code of Conduct as a means to share this concept with employees. In order to promote even more active roles for women, individuals with disabilities, and non-Japanese employees, in particular, we implement medium- to longterm measures related to improving hiring and the work environment to ensure that gender, nationality, and other factors are no impediment to advancement. Our long-term goal is to expand these efforts to regions outside of Japan as well, tailoring them to suit each specific country.

Items related to diversity have been added to the annual employee satisfaction survey, and our Human Resources Department conducts interviews with our younger employ-

ees. TS TECH uses these and other measures to gather a full range of opinions. Our diversity training for management is another example of our initiatives to promote diversity. We are working to develop environments in which our diverse pool of talented employees can make the most of their respective knowledge, experience, and abilities in order to thrive in the workplace.



Hiring pamphlet about womer in the TS TECH workplace

Initiatives for Hiring Persons with Disabilities

In addition to regularly communicating with Hello Work*, employment support centers, and special needs schools, we actively recruit persons with disabilities through participation in job-hunting events for persons with disabilities.

As part of our employee retention efforts, we regularly conduct interviews with and surveys of employees with disabilities. We also strive to create employee-friendly workplaces by acting on feedback about the issues our employees face at work.

* An employment service operated by the Japanese government that

Workplaces Where Women Can Thrive

After hearing from a wide range of female employees, we introduced maternity uniforms and established an on-site day care center. We have also created a child-rearing support handbook and are working hard to ensure that TS TECH is a company where everyone can thrive.

In recognition of these efforts, we were certified in 2015 by the Minister of Health, Labour and Welfare (Kurumin Certification) as a company that supports childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children. In addition, we were certified in 2016 by the Minister of Health, Labour and Welfare (highestlevel Eruboshi Certification) as a company with outstanding measures to promote participation by women in the workplace based on the Act on Promotion of Women's Participation and Advancement in the Workplace.



Tekuteku Kids Day Care, an on-site day care center

るみ **Kurumin Certification: May 2015**

We have been certified as a company that supports childcare and promotes measures to support the development of next-

generation children



Eruboshi Certification: October 2016

We have been certified as a company with outstanding implementation of measures to promote women's participation in the workplace. We received the highest rating of three stars.

Extension of Retirement Age (Elective retirement system)

The TS TECH retirement age was extended to 65 in fiscal 2020. Prior to this, all employees were required to retire between the day they turned 60 years old and the end of that fiscal year. Under the new system, however, employees may choose their own retirement age between the day they turn 60 and the end of the fiscal year immediately after they turn 65 years old.

The change in the retirement system is intended to provide employees with opportunities to continue working as the population ages and the birthrate falls, as well as to maintain business continuity by providing a time frame for veteran employees to pass on their skills and knowledge.

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Diversity generates new ideas and innovation and promotes corporate growth. We will con-Career Develonment TS TECH AMERICAS, INC. tinue to work to improve the workplace environment and support each of our Associates at TSAM.

Hiromi Lambert

Section Manager,

Creating Workplaces That Are Even More Employee Friendly

Human Resources Development

In addition to labor policies designed to ensure employees can thrive in the workplace, TS TECH has also established a system to help motivate and empower each employee to achieve their individual goals.

We have created our own unique training system to cultivate human resources based on two types of training: Rank-Specific Training that is tailored to years of service or position, including Mid-Level Training (Fifth-Year Training for Employees) and New Manager Training; and Selective Train-

ing, where employees who are selected by the company or nominate themselves are placed into courses, such as the TS Executive Business Management Online new employee training



School, TS Camp, or TS Trainee programs.

In the future, we plan to introduce new forms of training that use an online platform to meet the needs of diversifying work styles and further improve efficiency. We are also reviewing our current training system and focusing on developing the next generation of management candidates.

Work-Life Balance

TS TECH has established a system that enables employees to balance work and family life and adopt a variety of work styles to suit their particular stage of life.

In fiscal 2019, as part of our efforts to accommodate a diverse range of work styles, we introduced a flextime system with no core time. Promoting flexible, varied work styles makes it possible to improve work productivity through efficient time allocation and helps support employees balancing work with childcare, nursing care, or other

Education and Training Programs

	Rank-Specific	Selective	Dispatch	By Age	Self- Development
Managerial	Third-Year Management Training New Manager Training	TS Executive Business Management School	ostings Top Management Training		S
Non-Managerial	Management Training Pre-Appraiser Training Mid-Fevel Lusining	TS Camp Management Assessment Training	ing Prior to Overseas P	Career Design Training Life Plan Seminars	Correspondence Courses
Non-M	Mid-Level Training Second-Year Training for New Employees New Employee Training	TS Trainee Pr	Training		

comment

Taking an Interest in All Things Leads to an Even Better Workplace

I first thought about childcare leave when my wife became pregnant with twins. When we decided that she would be at home after giving birth rather than staying at her parents' house, as is the custom in Japan, I knew that I needed to be at home, too!

The first thing I did to prepare for my leave was to talk with my co-workers. Thanks to the understanding and cooperation of my supervisors and colleagues, I was able to seamlessly hand over my work to them. I am very grateful for their help.

After the twins were born, the burden on my wife was much greater than I had imagined, so I was really happy that we were able to tackle challenges together. By changing diapers and bathing the babies, which I had to learn how to do, I was able to really experience how they grew. I will always cherish this time spent together

Although it is common for women to take maternity leave at our company, men are still unfamiliar with the concept. Many do not know much about the system. That was true for me, too, and I had to do a lot of research before I took childcare leave. I think if more people, both men and women, were to become familiar with this system and not regard it as something that has nothing to do with them, we could create even better workplace environments. This is another reason why I want to share my experience with everyone.



Toshiaki Kitajima Manufacturing Section 1, Production Department,

personal obligations. In addition, we extended our system for shortened working hours for parents to cover children until they graduate elementary school.

We also expanded our paid leave system to allow for six days taken in half-day increments in April 2016. As a result of this and other efforts, TS TECH placed seventh in a 2020 ranking by Toyo Keizai Inc. of the 300 companies in Japan with the highest rate of paid leave use.

In addition to the measures above, we have also established a childcare and nursing care leave system and are working to diversify work styles and raise awareness of a work-life balance.

Fair Assessment of Personnel

TS TECH Group personnel assessments do not take factors such as age, educational background, or gender into ac-

In Japan, for example, we have adopted a system for evaluating how well an employee "demonstrates and applies their abilities compared with what is expected of them." With a precise understanding of the skills and accomplishments of our individual employees and compensation provided through salary, rank, and other forms of remuneration, we are able to motivate employees and encourage them to fully demonstrate their abilities and take on new challenges. We also incorporate elements of the TS TECH Philosophy into our assessments in order to encourage the behavior and practices we expect from our employees. In addition, employees receive feedback from superiors at least twice a year regarding work performance and the acquisition and demonstration of skills in order to make them aware of their performance and encourage growth.

Communicating with Employees

Conducting Employee Satisfaction Surveys

We conduct an employee satisfaction survey annually at TS TECH. The survey assesses job satisfaction, workplace atmosphere, the depth of education provided, interorganizational communication, and more. Through these surveys, we gauge levels of satisfaction with the company from a broad, diverse range of perspectives.

We believe that continuing to survey employees, identify issues, and make improvements helps to bolster employee motivation and organizational strength.

Talking with the Union

The company respects basic labor rights and regularly communicates and consults with the TS TECH Workers' Union in a mutual effort to improve labor conditions and the workplace environment, and to promote a better worklife balance.

Promoting Occupational Safety & Health

Our basic safety and health policy is based on a dedication to realizing people's potential and prioritizing safety in our business activities. Under a management system led by safety and health officers, TS TECH continually performs a plan-do-check-act (PDCA) cycle in accordance with its occupational safety and health management system (OSHMS) to achieve three goals: injury prevention, better employee health, and a more comfortable workplace environment.

Specific initiatives include risk assessment, kiken yochi training (KYT; hazard prediction training) and hiyari-hatto (near-miss reporting) activities*, which we conduct at all business sites. We take countermeasures like these in anticipation of potential workplace risks as part of our efforts to prevent work-related accidents. We have also held training sessions led by lecturers from the Japan Industrial Safety and Health Association annually since 2007, helping to enhance the skills of risk management advocates (safety officers, production site managers, etc.).

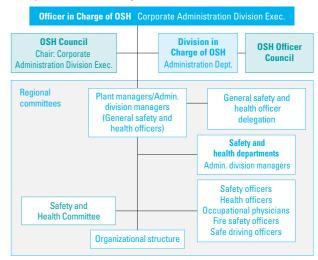
In addition to the stress checks prescribed by Japan's Industrial Safety and Health Act, we focus on employee health through a system that includes affiliations with mental health specialists to ensure that employees who are concerned about mental health issues can work with company staff to promptly receive care from outside specialists. We also regularly conduct internal seminars and other programs to promote a proper understanding of mental health. Since

fiscal 2020 influenza vaccinations have been provided on-site to interested employees. By subsidizing the cost, we promote individual risk management and help to prevent the spread of infection within the company.



*Hivari-hatto (near-miss reporting) activities: Safety-minded activities regarding incidents in which no accident actually occurred, but involved parties report the near-misses; from the Japanese hiyari (feeling a sudden chill) and hatto (having one's breath taken away)

Group-Wide OSHMS Diagram



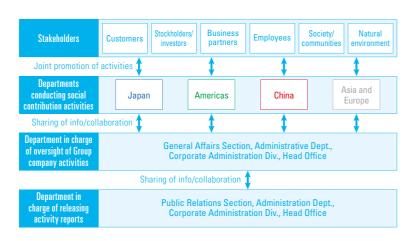
Philanthropy

Based on our Vision Statement of being a company "dedicated to realizing people's potential" and "sincerely appreciated by all," the TS TECH Group strives to be a community-based company. It engages in philanthropic activities tailored to regional characteristics around the world through means such as providing support for children's education, teaching traffic safety, performing relief work, and protecting the environment.

The implementation of these activities is shared with and documented by the Head Office in Japan, and this information is used to coordinate and collaborate among our locations around the world.

We will continue to strive to implement unique activities that make the most of the Group's resources.

Note: Activities reported here generally took place between April 1, 2019 and March 31, 2020. However, some activities were conducted after this time frame.



Number of Fiscal 2020 Philanthropic Activities

Japan	Americas	China	Asia and Europe	Consolidated
74	152	26	33	285

Japan

Future Creation University for Children in Tochigi

TS TECH held an interactive workshop for children in the Tochigi district in collaboration with the Future Creation University for Children in Tochigi sponsored by the Tochigi Prefectural Board of Education. During the workshop, the children thought about and discussed the human impact of car accidents. The workshop concluded with an up-close simulation of a car crash to raise the children's awareness of traffic safety and deepen their understanding of the safety functions of automobile seats.



As part of its efforts to give back to the community, KYUSYUT.S CO., LTD. donates cushions to local facilities annually. In 2019, the company donated original cushions to the central library in Kikuchi City, Kumamoto, where KYUSYUT-S is located.





Americas

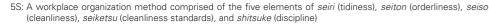
Toy donation

TSTECH's subsidiaries in the Americas regularly donate items such as toys and school supplies to children.

TST NATRIM, LLC. purchased toys to be donated to a local children's hospital with funds raised by employees. Some of the toys were distributed as Christmas gifts to children in the hospital, while others were added to the hospital's play area for visiting children.

Workplace tours for employees' children

As part of the company's philanthropic activities, TRIMONT MFG. INC. held an event for children of employees in grade nine. Through a tour of their parents' workplace and hands-on activities, the event provided the children with an opportunity for a variety of experiences, including games that focused on improvements and the 5Ss*, as well as a workshop corner for building a small chair.







China

Cultural exchange with the elderly

Subsidiaries in the China segment hold regular visits with senior citizens living in nearby areas and provide financial assistance to nursing homes in local communities.

GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO., LTD. and TS TECH (HONG KONG) CO., LTD. collaborated with local food banks and visited local senior citizens to make Japanese-style bento lunch boxes with them. This event gave the seniors the opportunity to experience and enjoy Japanese bento culture and deepened the connections between the elderly and our employees.

Donations to low-income households

Segment locations routinely donate books and daily necessities to students from low-income families.

In cooperation with a local volunteer organization, employees from GUANGZHOU TSK AUTO PARTS CO., LTD. visited needy families in the region, donating rice, other food, and daily necessities to help these families get by.





Asia and Europe

Collection and distribution of food (Germany)

TS TECH Deutschland GmbH participated in a food drive/distribution program organized by a local welfare organization. In addition to sorting food donated by local grocery stores and other volunteers and distributing the food to those in need, employees also raised funds in the workplace.



TS TECH SUN RAJASTHAN PRIVATE LIMITED held a lecture on health and hygiene at a local public school. The company also donated a water dispenser equipped with a water purification system to ensure that the children have safe water to drink.





Donation of Original Masks to Help Prevent the Spread of COVID-19

We believe that, in addition to philanthropic activities tailored to the characteristics of each region, it is important to utilize TS TECH Group resources to meet the needs of the times. In fiscal 2021, in response to the COVID-19 pandemic, we created original masks using our seat sewing technology and donated them to the communities where our operations are located.





Kikuchi City, Kumamoto, Japan

Lincoln, Nebraska, U.S.A.

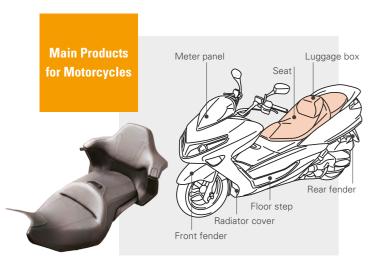
Ouro Fino, Minas Gerais, Brazil

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TS TECH's Products

For nearly 60 years, the TS TECH Group has been involved with the development and manufacture of seats and interior components for automobiles, seats and resin-based parts for motorcycles, and more. We offer a wide range of products related to seating that makes the most of our strengths, which include a wealth of techniques and specialized knowledge acquired over the years, a global network that spans 14 countries around the world, and a highly efficient manufacturing process that takes advantage of regional characteristics.







Original Value Creation Story

At the TS TECH Group, we offer products that are appreciated by all due to their safety, environmental performance, and attractiveness, and we work together as an entire Group to create value that contributes to a sustainable society. Here, we introduce the TS TECH value creation story, from the mass-produced products we deliver to customers to the new products we are developing for the future.



Seats for the Honda Fit

Comfortable seats that give all Fit passengers a pleasant ride

The Honda Fit revolutionized the compact car segment with practical features such as a spacious cabin interior and a multitude of possible seat arrangements, as well as excellent fuel economy. A full model change led to the creation of a completely redesigned seat. As compact cars are used for everything from errands around town to longer journeys, the new Fit seats are designed to provide enhanced comfort in addition to usability.

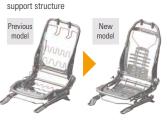


Seats so comfortable you feel the difference the moment you sit down

The Honda Fit features a next-generation seat frame that had been developed with an eye to providing comfort when seated, and was intended for installation in high-end models. To ensure that the seats in the newest Fit model firmly support passengers' bodies yet gently cradle them, the surface support structure in the seat comprises a suspension mat that uses a resin plate developed together with our customer, instead of the springs used in conventional seat structures. Unlike a spring structure that uses "lines" for support, the seatback and seat bottom are outfitted with suspension mat "boards" that firmly support passengers from their spine down to their lumbar and pelvic regions. The result is a seat that not only feels great to sit in but also helps to prevent fatigue when driving long distances.



Improvements to the front seat frame Change from a spring structure to a surface



The seats are also much lighter in weight, which is essential for improving fuel efficiency. By designing the frame to be as lightweight as possible through means such as the use of strong, lightweight materials, the resulting front seat frame is approximately 28% lighter than our standard core frame'

* TSTECH's global standard seat frame is used in a wide range of models



Multiple variations, all with a superb, high-quality finish

The new Fit is available in five different trims to suit a range of lifestyles. By designing two primary seat specifications—fabric and genuine leather—and using a range of "universal" parts, it not only becomes possible to efficiently produce a wide selection of seat variations but also to keep development costs down. In addition, as the thickness of the genuine leather used is inherently uneven and differs from batch to batch, simply aligning stitching with the shape of the seat can cause the stitching to become loose or wrinkled. We utilized TS TECH know-how related to the creation of aesthetically pleasing products to avoid this problem through means such as applying a special process to the backside of the leather, or adjusting the firmness or thickness on the cushion side to create uniformity.





comment

The Seats' Firm Support Is Indicative of Their Evolution

The newest Fit is a model that is popular with people of all ages for its spacious interior, great fuel economy, and nimble, user-friendly drivability. Many customers (end users) consider good ride comfort an important feature, and we have heard from so many people that they also love the waterproof finish and the large range of seat choices that are available. When owners of the previous model of the Fit take a seat in the new model, they comment on how completely different the new seats feel from the previous ones. I, too, was amazed that the seats were so comfortable that they give users the sensation of being cradled, and I felt that these comfortable seats would help me to avoid fatigue when driving for long hours. I can recommend this product to customers with confidence.



Mitsumasa Uemura Honda Cars Utsunomiya-kita Takanezawa Dealership



Discussion

World Yuru Sports Association × Aisareru Seat

TS TECH and the World Yuru Sports Association (World Yuru Sports) worked together to develop and launch "Kankyuso" (Slow/Fast Running)*1 in May 2019 as a new type of "yuru sports"*2 that anyone can enjoy sitting down using the Aisareru Seat, which combines seat technologies with the IoT. Tomohiro Sawada, Representative Director of the World Yuru Sports Association, and Hiroyuki Kaku, the Aisareru Seat Project Leader, provided some background to and their thoughts on the development of the new type of yuru sports.

- *1 Kankyuso: A new type of World Yuru Sports Association event developed together with the World Yuru Sports Association that can be played sitting down. The Aisareru Seat is used as a controller, and users compete by shifting their center of gravity to move a virtual runner on a screen.
- *2 Yuru sports: Sports that anyone can enjoy in a fun, easygoing manner, regardless of age, gender, athletic ability, or physical ability

Aisareru Seat Concept

Kaku: My initial thought was that I wanted people to use our seats for years to come, so, therefore, we must ensure our seats become a "wellloved presence" (Aisareru means "to be loved" in Japanese) in which people want to sit. That was the inspiration for the name Aisareru Seat and the starting point for developing the seat system. Beginning with the concept of "enjoyment," we sought to add new value to the experience of sitting. The trend in the automotive industry is to propose such things as being able to sit back and watch a movie or work in the cabin of a self-driving vehicle, but the value of "sitting" has not really changed. We are, of course, researching such things in-house, but the basic meaning of "sitting" itself has not changed. We discussed the fact that if we could change the image of sitting in a vehicle from simply "moving" to "enjoying," then we could change the meaning of "sitting," which would be a true example of innovation! However, there was initially a tepid response to this idea, with people thinking that it would be difficult to evaluate.

Sawada: If we could change people's views, that would be the greatest compliment, wouldn't it? I think that it's important to steer away from the mainstream when creating something. What's popular in the sports industry right now is the use of the latest technology to expand spectatorship, but I feel like everyone is simply moving in the same direction. "Yuru sports" is based on the belief that if you are going to use technology, then it's better to use it to create a new sport, so you can say that we're also outside of industry trends and the mainstream. For better or worse, our competitors are all swimming together like a great school

of sardines, and they could be gobbled up by whales like Google or Tesla. I get the feeling that we are both small fish, swimming away from the main school and starting to head out together into the great blue sea.

The Concept of Yuru Sports

Sawada: I'm not very good at sports, but when Tokyo was awarded the 2020 Olympic and Paralympic Games in 2013, I decided to come up with something that would allow people to enjoy sports. In 2015, I founded the World Yuru Sports Association based on the concept of "creating a world where no one is disadvantaged at sport." Our starting point for thinking about sports that everyone can enjoy was the people who are not good at sports, and we sought to develop ideas with the aim of creating sports that these people can take part in. The key point

/ Aisareru Seat® /

An amazing seat with the power to make anyone smile once they experience it for themselves

The Aisareru Seat combines the automobile seat technologies cultivated over many years by TSTECH with the IoT to sense the movements of the person seated. It provides new forms of entertainment by using the seat as a controller linked with apps. By changing the app used, the seat can be used in a wide range of scenarios including sports, healthcare, and events.



Scene from a Yuru Sports Land event

2019 marked the fourth installment of the event and provided a forum for people to experience more than 20 types of yuru sports provided through World Yuru Sports.



"Kankyuso"

A virtual player runs based on the movements of a seated person. There are races requiring both slow and fast movements, with a "slow course" where the seated players must not move their bodies and a "fast course" where players must vigorously move their bodies.

to bear in mind is that you don't get to the heart of essential issues simply by interviewing people who are not good at sports because they may feel defensive talking about such things. So we worked to befriend such people. By working closely with them to develop content, it was possible to identify unique challenges and create unique output (sports).

Kaku: So in the case of "Kankyuso," the involvement of "Beyond Girls," a dynamic trio of women in wheelchairs, was vital, wasn't it?

Sawada: Absolutely. The three women helped us in our trials for "Kankyuso" and assisted us in fine-tuning it so it would be easy to use for women in wheelchairs. We then let everyone at Yuru Sports Land 2019 try it out. Development of "Kankyuso" really started with these three women, so it means that everyone can get a good result in this sport.

How the Joint Development of "Kankyuso" Began

Kaku: It all started in the autumn of 2018, when I was in the process of developing the Aisareru Seat, and I happened to hear a lecture by Mr. Sawada. At the time, I was thinking that we needed a new community different from the automotive industry to further promote the Aisareru Seat, and this sparked my interest in Mr. Sawada's work on fashion shows and productions from the perspective of

persons with disabilities. I remember going up to introduce myself right after his lecture ended.

Sawada: Mr. Kaku spoke with tremendous enthusiasm as he showed me an introductory video, telling me that he was starting to think about sports-related content using the Aisareru Seat. His enthusiasm was infectious, so we continued our discussions, and when I got to try the Aisareru Seat at the start of 2019, I really felt that this could provide a new experience.

Kaku: The period from that point until May, when we unveiled "Kankyuso," was one where we were able to overcome all the barriers that we had found ourselves up against. Our encounter with Mr. Sawada and the World Yuru Sports community enabled us to bring in perspectives and ideas that we didn't have ourselves.

The Future of the Aisareru Seat

Kaku: Looking to the future, our aim is to increase the amount of socially meaningful things we do and for the Aisareru Seat to become a technology-nurturing platform in the midst of the community that has been created. If the concept of "enjoying sitting" becomes widespread, more people will want to use the seat, which will inevitably lead to business opportunities. What we are trying to do is increase new content that goes beyond the automotive domain.

Sawada: When thinking of content,

it can be divided into that which is place-dependent and that which is not. I would say that the more unforgettable experiences that remain so deeply etched in our memories are ones that are place-dependent. In that sense, as the Aisareru Seat itself is a place, "Kankyuso" can become a more memorable type of experience. In what kind of places would you like to use the Aisareru Seat, Mr. Kaku?

Kaku: I think it would be interesting to see people sitting in a car or on a train enjoying themselves in an Aisareru Seat. Sawada: I think cars may be a surprisingly good option. Today, when we're all sitting in a car, each of us is fiddling with our smartphones separately, making it difficult to maximize the value of the cabin space as a communication tool that builds human relationships. So, for example, if you had the "Kankyuso" game in the car, you might get the value of everyone looking in the same direction. It could create a situation where everyone in the car is laughing loudly, even though there might be a frustrating traffic jam outside.

Kaku: That would be brilliant. Linking people together—that is truly the vision of the Aisareru Seat.

In August 2020, we unveiled our second type of yuru sports, "Bobisleigh," which enables people with visual impairments to have fun together using the Aisareru Seat. Stay tuned for further news in the future.





Sony × TS TECH What Are the Future Needs for an Automobile's Interior Space?

In April 2020, level 3*1 self-driving vehicles were permitted on the roads in Japan for the first time, giving a real sense of the arrival of a society with autonomous driving. Automated driving systems will change the way we move around as well as the value demanded of cars, so if travel time can be made into an enjoyable experience, it could become a source of great added value. Masao Eriguchi and Shin Takanashi of Sony Corporation, who have made proposals to turn "necessary movement" into "enjoyable movement" by combining entertainment and automated driving, and Takahiro Kobori, Executive General Manager of the Corporate Development and Engineering Division at TS TECH, discussed their ideas on and approaches to a car's interior space in the age of automated driving.

*1 Level 3: A standard for automated driving technologies formulated by the Society of Automotive Engineers (SAE) International of the U.S., comprising six levels from 0 through to 5. Level 3 driving automation is classified as "conditional automation," where "an automated driving system operates all aspects of the driving task in specific situations, with the expectation that the human driver will intervene in emergency situations."

A seat you can exercise in? New possibilities through advanced technologies

What was it like to experience the Aisareru Seat*2?

Takanashi: It was a lot of fun. It's so innovative to be able to use the seat as a controller. If you shift your center of gravity to the right, your virtual player turns to the right, and if you move to the middle, it goes straight ahead. You can move forward or backward, right or left while remaining seated the whole time. I thought that if we could create a new UI*3 that enables you to move around depending on the way you sit, it would really change the way we think about a vehicle's cabin space. It would be interesting to try out these seats in the SC-1.*2

Also, although the INNOVAGE*2 cabin interior has a steering wheel, I think it would be even more interesting if you could take out the steering wheel and allow people to control the INNOVAGE interior from the comfort of an Aisareru Seat.

Kobori: A fusion of INNOVAGE and the Aisareru Seat certainly sounds interesting. Incidentally, the seats installed in INNOVAGE are also filled with TSTECH technology.

The INNOVAGE seats are based on the Aibou Seat, which acts as a kind of partner for the driver. The Aibou Seat senses the physique and posture of the person sitting in it and automatically adjusts accordingly to a comfortable driving position. It has one function to adjust to an ideal posture for a driver, and another that determines whether the person sitting in the seat is drowsy



and vibrates as needed to keep that person alert. A variety of other features were carefully selected for inclusion in INNOVAGE.

Although we ended up not installing it in the INNOVAGE interior, we also have a seat known as the ExerRide Seat, which is an evolved form of the Aibou Seat. When in a relatively stable driving environment, the part of the seat cushion that is in contact with the pelvis moves, allowing the rider to replace driving time with exercise time. In today's lifestyle, many of us don't get the ideal amount of exercise, but these seats can help people to burn calories during driving time.

Eriguchi: Fixing a lack of exercise by driving? If these seats could actually be installed in vehicles, more people would probably get into their cars to do some exercise!

Kobori: One of the keywords in the concept plan for INNOVAGE was "health." It would be great if you could not only manage your health with sensors to monitor breathing and heart rate but also address a lack of exercise and get healthy just by sitting down. In addition to meeting needs related to the advent of CASE (Connected, Autonomous, Shared, Electric) vehicles, we also want to give value to "sitting" and transform travel from simply being a period that you spend getting to your destination into a time that takes on a new meaning through the use of seat technology.

*2 See next page

^{*3} UI (User Interface): The connection point between users and products or services

It looks like this could transform the entire concept of automobile seats, doesn't it?

Kobori: Protecting lives is the top priority for automobiles, and TS TECH has continued to provide products that comply with the laws and regulations of each country, as well as the durability and comfort standards unique to each auto manufacturer. Today's vehicles ensure safety through the designs of their chassis and seats. If fully automated driving becomes a reality in the future, and if cars are no longer in any danger of crashing, conventional notions may be dramatically altered. It could mean that not only dedicated seat manufacturers but also home



interior manufacturers could become able to make seats that are both comfortable and also look good.

Eriguchi: In terms of automated driving, the SC-1 has sensors in all directions so it won't veer off course while driving, but it does occasionally make an emergency stop even at speeds of 3 km/h. Even in a fully automated vehicle, I feel that it will still be necessary to balance both safety—with seats that keep riders safe in the event of emergency stops—and entertainment. I think this will really prove to be valuable.

Kobori: Yes, it is likely to be a long time before collision-free driving becomes a reality in society as a whole, so I think our biggest challenge will be how to maximize a car's safety while also providing an interior space with a reasonable amount of freedom.

The changing meaning of travel time

Given changing expectations and values related to mobility, what kind of concepts do you think will be required?

Eriguchi: For example, long journeys by plane can be very draining. However,



if you have a comfortable seat and fun entertainment, you can turn that plane ride or any other situation, even an irritating traffic jam, into a fun time and a fun place to be.

Kobori: The INNOVAGE concept includes the key phrase "making time," and we are thinking about how to transform the interior space of a car from one that has, until now, just been for the purpose of movement, and give that time spent on the move new meaning and value.

Eriguchi: That's a similar idea to the SC-1, a vehicle that actually dares to travel at a slower speed than normal. This is based on the idea that even if the speed is as slow as walking, if the content during the ride is fun and you

Sony's SC-1

Transforming mobility into an entertainment experience

The SC-1 is a low-speed entertainment vehicle that combines Sony's imaging technologies with Yamaha Motor Co., Ltd.'s automated driving technology. The concept of the vehicle is "smartphone-driven," and the idea behind development was to see what would happen if mobility functions were added to smartphones, just like the proliferation of camera and payment functions that have continued to increase on mobile devices

The SC-1 is capable of automated driving via the electromagnetic induction method. The windshield is not a window, but a monitor that displays external images taken by the onboard camera and superimposes CG on the actual scenery. Pilot tests for payable services using this technology are underway, including "moonlight cruises" that are offered as a night-time tourist attraction on hotel grounds or at golf clubs.



TS TECH's INNOVAGE and Aisareru Seat

Providing new value for seating

INNOVAGE

Designed with the advent of CASE vehicles in mind, IN-NOVAGE is a fusion of TS TECH's advanced sensing, comfort, seat arrangement, and other technologies. INNOVAGE automatically adjusts the seat position and firmness according to the physique of the person seated to disperse body pressure and deliver customized comfortable seating. Featuring automatic air conditioning and lighting control functions, INNOVAGE also enables the driver to select from nine different seat arrangements to meet their needs, such as getting in and out of the vehicle, driving, or communicating with others.



Aisareru Seat

A seat system that combines automobile seat technologies with the IoT. Sensors housed inside the seat detect the movements of the person sitting in it to provide new forms of enjoyment using the seat. By linking with various applications, the seat can also be utilized in a wide range of activities so that anyone, regardless of age or physical condition, can enjoy sports and recreation while seated.



are comfortable, you'll feel like you've reached a distant place in no time at all. Our aim with the SC-1 is to provide movement that makes people forget about time.

What are your future plans and goals for your products?

Kobori: Until now, cars have never really been personalized because they are industrial products that are mass produced in the same way from a productivity standpoint. One of my dreams is to provide the best possible solutions to specific requests for seat functions so that new value in the cabin interior also becomes a factor for consideration when people purchase a vehicle.

Eriguchi: Collaborations with university researchers and experts from different industries have resulted in novel ideas that we would never have come up with on our own. Since we've built

up a track record and gained a reputation for unmanned automated driving, we now want to create even more appealing content. What I would like to do someday is create a concept that is completely different from current norms, where the ride to your destination is free—in other words, the physical movement is free—and revenue is instead generated from the content that is used in the cabin space.



Takanashi: I sense some real possibilities here because if the SC-1 itself could be driven using the Aisareru Seat, this would mean that we could build cars that can be operated by anyone, regardless of their physical health. It would be good to think a little more about how we can use the SC-1 and the Aisareru Seat to assist society.

Kobori: I agree completely. I felt that the goal of bringing smiles to people's faces during their travel time was common ground for us. What I want to do now is move beyond the confines of automobiles and consider how we can develop problem-solving applications for facets of communities like schools, hospitals, and nursing facilities to provide new value, joy, and fun to society.

Fact Book **Contents** The TS TECH Group's Business Operations Financial Reporting Management's Discussion and Analysis Consolidated Statement of Financial Position Consolidated Statements of Profit or Loss and Comprehensive Income Consolidated Statement of Changes in Equity Consolidated Statement of Cash Flows Notes to Consolidated Financial Statements Independent Auditor's Report Financial Highlights Non-Financial Highlights Financial Information Non-Financial Information Corporate Data 54 TS TECH Report 2020

The TS TECH Group's Business Operations



We will strengthen business management to increase capital and asset efficiency and enhance corporate value.

Atsushi Igaki

Managing Director, Corporate Business Administration Division Executive General Manager

Responding to Risks with a Global Cash Management System ——

As the TS TECH Group operates globally (79 locations in 14 countries), we have formulated "safe funding guidelines" that take into account risks in each region, country, and location so as not to affect the production activities of our customers. We have also developed a cash management system that ensures reserve capital is retained at all times and facilitates flexible procurement of funds in an emergency.

As a result of government-directed restrictions on operations due to the COVID-19 pandemic, the Group's production plants suspended operations first in China and then in the Americas and Asia and Europe segments. However, we have been able to manage the situation using cash on hand in line with the "safe funding guidelines," which have been implemented throughout the Group. At present, none of our locations are experiencing any cash management issues. We believe this is the result of prioritizing business continuity and financial stability based on a sound financial foundation (interest-bearing debt ratio of 0.03% in fiscal 2020) supported by high profitability.

Initiatives Under the 14th Medium-Term Management Plan ——

Under the 13th Medium-Term Management Plan, the Group established "Use of financial strategies to support business growth" as one of its corporate initiatives and worked to solidify the foundation for the company's further growth from a financial point of view. As a result of working on measures focused on balancing shareholder returns, utilizing funds for strategic investment, and stable finances, many of our indicators, including capital and asset efficiency, have outperformed the industry standard, and we have developed a sound, solid business structure with indicators that show stability at particularly high levels.

Nevertheless, faced with a rapidly changing business environment, the effective and efficient utilization of funds accumulated annually, as well as cash generated by the previous year's operating activities, is an issue for the Group's sustained growth going forward. Under the 14th

Medium-Term Management Plan, the company will strive to enhance corporate value while focusing on capital and asset efficiency indicators more than ever before.

As we work to achieve a greater share of our main customers' business and acquire new customers and commercial rights, the Group will not only expand production capacity and establish new locations, it will also formulate strategic investment plans with a view to engaging in M&A activity that includes developing advanced technologies that create new value and boosting cost competitiveness.

The Group will continue working to enhance capital and asset efficiency and continuously improve corporate value over the medium to long term by proactively engaging in such investment while maintaining its sound financial foundation.

The TS TECH Group's Business Operations

Japan 19.5 Automobiles (seats) 85.8 Other businesses 1.6 Asia and Europe 13.5 1.4 Motorcycles Automobiles (other) Automobiles (doors) 11.2 Revenue Revenue China 21.4 by Business by Region (%) (%) Americas 45.6

Results by Segment for FY2020

Japan

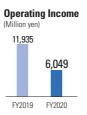
In the fiscal year under review, the Group launched production of seats for Honda's new N-WGN and Fit

The impact of the COVID-19 pandemic on segment results for this period is minimal as production was uninterrupted as of the end of March 2020.







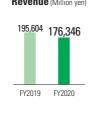


The Americas

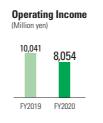
In the fiscal year under review, the Group worked to create a highly profitable structure by addressing cost containment through enhanced quality assurance capabilities in each process.

Segment results for this period have been impacted by the COVID-19 pandemic as production stopped at select locations in late March 2020.





82,729



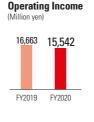
China

In the fiscal year under review, the Group launched production of seats for the new Honda Envix in Wuhan and the new Honda Breeze in Guangzhou.

Segment results for this period have been impacted by the COVID-19 pandemic as production was stopped from the start of the Chinese New Year (Jan. 23, 2020) through mid-March.







Asia and Europe

In the fiscal year under review, the Group launched production of seats for Honda's new Accord and City in Thailand.

Although production stopped at select locations in late March 2020, the impact of the COVID-19 pandemic on segment results for this period is minimal.





66,822



Management's Discussion and Analysis

1. Analysis of Financial Condition

Assets at the end of fiscal 2020 stood at 341.820 million ven, decreasing 16.445 million yen from the end of fiscal 2019. This change is primarily the result of a decrease in other financial assets resulting from a decrease in time deposits, as well as a decrease in trade and other receivables driven by lower order volume from major customers. These factors offset an increase in cash and cash equivalents stemming from the allocation of net income.

Total liabilities at the end of fiscal 2020 amounted to 67,268 million yen, down 13,572 million yen from the end of fiscal 2019. The decline resulted mainly from a decrease in trade and other payables stemming from lower order volume from major customers.

Equity at the end of fiscal 2020 totaled 274,552 million yen, decreasing 2,872 million yen from the end of fiscal 2019. This change is primarily the result of a decrease in other components of equity due to the differences on translation from foreign operations, offsetting an increase in retained earnings stemming from the allocation of net income.

2. Overview of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of fiscal 2020 amounted to 149,628 million yen, up 20,981 million yen from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 44,193 million yen, showing a year-on-year increase of 387 million yen. This is the result of a 16,969 million yen decrease in trade and other receivables as well as a change in provisions from a decrease of 4,513 million yen in the previous fiscal year to an increase of 2,171 million yen in fiscal 2020. These factors offset a 12,656 million yen decrease in income before income tax as well as a 7.646 million ven decrease in trade and other payables.

Net cash used in investing activities came to 5,366 million yen, a decrease

of 12,954 million yen year on year. This primarily reflects a net change in both payments into and proceeds from withdrawal of time deposits from an outlay of 8,659 million yen to an intake of 5,800 million yen in fiscal 2020.

Net cash used in financing activities totaled 12,917 million yen, a decrease of 3,472 million yen year on year. This reflects a decrease of 2,041 million yen in dividend payments (including payments to non-controlling interests) and a net decrease in short-term loans payable from an outlay of 863 million yen to an outlay of 0 million yen.

3. Analysis of Operating Performance

The global economic environment continued to prove difficult during the period under review due to factors such as increased uncertainty stemming from trade friction between the U.S. and China and an economic slowdown in Asia, primarily in India. Additionally, the global outbreak of COVID-19 in the fourth quarter greatly impacted the automobile market through plant shutdowns and drastic production cuts.

Although the Group saw increased production in the China segment until the third quarter, production decreased in other segments due to the economy and customer activity. Moreover, production stoppages by customers in accordance with federal mandates restricting business operations amid the COVID-19 pandemic resulted in plant shutdowns not only in China but also the Americas and Asia and Europe segments as well. Coupled with a downturn in demand for automobiles, this led to decreased order volume at plants still online, and production was down year on year in all segments except China.

Amid this backdrop, the Group actively deployed sales initiatives aimed at securing new customers and commercial rights, promoted the development of next-generation technologies that look to the future as well as a project that aims to create an even more efficient structure through fully automated production lines, and proceeded with

comprehensive cost-cutting measures.

However, revenue for the fiscal year under review amounted to 359,682 million yen on a consolidated basis, down 52,389 million yen (12.7%) from the preceding fiscal year. This was mainly due to lower production stemming from the COVID-19 pandemic and the exchange rate impact. Looking at profits, operating income stood at 26,326 million yen, down 12,467 million yen (32.1%) year on year. This reflected lower revenue as well as the allocation of provisions for severance pay in anticipation of layoffs at TSTECH UK LTD, where it has become difficult to maintain the current scope of business operations following the decision by a major customer to end production in the U.K. in 2021. Income attributable to owners of parent totaled 15.064 million yen, a decrease of 10,686 million yen (41.5%) year on year.

The Group's consolidated forecasts for Fiscal 2021 are as follows:

Revenue

350.0 billion ven

(Down 2.7% year on year)

Operating income

26.0 billion ven

(Down 1.2% year on year)

Income before income tax 28.1 billion yen

(Down 2.3% year on year)

Net income

20.0 billion ven

(Down 1.0% year on year)

13.4 billion ven

(Down 11.0% year on year)

Income attributable to owners of parent

Consolidated Statement of Financial Position

	Note	FY2019 (As of March 31, 2019)	(Unit: Million y FY2020 (As of March 31, 2020)
ASSETS		(,
CURRENT ASSETS			
Cash and cash equivalents	6	¥128,647	¥149,628
Trade and other receivables	7	67,774	41,500
Other financial assets	8	18,596	11,540
Inventories	9	25,948	28,233
Income taxes receivable		1,117	2,281
Other current assets		5,713	4,667
Total current assets		247,797	237,852
NON-CURRENT ASSETS			
NON-CURRENT ASSETS Property, plant and equipment	10	71,515	68,530
	10 11	71,515 10,080	68,530 9,366
Property, plant and equipment			
Property, plant and equipment Intangible assets	11	10,080	9,366
Property, plant and equipment Intangible assets Investments accounted for using the equity method	11 29	10,080 1,484	9,366 1,596
Property, plant and equipment Intangible assets Investments accounted for using the equity method Other financial assets	11 29 8	10,080 1,484 22,466	9,366 1,596 20,307
Property, plant and equipment Intangible assets Investments accounted for using the equity method Other financial assets Net defined benefit asset	11 29 8 18	10,080 1,484 22,466 2,535	9,366 1,596 20,307 1,879

¥358,265

¥341,820

See notes to consolidated financial statements.

TOTAL ASSETS

			(Unit: Million ye
	Note	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	13	¥ 64,747	¥ 51,084
Current borrowings	14	157	75
Other financial liabilities	15	773	1,109
Income taxes payable		1,772	575
Provisions	17	271	156
Other current liabilities		3,673	2,965
Total current liabilities		71,395	55,965
NON-CURRENT LIABILITIES			
Non-current borrowings	14	75	_
Other financial liabilities	15	745	2,841
Net defined benefit liability	18	1,365	1,372
Provisions	17	99	2,378
Deferred tax liabilities	16	5,326	3,598
Other non-current liabilities		1,832	1,111
Total non-current liabilities		9,445	11,302
Total liabilities		80,840	67,268
EQUITY			
Common stock	19	4,700	4,700
Capital surplus	19	5,171	5,171
Treasury stock	19	(5)	(5)
Retained earnings	19	240,038	249,367
Other components of equity	19	5,712	(4,487)
Total equity attributable to owners of parent		255,617	254,745
Non-controlling interests	29	21,807	19,806
Total equity		277,424	274,552
TOTAL LIABILITIES AND EQUITY		¥358,265	¥341,820

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of profit or loss

			(Unit: Million yen)
	Note	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Revenue	5, 20	¥ 412,072	¥ 359,682
Cost of sales	21	(338,031)	(300,307)
Gross profit		74,040	59,374
Selling, general and administrative expenses	21	(36,521)	(33,531)
Other income	22	1,692	1,537
Other expenses	22	(418)	(1,053)
Operating income	5	38,793	26,326
Finance income	23	2,371	2,218
Finance costs	23	(125)	(275)
Share of profit of investments accounted for using the equity method	29	367	481
Income before income tax		41,407	28,751
Income tax expense	16	(10,343)	(8,548)
Net income		31,064	20,202
Income attributable to:			
Owners of parent		25,750	15,064
Non-controlling interests	29	5,313	5,137
Net income		¥ 31,064	¥ 20,202
Earnings per share:			
Basic earnings per share (Yen)	24	¥378.70	¥221.54
Diluted earnings per share (Yen)	24	_	_

See notes to consolidated financial statements.

Consolidated Statements of Profit or Loss and Comprehensive Income

Consolidated statement of comprehensive income

			(Unit: Million yen)
	Note	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Net income		¥31,064	¥ 20,202
Other comprehensive income			
Components that will not be reclassified subsequently to net profit or loss:			
Remeasurements of net defined benefit plans	25	23	(421)
Equity financial assets measured at fair value through other comprehensive income	25	(1,363)	(1,971)
Total components that will not be reclassified subsequently to net profit or loss		(1,340)	(2,393)
Components that may be reclassified subsequently to net profit or loss:			
Differences on translation from foreign operations	25	1,219	(9,015)
Share of other comprehensive income of associates accounted for using the equity method	25	(95)	(32)
Total components that may be reclassified subsequently to net profit or loss		1,124	(9,048)
Other comprehensive income, net of tax		(215)	(11,441)
Comprehensive income for the period		30,849	8,761
Comprehensive income for the period attributable to:			
Owners of parent		25,740	4,864
Non-controlling interests		5,108	3,896
Total comprehensive income for the period		¥30,849	¥ 8,761

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

								(Uı	nit: Million yer
			Equity attr	ibutable to	owners of par	ent	Total equity		
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	attributable to owners of parent	Non- controlling interests	Total equity
BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR		¥4,700	¥5,171	¥(4)	¥219,999	¥5,723	¥235,589	¥24,335	¥259,924
Cumulative effect of accounting change									
Restated balance		4,700	5,171	(4)	219,999	5,723	235,589	24,335	259,924
Comprehensive income:									
Net income					25,750		25,750	5, 313	31,064
Other comprehensive income	19					(10)	(10)	(204)	(215)
Total comprehensive income		_	_	_	25,750	(10)	25,740	5,108	30,849
Transactions with owners, etc.:									
Dividends	26				(5,711)		(5,711)	(7,636)	(13, 348)
Acquisition of treasury stock				(0)			(0)		(0)
Total transactions with owners, etc.		_	_	(0)	(5,711)	_	(5,712)	(7,636)	(13,349)
BALANCE AT THE END OF THE FISCAL YEAR		¥4,700	¥5,171	¥(5)	¥240,038	¥5,712	¥255,617	¥21,807	¥277,424

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

								(Uı	nit: Million yen
		Equity attributable to owners of parent			ent	Total equity			
	Note	Common stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity	attributable to owners of parent	Non- controlling interests	Total equity
BALANCE AT THE END OF THE PREVIOUS FISCAL YEAR		¥4,700	¥5,171	¥(5)	¥240,038	¥ 5,712	¥255,617	¥21,807	¥277,424
Cumulative effect of accounting change					44		44		44
Restated balance		4,700	5,171	(5)	240,083	5,712	255,662	21,807	277,469
Comprehensive income:									
Net income					15,064		15,064	5,137	20,202
Other comprehensive income	19					(10,200)	(10,200)	(1,240)	(11,441)
Total comprehensive income			_	_	15,064	(10,200)	4,864	3,896	8,761
Transactions with owners, etc.:									
Dividends	26				(5,779)		(5,779)	(5,898)	(11,677)
Acquisition of treasury stock				(0)			(0)		(0)
Total transactions with owners, etc.		_	_	(0)	(5,779)	_	(5,780)	(5,898)	(11,678)
BALANCE AT THE END OF THE FISCAL YEAR		¥4,700	¥5,171	¥(5)	¥249,367	¥ (4,487)	¥254,745	¥19,806	¥274,552

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	FY2019 (April 1, 2018–March 31, 2019)	(Unit: Million yer FY2020 (April 1, 2019–March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		¥ 41,407	¥ 28,751
Depreciation and amortization		11,982	12,311
Impairment loss		69	666
Loss (gain) on disposal of non-current assets		(242)	(495)
Finance costs (income)		(2,010)	(1,976)
Share of loss (profit) of investments accounted for using the equity method		(367)	(481)
Decrease (increase) in trade and other receivables		6,751	23,721
Decrease (increase) in leased receivables and leased investment property		3,319	1,363
Decrease (increase) in inventories		(526)	(3,299)
Increase (decrease) in trade and other payables		(2,886)	(10,532)
Increase (decrease) in net defined benefit asset and net defined benefit liability		362	803
Increase (decrease) in provisions		(4,513)	2,171
Other		392	(698)
Subtotal		53,738	52,305
Interest income received		1,246	1,515
Dividend income received		919	940
Interest expenses paid		(122)	(116)
Income taxes paid		(11,975)	(10,452)
Net cash provided by operating activities		43,806	44,193
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments into time deposits		(11,004)	(17,382)
Proceeds from withdrawal of time deposits		2,345	23,182
Purchase of property, plant and equipment		(6,782)	(7,623)
Proceeds from sales of property, plant and equipment		512	218
Purchase of intangible assets		(2,012)	(3,311)
Purchase of equity instruments		(1,373)	(445)
Proceeds from sales of equity instruments		_	2
Payments of loans receivable		(168)	(241)
Collection of loans receivable		173	179
Other		(10)	53
Net cash used in investing activities		¥(18,321)	¥ (5,366)

Consolidated Statement of Cash Flows (Continued)

			(Unit: Million yen)
	Note	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term loans payable	27	¥ (863)	¥ (0)
Repayments of long-term loans payable	27	(390)	(150)
Repayments of lease liabilities	27	(1,859)	(1,532)
Purchase of treasury stock		(0)	(0)
Cash dividends paid	26	(5,711)	(5,779)
Cash dividends paid to non-controlling interests	29	(7,564)	(5,455)
Net cash used in financing activities		(16,390)	(12,917)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		794	(4,928)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		9,888	20,981
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6	118,758	128,647
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	¥128,647	¥149,628

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

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

The consolidated financial statements of the Company as of and for the year ended March 31, 2020 comprise the Company, its subsidiaries (hereinafter "the Group"), and the Group's interests in its affiliates.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company meets the 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 19, 2020.

(2) Basis for measurement

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

(3) Functional currency and presentation currency

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

(4) Important accounting judgments, estimates, and assumptions

In the preparation of the consolidated financial statements, management exercised certain judgments, estimates, and assumptions in the process of applying the accounting policies and in determining the reported amounts of assets, liabilities, income, and expenses. 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 in future periods.

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

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

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

We estimate the recoverable amount if non-financial assets show signs of impairment. In the event the estimated recoverable amount falls below the carrying amount, a difference between the carrying amount and the recoverable amount is recognized in net profit or loss as impairment loss.

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

(a) Amount recognized in the consolidated financial statements

	(Unit: Million yen)
	FY2020 (As of March 31 2020)
Property, plant and equipment	¥68,530
Intangible assets	9,366
Total	¥77,897

(b) Major assumptions used for the estimate

Future cash flows that constitute the basis for the recoverable amount could vary significantly depending on trends in the automobile market and changes in customers' production plans.

During the fiscal year under review, the amount of future cash flows was estimated based on the assumption that demand in the automobile market will tumble in the first half of the following fiscal year (April 1–September 30, 2020) as a result of the COVID-19 pandemic, but that demand will gradually recover after the pandemic is brought under control and economic activities are resumed in many regions.

(c) Material impact on the following fiscal year

During the fiscal year under review, the Company did not recognize material impairment losses, except for those stated in Note 12 "Impairment Losses." However, should demand in the automobile market be less than expected, and the recoverable amount declines as a result, a material impairment loss may arise in the following fiscal year.

(ii) Recoverability of deferred tax assets

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

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

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

(a) Amount recognized in the consolidated financial statements

	(Unit: Million yen)
	FY2020
	(As of March 31 2020)
Deferred tax assets	¥5,884

Note: The relation between the deferred tax assets recognized in the consolidated statement of financial position and the amount above is described in Note 16 "Income Taxes."

(b) Major assumptions used for the estimate

Future cash flows that constitute the basis for the recoverable amount could vary significantly depending on trends in the automobile market and changes in customers' production plans.

During the fiscal year under review, the amount of future cash flows was estimated based on the assumption that demand in the automobile market will tumble in the first half of the following fiscal year (April 1–September 30, 2020) as a result of the COVID-19 pandemic, but that demand will gradually recover after the pandemic is brought under control and economic activities are resumed in many regions.

(c) Material impact on the following fiscal year

During the fiscal year under review, the Company did not recognize a material reduction in deferred tax assets. However, should demand in the automobile market be less than expected, and the future taxable income decreases as a result, a material reduction in deferred tax assets may occur in the following fiscal year.

(5) Changes in accounting policies

The Group has applied the following accounting standard from the fiscal year under review.

Standard	Name of Standard	Additions and Amendments
IFRS 16	Leases	Revision of accounting procedures related to lease contracts

(Application of IFRS 16 "Leases")

We determine whether or not a contract is or contains a lease based on the content of said contract, even if the contract does not take the legal form of a lease.

Right-of-use assets and lease liabilities will not be recognized for leases that are considered short term (having a term less than or equal to 12 months in length) or low value.

Excluding short-term and low-value leases, if a contract is or contains a lease, right-of-use assets and lease liabilities will be recognized on the commencement date in the consolidated statement of financial position. Lease payments related to short-term or low-value leases will be accounted for as an expense on either a straight-line basis over the lease term or another systematic basis.

Right-of-use assets will be measured using a cost model, and said assets will be measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of right-of-use assets comprise initial direct costs and prepayments that are included in initial measurements of lease liabilities and restoration costs required by lease contracts. Right-of-use assets will be depreciated systematically over either the estimated useful life of an asset or its lease term, whichever is shorter. Lease liabilities are measured at the present value of the amount of lease payments that have not been made. Using the effective interest rate method, lease payments will be classified as financial expenses or repayments of lease liabilities. Financial expenses will be recognized in the consolidated statement of profit or loss.

As a transitional provision, IFRS 16 provides for a method to recognize the cumulative effect of the application of the standard on the date of initial application. The weighted-average incremental borrowing rate used to measure lease liabilities at the date of initial application in the consolidated statement of financial position is 1.2%

The application of IFRS 16 offers a practical expedient to grandfather the assessment of contracts identified as containing leases in accordance with IAS 17 "Leases" (hereinafter "IAS 17") or IFRIC 4 "Determining whether an Arrangement Contains a Lease." All assessments made following the date of initial application shall be made in accordance with IFRS 16

In addition, IFRS 16 includes the following practical expedients as a transitional provision for leases classified as operating leases under IAS 17.

- Leases with a lease term expiring within 12 months of the date of initial application will be subject to the same accounting procedures as short-term leases.
- Initial direct costs will be excluded from measurements of right-of-use assets at the date of initial application.
- Hindsight will be used to determine a lease term if a contract contains options to extend or terminate a lease.

An adjustment sheet for contracts classified as non-cancelable operating lease contracts at the end of the previous fiscal year under IAS 17 as well as lease liabilities at the date of initial application recognized in the consolidated statement of financial position are as follows.

	(Unit: Million yen)
Non-cancelable operating lease contracts (March 31, 2019)	¥1,492
Finance lease obligations (March 31, 2019)	1,510
Cancelable operating lease contracts, etc.	570
Lease liabilities (April 1, 2019)	3,572

As a result, an additional 2,107 million yen in right-of-use assets and 2,062 million yen in lease liabilities have been recognized in conjunction with the application of IFRS 16. There is no material impact on operating income or net income for the fiscal year under review.

Right-of-use assets are included in "Property, plant and equipment" or "Intangible assets," and lease obligations are included in "Other financial liabilities (current)" or "Other financial liabilities (non-current)."

In addition, "Repayments of finance lease obligations" in the consolidated statement of cash flows in the previous fiscal year has been reclassified as "Repayments of lease liabilities" effective the fiscal year under review.

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3. IMPORTANT ACCOUNTING POLICIES

(1) Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

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

Under the equity method, investments in affiliates are initially recorded at cost and subsequently increased (or decreased) to reflect the Group's post-acquisition changes in ownership interest in the 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 transactions

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

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

(ii) Foreign operations

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

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

(4) Financial instruments

(i) Financial assets

(a) Initial recognition and measurement

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

The Group, at initial recognition, measures all financial assets at fair value. However, if an asset is not classified as a financial asset measured at fair value through net profit or loss, it is measured at fair value to which the transaction costs directly attributable to the acquisition of the financial asset are added. Transaction costs of financial assets measured at fair value through net profit or loss are recognized in net profit or loss.

(b) Classification and subsequent measurement

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

(A) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

(c) Impairment of financial assets

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

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

If the credit risk has not increased significantly since initial recognition, the Group recognizes an amount equivalent to a 12-month expected credit loss as allowance for doubtful accounts. If the credit risk has increased significantly since the initial recognition, the Group recognizes an amount equal to the lifetime expected credit loss as allowance for doubtful accounts. However, for trade receivables, the Group always recognizes an amount equal to the lifetime expected credit loss as allowance for doubtful accounts.

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

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

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

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

(d) Derecognition of financial assets

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

(ii) Financial liabilities

(a) Initial recognition and measurement

The Group initially recognizes financial liabilities on the transaction date.

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

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

(b) Classification and subsequent measurement

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

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

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

(c) Derecognition of financial liabilities

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

(iii) Offsetting a financial asset and a financial liability

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

(5) Cash and cash equivalents

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

(6) Inventories

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

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

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

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Intangible assets

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

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

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

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

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

(9) Leases

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

(i) Lease as lessee

At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability. At the commencement date, the right-of-use asset is recognized at cost. After the commencement date, the right-of-use asset will be measured at cost less accumulated depreciation and accumulated impairment losses by applying the cost model. Right-of-use assets will be depreciated using the straight-line method over either the estimated useful life of an asset or its lease term, whichever is shorter.

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

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

(ii) Leases as lessor

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

(a) Finance lease

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

(b) Operating lease

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

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(c) Sublease

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

(10) Impairment of non-financial assets

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

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.

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

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

(ii) Short-term employee benefits

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

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

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

(iii) Other long-term employee benefits

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

(13) Provisions

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

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

(14) Government-imposed levies

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

(15) Equity

(i) Common shares

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

(ii) Treasury stock

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

(16) Revenues

(i) Revenue from contracts with customers

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

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

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

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

(ii) Interest income

Interest income is recognized based on the effective interest method.

(iii) Dividend income

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

(17) Government grants

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

Government grants relating to revenues are recognized in net profit or loss over the period of 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.

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(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

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

5. SEGMENT INFORMATION

(1) Overview of reportable segments

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

Positioning Japan as its global base, the Company has a control and management system for the three operating regions: 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 reportable segments. In the reportable segments of Japan, The Americas, and Asia and Europe, the Company manufactures and sells products that mainly consist of automobile seats, automobile interiors, motorcycle seats, and resin-based products for motorcycles. In the reportable segment of China, the Company engages primarily in the manufacture and sale of automobile seats and automobile interiors.

(2) Accounting method for revenue, profits or losses, assets, liabilities, and other items according to reportable segment Accounting methods for reportable business segments are the same as those presented in Note 3 "Important Accounting Policies."

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

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

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Unit: Million yen)

	Reportable segments						
	Japan	Americas	China	Asia and Europe	Total	- Adjustments	Consolidated
Revenue:							
External revenue	¥69,984	¥194,167	¥83,595	¥64,324	¥412,072	¥ —	¥412,072
Inter-segment revenue	22,871	1,437	5,591	2,497	32,397	¥(32,397)	_
Total	¥92,856	¥195,604	¥89,187	¥66,822	¥444,470	¥(32,397)	¥412,072
Segment profits	¥11,935	¥ 10,041	¥16,663	¥ 5,425	¥ 44,066	¥ (5,272)	¥ 38,793
Finance income and finance costs	_	_	_	_	_	_	2,246
Share of profit of investments accounted for using the equity method	_	_	_	_	_	_	367
Income before income tax	_	_	_	_	_	_	41,407

Note: Adjustments of -\(\frac{4}{5}\),272 million for segment profits included an inter-segment elimination of -\(\frac{4}{156}\) million and operating expenses of -¥5,116 million associated with the administration division of the headquarters of the parent, which could not be allocated.

Other important items

(Unit: Million yen)

		Re	portable segme	nts			
	Japan	Americas	China	Asia and Europe	Total	Adjustments	Consolidated
Depreciation and amortization	¥2,847	¥5,204	¥2,127	¥1,824	¥12,003	¥(20)	¥11,982
Impairment loss	_	10	12	46	69	_	69
Capital expenditures	3,667	2,033	737	974	7,412	_	7,412

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

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million ven)

	Reportable segments						
	Japan	Americas	China	Asia and Europe	Total	_ Adjustments	Consolidated
Revenue:							
External revenue	¥56,691	¥175,300	¥77,636	¥50,052	¥359,682	¥ —	¥359,682
Inter-segment revenue	18,442	1,045	5,093	1,914	26,495	(26,495)	_
Total	¥75,134	¥176,346	¥82,729	¥51,967	¥386,178	¥(26,495)	¥359,682
Segment profits	¥ 6,049	¥ 8,054	¥15,542	¥ 2,109	¥ 31,756	¥ (5,430)	¥ 26,326
Finance income and finance costs	_	_	_	_	_	_	1,943
Share of profit of investments accounted for using the equity method	_	_	_	_	_	_	481
Income before income tax	_	_	_	_	_	_	28,751

Note: Adjustments of -\(\frac{4}{5}\).430 million for segment profits included an inter-segment elimination of -\(\frac{4}{647}\) million and operating expenses of -¥4,782 million 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	¥3,161	¥5,167	¥2,132	¥1,863	¥12,325	¥(13)	¥12,311
Impairment loss	_	5	1	659	666	_	666
Capital expenditures	3,662	2,417	954	584	7,619	_	7,619

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

(4) Information related to products and services

FY2019 (April 1, 2018 to March 31, 2019)

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.

FY2020 (April 1, 2019 to March 31, 2020)

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

(5) Information according to region

(i) Revenue

(Unit: Million yen)

		(Offit. Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Japan	¥ 69,575	¥ 56,137
U.S.	139,883	124,906
Canada	44,335	42,281
China	83,755	77,735
Other	74,521	58,620
Total	¥412,072	¥359,682

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)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Japan	¥31,686	¥33,724
U.S.	16,030	18,109
China	11,523	10,050
Other	22,356	16,012
Total	¥81,596	¥77,897

(6) Information according to major customers

		(Unit: Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019 – March 31, 2020)
Honda Motor Co., Ltd. Group	¥378,537	¥329,913

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 yer
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Cash and cash equivalents	¥128,647	¥149,628

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

7. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows.

		(Unit: Million yen)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Notes and accounts receivable – trade	¥61,359	¥37,635
Others	6,418	3,901
Allowance for doubtful accounts	(2)	(36)
Total	¥67,774	¥41,500

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

8. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows.

		(Unit: Million yen
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Deposits with maturities of three months or more	¥15,650	¥ 8,692
Short-term loans receivable	3	68
Long-term loans receivable	515	515
Lease receivables	4,777	4,848
Equity instruments	15,295	12,897
Derivative financial assets	1	9
Others	4,823	4,821
Allowance for doubtful accounts	(5)	(4)
Total	¥41,062	¥31,848
Current assets	¥18,596	¥11,540
Non-current assets	22,466	20,307
Total	¥41,062	¥31,848

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 fair value through net profit or loss.

9. INVENTORIES

The breakdown of inventories is as follows.

		(Unit: Million yen)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Merchandise and finished goods	¥ 2,578	¥ 2,824
Work in progress	2,504	1,394
Raw materials and supplies	20,865	24,014
Total	¥25,948	¥28,233

10. 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 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, 2018	¥60,699	¥67,593	¥32,539	¥10,917	¥ 3,615	¥175,364
Acquisition cost	674	1,497	566	0	4,409	7,148
Sales or disposal	(1,356)	(1,668)	(1,552)	(24)	_	(4,602)
Reclassification to other account	1,698	3,224	1,700	119	(6,938)	(194)
Effects of foreign currency translation	592	931	352	94	37	2,007
Other	_	_	23	_	(1)	22
Balance as of March 31, 2019	¥62,307	¥71,579	¥33,629	¥11,107	¥ 1,122	¥179,746
Acquisition cost	1,169	938	20	78	5,217	7,424
Sales or disposal	(500)	(2,937)	(1,400)	_	(45)	(4,883)
Reclassification to other account	1,758	1,753	1,187	(11)	(4,491)	197
Effects of foreign currency translation	(1,839)	(2,216)	(965)	(225)	(34)	(5,281)
Other	530	_	543	1,670	257	3,002
Balance as of March 31, 2020	¥63,426	¥69,117	¥33,015	¥12,619	¥ 2,027	¥180,206

Note: "Other" for the fiscal year under review represents the amount additionally recognized at the beginning of the fiscal year in conjunction with the application of IFRS 16 "Leases."

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, 2018	¥26,334	¥48,069	¥27,428	¥ —	¥—	¥101,832
Depreciation	2,343	4,756	2,190	_	_	9,290
Impairment loss	24	6	18	_	_	50
Sales or disposal	(1,298)	(1,573)	(1,485)	_	_	(4,356)
Reclassification to other account	21	(106)	77	_	_	(7)
Effects of foreign currency translation	287	782	333	_	_	1,404
Other	(1)	(1)	20	_	_	18
Balance as of March 31, 2019	¥27,713	¥51,933	¥28,585	¥ —	¥	¥108,231
Depreciation	2,684	4,867	2,156	11	_	9,719
Impairment loss	652	0	0	7	_	661
Sales or disposal	(444)	(2,830)	(1,360)	_	_	(4,635)
Reclassification to other account	163	(140)	(137)	148	_	34
Effects of foreign currency translation	(603)	(1,434)	(798)	(23)	_	(2,859)
Other	0	(1)	336	188	_	524
Balance as of March 31, 2020	¥30,166	¥52,395	¥28,782	¥332	¥—	¥111,676

Notes: 1. Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

2. Depreciation of right-of-use assets included in property, plant and equipment are outlined in Note 31 "Leases."

3. "Other" for the fiscal year under review represents the amount additionally recognized at the beginning of the fiscal year in conjunction with the application of IFRS 16 "Leases."

Carrying amounts

						(Unit: Million yen)
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2018	¥34,364	¥19,524	¥5,110	¥10,917	¥3,615	¥73,532
Balance as of March 31, 2019	34,594	19,646	5,044	11,107	1,122	71,515
Balance as of March 31, 2020	33,259	16,722	4,233	12,287	2,027	68,530

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

(2) Leased assets

The carrying amounts of leased assets included in property, plant and equipment for the previous fiscal year are as follows.

			(Unit: Million yen)
Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
¥709	¥27	¥152	¥890
622	27	96	746
	and structures ¥709	Buildings equipment and structures and vehicles ¥709 ¥27	Buildings equipment furniture and structures and vehicles 4709 427 4152

11. INTANGIBLE ASSETS

(1) Schedule of intangible assets

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

Cost

				(Unit: Million yen)
		Development		
	Software	expenses	Other	Total
Balance as of April 1, 2018	¥5,400	¥13,665	¥ 2,005	¥21,072
Acquisition cost	208	_	140	348
Increase due to internal development	_	1,668	_	1,668
Disposal	(99)	(738)	(588)	(1,426)
Effects of foreign currency translation	(15)	63	(58)	(10)
Other	147	_	405	553
Balance as of March 31, 2019	¥5,642	¥14,659	¥ 1,903	¥22,205
Acquisition cost	152	_	68	221
Increase due to internal development	_	3,079	_	3,079
Disposal	(18)	(899)	(0)	(917)
Effects of foreign currency translation	(80)	(28)	(221)	(330)
Other	76	0	(1,610)	(1,533)
Balance as of March 31, 2020	¥5,773	¥16,810	¥ 140	¥22,725

Accumulated amortization and impairment loss

				(Unit: Million yen)
	Software	Development expenses	Other	Total
Balance as of April 1, 2018	¥4,367	¥5,594	¥ 356	¥10,319
Amortization	435	2,206	(4)	2,636
Impairment loss	_	_	45	45
Disposal	(97)	(738)	(584)	(1,421)
Effects of foreign currency translation	(10)	14	(16)	(12)
Other	(10)	_	569	558
Balance as of March 31, 2019	¥4,683	¥7,077	¥ 364	¥12,125
Amortization	404	2,086	34	2,524
Disposal	(18)	(899)	(0)	(917)
Effects of foreign currency translation	(64)	(11)	(92)	(168)
Other	0	0	¥(206)	(205)
Balance as of March 31, 2020	¥5,006	¥8,252	¥ 100	¥13,358

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

Carrying amounts

		Development		(OIIIL IVIIIIOII YEII)
	Software	expenses	Other	Total
Balance as of April 1, 2018	¥1,032	¥8,071	¥1,648	¥10,753
Balance as of March 31, 2019	959	7,582	1,538	10,080
Balance as of March 31, 2020	767	8,558	40	9,366

(2) Development expenses

The breakdown of development expenses is as follows.

(Unit:	Mil	lion	yer

		(Offit. Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
R&D expenditures incurred during the period	¥12,709	¥12,374
Reclassification to capitalized development expenses	(1,668)	(3,079)
Amortization of capitalized development expenses	2,206	2,086
Total	¥13,247	¥11,380

12. IMPAIRMENT LOSSES

The Group defines the smallest group of assets that generates identifiable independent cash flows as a cash generating unit. Also, each idle asset is tested for impairment.

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

FY2019 (April 1, 2018 to March 31, 2019)

Impairment losses for the previous fiscal year are omitted as they are not important.

FY2020 (April 1, 2019 to March 31, 2020)

			(Unit: Million yen)
Location	Reportable segment	Category	Amount
Wiltshire, U.K.	Asia and Europe	Buildings and structures	¥652
Other			14
Total			¥666

With regard to impairment loss for the fiscal year under review, the Group examined the recoverability of a non-current asset following the notice from Honda of the UK Manufacturing Ltd, a major customer for Asia and Europe segment subsidiary TS TECH UK LTD, that it will stop production in 2021. As a result, the Group reduced the carrying amount of the related non-current asset to the recoverable amount, and thus, recognized 652 million yen in impairment loss.

The recoverable amount is the fair value less costs to dispose of the asset. The fair value above was derived by a real estate appraiser based on the transaction prices of comparable assets, etc. The fair value here corresponds to Level 2 of the fair value hierarchy.

13. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows.

(Unit:	Mil	lion	yen)
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		(- / - / - /
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Notes and accounts payable – trade	¥46,987	¥35,222
Other	17,759	15,861
Total	¥64,747	¥51,084

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)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)	Average interest rates
Current borrowings	¥ 7	¥—	_
Current portion of non-current borrowings	150	75	0.75%
Non-current borrowings	75	_	_
Total	¥232	¥75	
Current liabilities	¥157	¥75	
Non-current liabilities	75	_	
Total	¥232	¥75	

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 FY2020.

15. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows.

		(Unit: Million yen)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Lease obligations	¥1,510	¥3,939
Derivative financial liabilities	8	11
Total	¥1,519	¥3,951
Current liabilities	¥ 773	¥1,109
Non-current liabilities	745	2,841
Total	¥1,519	¥3,951

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, 2019 (April 1, 2018 to March 31, 2019)

				(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	¥ 1,771	¥ (15)	¥ —	¥ 1,756
Property, plant and equipment	725	(33)	_	692
Intangible assets	170	12	_	182
Accrued expenses and provisions	2,198	(875)	_	1,322
Net defined benefit liability	240	31	(0)	271
Unused tax losses	728	(728)	_	_
Other	708	215	_	924
Total deferred tax assets	¥ 6,544	¥(1,393)	¥ (0)	¥ 5,150
Deferred tax liabilities:				
Property, plant and equipment	¥ 879	¥ 102	¥ —	¥ 982
Intangible assets	1,647	(99)	_	1,548
Investments in equity instruments	4,086	_	(718)	3,368
Net defined benefit asset	830	(63)	(14)	751
Undistributed earnings of foreign subsidiaries	851	184	_	1,036
Other	1,041	(29)	_	1,011
Total deferred tax liabilities	¥ 9,336	¥ 94	¥(732)	¥ 8,698
Net deferred tax liabilities	¥(2,791)	¥(1,487)	¥ 731	¥(3,547)

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, 2020 (April 1, 2019 to March 31, 2020)

				(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	¥ 1,756	¥ 768	¥ —	¥ 2,524
Property, plant and equipment	692	128	_	821
Intangible assets	182	(64)	_	117
Investments in equity instruments	_	_	0	0
Accrued expenses and provisions	1,322	(236)	_	1,086
Net defined benefit liability	271	(64)	0	207
Unused tax losses	_	110	_	110
Other	924	92	_	1,016
Total deferred tax assets	¥ 5,150	¥ 733	¥ 0	¥ 5,884
Deferred tax liabilities:				
Property, plant and equipment	¥ 982	¥ (81)	¥ —	¥ 901
Intangible assets	1,548	544	_	2,092
Investments in equity instruments	3,368	_	(866)	2,502
Net defined benefit asset	751	33	(226)	558
Undistributed earnings of foreign subsidiaries	1,036	492	_	1,529
Other	1,011	(168)	_	843
Total deferred tax liabilities	¥ 8,698	¥ 821	¥(1,092)	¥ 8,427
Net deferred tax liabilities	¥(3,547)	¥ (88)	¥ 1,093	¥(2,542)

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)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Deferred tax assets	¥1,778	¥ 1,055
Deferred tax liabilities	5,326	3,598
Net deferred tax liabilities	¥(3,547)	¥(2,542)

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)
	FY2019	FY2020
	(As of March 31, 2019)	(As of March 31, 2020)
Deductible temporary differences	¥764	¥1,131

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)
	FY2019 (As of March 31,	FY2020 2019) (As of March 31, 2020)
Within 1 year	¥ —	¥155
Between 1 and 2 years	158	_
Between 2 and 3 years	_	428
Between 3 and 4 years	_	41
Between 4 and 5 years	41	22
More than 5 years	28	3
Total	¥227	¥650

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)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Toyohla tamparany difformasa	, , , , , , , , , , , , , , , , , , , ,	
Taxable temporary differences	¥123,612	¥109,915

(2) Income tax expenses

The breakdown of income tax expenses is as follows.

		(Unit: Million yen
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Current tax expense:		
Taxable amount for the fiscal year	¥ 8,544	¥8,557
Adjustment for prior years	331	(5)
Total current tax expense	¥ 8,875	¥8,551
Deferred tax expense:		
Accrual and reversal of temporary differences	¥ 1,263	¥ (803)
Changes in unrecognized temporary differences, etc.	204	800
Total deferred tax expense	¥ 1,467	¥ (2)
Total income tax expense	¥10,343	¥8,548

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

		(UIIII. %
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Effective statutory tax rate	29.9%	29.9%
Differences with tax rates applied to foreign subsidiaries	(7.3)	(6.4)
Undistributed earnings of foreign subsidiaries	0.4	1.7
Permanent differences including dividend income	(7.0)	(14.4)
Differences due to factors including elimination of intra-group transactions	9.3	18.0
Tax credits	(1.0)	(1.3)
Changes in unrecognized deferred taxes	0.5	2.8
Other	0.2	(0.6)
Average actual tax rate	25.0%	29.7%

17. PROVISIONS

Changes in the amounts of provisions are as follows.

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

					(Unit: Million yen)
	Provision for product warranties	Provision for severance charges	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	¥ 4,633	¥—	¥91	¥15	¥ 4,740
Increase during the period	_	_	_	3	3
Decrease during the period (provision used)	(3,826)	_	(6)	(2)	(3,835)
Decrease during the period (reversal)	(740)	_	_	_	(740)
Effects of foreign currency translation	204	_	_	(1)	202
Balance at the end of the fiscal year	¥ 271	¥—	¥85	¥14	¥ 371
Current liabilities	¥ 271	¥—	¥—	¥—	¥ 271
Non-current liabilities	_	_	85	14	99
Total	¥ 271	¥—	¥85	¥14	¥ 371

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

					(Unit: Million yen)
	Provision for product warranties	Provision for severance charges	Asset retirement obligations	Other	Total
Balance at the beginning of the fiscal year	¥ 271	¥ —	¥85	¥14	¥ 371
Increase during the period	162	2,374	_	_	2,536
Decrease during the period (provision used)	(271)	_	(0)	(9)	(282)
Decrease during the period (reversal)	_		_	_	_
Effects of foreign currency translation	(5)	(83)	_	(1)	(90)
Balance at the end of the fiscal year	¥ 156	¥2,290	¥85	¥ 2	¥2,534
Current liabilities	¥ 156	¥ —	¥—	¥—	¥ 156
Non-current liabilities	_	2,290	85	2	2,378
Total	¥ 156	¥2,290	¥85	¥ 2	¥2,534

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)

During the fiscal year under review, the Group revised its retirement allowance regulations following the introduction of a system to grant its employees an option to extend their retirement age. As a result, the Group accrued prior service cost (decrease in 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)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Ending balance of defined benefit obligations	¥ 16,758	¥ 16,237
Ending balance of plan assets	(17,928)	(16,744)
Net amount of defined benefit obligations and assets	(1,169)	(506)
Net defined benefit liability	1,365	1,372
Net defined benefit asset	(2,535)	(1,879)
Net amount of liabilities and assets recorded in the consolidated statement of financial position	¥ (1,169)	¥ (506)

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(| Init: %)

(ii) Reconciliation of present value of defined benefit obligations

FY2020
pril 1, 2019–March 31, 2020)
¥16,758

(Unit: Million yen)

	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Beginning balance of defined benefit obligations	¥16,373	¥16,758
Service cost	1,181	1,027
Interest cost	139	134
Prior service cost	_	(340)
Actuarial differences (due to changes in demographic assumptions)	(38)	(10)
Actuarial differences (due to changes in financial assumptions)	118	(297)
Actuarial differences (due to adjustments)	(117)	(11)
Benefits paid	(906)	(869)
Effects of foreign currency translation	7	(152)
Ending balance of defined benefit obligations	¥16,758	¥16,237

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

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

(iii) Reconciliation of the fair values of plan assets

(Unit: Million ven)

		(Offic. Willifold you)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Beginning balance of plan assets	¥17,911	¥17,928
Interest income	156	(65)
Return on plan assets other than interest	4	(943)
Contributions from the employer	740	687
Benefits paid	(884)	(851)
Effects of foreign currency translation	0	(11)
Ending balance of plan assets	¥17,928	¥16,744

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

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

(iv) Major breakdown of fair values of plan assets

(Unit: Million yen)

				(Onit: Willion you
		FY2019 (As of March 31, 2019)		2020 rch 31, 2020)
	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	¥ 8,532	¥ —	¥ 7,174	¥ —
Debt instruments	7,200	_	6,998	_
General accounts	_	1,425	_	1,442
Other	242	527	99	1,030
Total	¥15,975	¥1,952	¥14,272	¥2,472

(v) Investment policy of plan assets

Discount rate

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.

(Uni	t: %)
FY2020	
(As of March 31, 2020)	

0.6%

FY2019 (As of March 31, 2019)

0.4%

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

(Unit: Million yen)

		Effects on defined	l benefit obligations
	Changes in assumptions	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Discount rate	Rise by 0.5%	¥(825)	¥(1,061)
	Fall by 0.5%	909	1,178

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 ¥602 million to plan assets in the year ending March 31, 2021 (April 1, 2020 to March 31, 2021).

(viii) Maturity analysis of defined benefit plans

Maturity analysis of defined benefit plans is as follows.

(Unit: Years)

		(Ullit. Teals)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Weighted-average duration	10.7	14.7

(3) Defined contribution plans

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

(Unit: Million yen)

	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Amounts recorded as expenses	¥650	¥657

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 technology and the expansion of its business.

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

		(Unit: Million yen)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Shareholders' equity:		
Total equity attributable to owners of parent	¥255,617	¥254,745
Total liabilities and equity	358,265	341,820
Equity ratio (%)	71.3%	74.5%

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

(2) Details of capital surplus

Details of capital surplus are as follows.

(i) Legal capital surplus

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

(ii) Other capital surplus

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

Details of retained earnings are as follows.

(i) Legal retained earnings

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

(ii) Other retained earnings

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

(4) Details of other components of equity

Details of other components of equity are as follows.

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

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

(ii) Remeasurements of net defined benefit plans

Returns on plan assets other than actuarial differences and interest

(iii) Differences on translation from foreign operations

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

(5) Changes in other components of equity

Changes in other components of equity are as follows.

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

				(Unit: Million yen)
	Financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	¥ 9,567	¥179	¥(4,023)	¥5,723
Other comprehensive income	(1,481)	16	1,454	(10)
Ending balance	¥ 8,085	¥195	¥(2,568)	¥5,712

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million yen)

/I Inite Number of charge)

	Financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit plans	Differences on translation from foreign operations	Total
Beginning balance	¥ 8,085	¥ 195	¥ (2,568)	¥ 5,712
Other comprehensive income	(1,992)	(437)	(7,769)	(10,200)
Ending balance	¥ 6,093	¥(242)	¥(10,338)	¥ (4,487)

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

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

		(Unit. Number of shares)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Total number of shares authorized to be issued	272,000,000	272,000,000
Total number of shares issued	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 amount of treasury stock is as follows.

		(Unit: Number of shares)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Amount of treasury stock	2,275	2,434

Note: The amount of treasury stock increased by 175 shares in FY2019 and by 159 shares in FY2020 due to the purchase of shares constituting less than one unit.

20. REVENUE

(1) Disaggregation of revenue

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

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

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

Jnit:		

	Reportable segments				
	Japan	Americas	China	Asia and Europe	Total
Motorcycle business	¥ 4,194	¥ 553	¥ —	¥ 1,757	¥ 6,504
Automobile business	64,684	189,112	83,595	62,478	399,871
(Seats)	56,407	160,638	78,283	57,671	353,002
(Interior products)	8,277	28,473	5,311	4,806	46,869
Other business	1,105	4,501	_	89	5,696
Total	¥69,984	¥194,167	¥83,595	¥64,324	¥412,072

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

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Unit: Million yen)

	Reportable segments				
	Japan	Americas	China	Asia and Europe	Total
Motorcycle business	¥ 3,299	¥ 319	¥ —	¥ 1,378	¥4,996
Automobile business	52,444	170,231	77,636	48,624	348,937
(Seats)	45,888	145,639	72,330	44,721	308,580
(Interior products)	6,556	24,591	5,306	3,902	40,356
Other business	947	4,750	_	50	5,748
Total	¥56,691	¥175,300	¥77,636	¥50,052	¥359,682

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

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

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

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

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

(2) Contract balances

Contract balances are as follows.

n:+.	Million	110ml
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			(
	As of April 1, 2018	As of March 31, 2019	As of March 31, 2020
Receivables from the contracts with customers	¥68,994	¥61,359	¥37,635
Contract liabilities	57	187	431

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

Of the revenues recognized during the previous fiscal year and the fiscal year under review, the amounts included in contract liabilities at the beginning of the fiscal years were ¥17 million and ¥21 million, respectively. In addition, during the previous fiscal year and the fiscal year under review, the amount of revenue recognized from performance obligations satisfied in prior periods was not material.

(3) Transaction price allocated to remaining performance obligations

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

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

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

21. 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.

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	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Depreciation and amortization	¥11,982	¥12,311
Employee benefit expenses	75,398	72,456

22. OTHER INCOME AND OTHER EXPENSES

The breakdown of other income is as follows.

(Unit: Million yen)

		(Offit. Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Land and building rent received	¥ 177	¥ 152
Gain on disposal of non-current assets	456	650
Gain on government grants	102	118
Other	956	615
Total	¥1,692	¥1,537

The breakdown of other expenses is as follows.

(Unit: Million yen)

	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Loss on disposal of non-current assets	¥213	¥ 154
Impairment loss	69	666
Other	134	232
Total	¥418	¥1,053

Note: The content of impairment loss is stated in Note 12 "Impairment Losses."

23. FINANCE INCOME AND FINANCE COSTS

The breakdown of finance income is as follows.

		(Unit: Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Interest income	¥1,389	¥1,614
Dividends income	559	604
Foreign exchange gains	421	_
Other	0	0
Total	¥2,371	¥2,218

Notes: 1. Interest income is interest income generated from financial assets measured at amortized cost.

2. Dividends income is dividend income generated from financial assets measured through other comprehensive income.

The breakdown of finance costs is as follows.

		(Unit: Million yen)
	FY2019 (April 1, 2018—March 31, 2019)	FY2020 (April 1, 2019 – March 31, 2020)
Interest expense	¥123	¥101
Foreign exchange losses	_	167
Other	1	5
Total	¥125	¥275

Note: Interest expense is incurred from financial liabilities measured at amortized cost.

24. 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)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Income attributable to owners of parent	¥25,750	¥15,064
Average number of common shares for the period (Thousand shares)	67,997	67,997
Basic earnings per share (Yen)	¥378.70	¥221.54

25. OTHER COMPREHENSIVE INCOME

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

		(Unit: Million yen)
	FY2019 (April 1, 2018—March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of net defined benefit plans:		
Gains (losses) during the year	¥ 19	¥ (618)
Income tax benefit (expense)	4	197
Subtotal	23	(421)
Equity financial assets measured at fair value through other comprehensive income:		
Gains (losses) during the year	(2,081)	(2,837)
Income tax benefit (expense)	718	866
Subtotal	(1,363)	(1,971)
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations:		
Gains (losses) during the year	1,219	(9,015)
Share of other comprehensive income of associates accounted for using the equity method:		
Gains (losses) during the year	(95)	(32)
Total other comprehensive income, net of tax	¥ (215)	¥(11,441)

26. DIVIDENDS

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(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 22, 2018	Common shares	¥2,855	¥42.00	March 31, 2018	June 25, 2018
Board of Directors' meeting held on October 31, 2018	Common shares	¥2,855	¥42.00	September 30, 2018	December 3, 2018

(2) Dividends whose record date is in the fiscal year under review 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 21, 2019	Common shares	Retained earnings	¥2,855	¥42.00	March 31, 2019	June 24, 2019

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(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 21, 2019	Common shares	¥2,855	¥42.00	March 31, 2019	June 24, 2019
Board of Directors' meeting held on October 31, 2019	Common shares	¥2,923	¥43.00	September 30, 2019	December 2, 2019

(2) Dividends whose record date is in the fiscal year under review 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 19, 2020	Common shares	Retained earnings	¥2,923	¥43.00	March 31, 2020	June 22, 2020

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

						(Unit: Million yen)
				Non-cash transactions		
	Beginning balance	Cash flows	Increase	Foreign currency translation	Other	Ending balance
Short-term loans	¥ 868	¥ (863)	¥ —	¥ 2	¥—	¥ 7
Long-term loans	615	(390)	_	_	_	225
Lease liabilities	2,695	(1,859)	635	38	_	1,510
Total	¥4,179	¥(3,113)	¥635	¥41	¥—	¥1,742

Note: Long-term loans include the current portion of long-term loans.

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

						(Unit: Million yen)
				Non-cash transactions	S	_
	Beginning balance	Cash flows	Increase	Foreign currency translation	Other	Ending balance
Short-term loans	¥ 7	¥ (0)	¥ —	¥—	¥ (7)	¥ —
Long-term loans	225	(150)	_	_	_	75
Lease liabilities	1,510	(1,532)	1,942	(42)	2,062	3,939
Total	¥1,742	¥(1,682)	¥1,942	¥(42)	¥2,055	¥4,014

Notes: 1. Long-term loans include the current portion of long-term loans.

28. NON-CASH TRANSACTIONS

Details of significant non-cash transactions are as follows.

		(Unit: Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Acquisition of assets through a lease arrangement	¥635	¥1,942

29. SUBSIDIARIES AND AFFILIATES, ETC.

(1) Composition of the corporate group

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

(2) Matters concerning subsidiaries

Information regarding the subsidiaries in which the Company holds significant non-controlling interests is as follows.

GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.

		(Unit: Million yen)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Current assets	¥27,914	¥21,067
Non-current assets	8,426	7,375
Current liabilities	14,998	9,001
Non-current liabilities	220	252
Equity	21,122	19,189
Accumulated non-controlling interests	¥10,344	¥ 9,491

		(Unit: Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Revenue	¥46,993	¥44,288
Net income	4,547	5,186
Other comprehensive income	(519)	(1,186)
Comprehensive income	4,027	3,999
Income allocated to non-controlling interests	¥ 2,640	¥ 2,558

		(Unit: Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Cash flows from operating activities	¥ 8,373	¥ 5,071
Cash flows from investing activities	(258)	(446)
Cash flows from financing activities	(8,443)	(4,908)
Effect of exchange rate changes on cash and cash equivalents	(136)	(837)
Net increase (decrease) in cash and cash equivalents	(465)	(1,121)
Dividends paid to non-controlling interests	¥(4,064)	¥(2,845)

^{2. &}quot;Other" for lease liabilities represents the amount additionally recognized at the beginning of the fiscal year in conjunction with the application of IFRS 16 "Leases."

(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)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Carrying amount of equity interest	¥1,484	¥1,596

		(Unit: Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
The Group's equity interest in:		
Net income	¥367	¥481
Other comprehensive income	(95)	(32)
Comprehensive income	272	448

30. FINANCIAL INSTRUMENTS

- (1) Details and the extent of risks arising from financial instruments
- (i) Policies on the management of financial instruments and risk management

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

In terms of investments, the Group primarily uses principal-guaranteed time deposits and similar financial instruments, while in terms of 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 FY2019 and FY2020, the impact of a 1% appreciation of Japanese yen against the U.S. dollar and the Chinese yuan on income before income tax is as follows.

		(Unit: Million yen)	
	Impact on income before income tax		
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)	
1% appreciation of Japanese yen against the U.S. dollar	¥(23)	¥(30)	
1% appreciation of Japanese yen against the Chinese yuan	(19)	(14)	

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

(Price fluctuation risks of equity instruments)

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

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

In terms of the equity instruments held by the Group at the end of FY2019 and FY2020, the impact of a 1% decline in market prices on other comprehensive income is as follows.

		(Unit: Million yen			
	Impact on other co	Impact on other comprehensive income			
	FY2019	FY2020			
	(April 1, 2018–March 31, 2019)	(April 1, 2019–March 31, 2020)			
1% decline in market prices	¥(142)	¥(116)			

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 borrowings, and derivative liabilities have been omitted as their contractual maturities are all less than one year.

Lease liabilities are stated in Note 31 "Leases."

Long-term borrowings (including the current portion)

		(Unit: Million yen)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Within 1 year	¥150	¥75
Between 1 and 5 years	75	_
More than 5 years		_
Total	¥225	¥75

(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 FY2020.

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(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 borrowings)

Long-term borrowings 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)

FY2019 (As of March 31, 2019)

					(Unit: Million yen)
	Carrying		Fair	/alue	
	amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income:					
Equity instruments	¥15,295	¥14,243	¥—	¥1,052	¥15,295
Financial assets measured at fair value through net profit or loss:					
Derivative assets	1	_	1	_	1
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	8	_	8	_	8

FY2020 (As of March 31, 2020)

					(Unit: Million yen)
	Carrying		Fair	/alue	
	amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income:					
Equity instruments	¥12,897	¥11,674	¥—	¥1,223	¥12,897
Financial assets measured at fair value through net profit or loss:					
Derivative assets	9	_	9	_	9
Financial liabilities measured at fair value through net profit or loss:					
Derivative liabilities	11	_	11	_	11

(Financial instruments measured at amortized cost)

FY2019 (As of March 31, 2019)

				(1	Unit: Million yen)
	Carrying		Fair v	alue	
	amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					
Long-term loans receivable (including the current portion)	¥515	¥—	¥521	¥—	¥521
Financial liabilities measured at amortized cost:					
Long-term borrowings (including the current portion)	225	_	225		225

FY2020 (As of March 31, 2020)

					(Unit: ivillion yen)
	Carrying		Fair	value	
	amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost:					_
Long-term loans receivable (including the current portion)	¥515	¥—	¥518	¥—	¥518
Financial liabilities measured at amortized cost:					
Long-term borrowings (including the current portion)	75	_	74	_	74

(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
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Gross amount of financial assets recognized	¥245,236	¥227,328
Offset amount	7,751	4,350
Amount of financial assets presented in consolidated statement of financial position	¥237,484	¥222,977
Gross amount of financial liabilities recognized	¥ 74,250	¥ 59,461
Offset amount	7,751	4,350
Amount of financial liabilities presented in consolidated statement of financial position	¥ 66,499	¥ 55,110

31. LEASES

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(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)
	FY2019 (As of March 31, 2019)
Within 1 year	¥ 764
Between 1 and 5 years	711
More than 5 years	34
Total	¥1,510

- Notes: 1. The outstanding balance of minimum total lease payments is included in "Other financial liabilities" in the consolidated statement of financial position.
 - 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)	
	FY2019 (As of March 31, 2019)	
Within 1 year	¥ 292	
Between 1 and 5 years	604	
More than 5 years	595	
Total	¥1,492	

(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)
	FY2019 (April 1, 2018–March 31, 2019)
Operating lease payments	¥584

(2) Lease as lessor

Minimum total lease payments to be received

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

	(Unit: Million yen)
	FY2019 (As of March 31, 2019)
Within 1 year	¥2,805
Between 1 and 5 years	1,971
More than 5 years	
Total	¥4,777

- 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, or escalation clauses (a provision to increase lease receivables).

For the year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Lease transactions as a lessee

The Group leases real estate properties, such as land and buildings, and molds under lease contracts. Each of the Group's companies is responsible for managing and negotiating lease contracts on its own, and thus, the terms and conditions of lease contracts can vary substantially from company to company. An option to extend lease periods is included in the leases of real estate properties, especially land and buildings. Many lease contracts for real estate properties provide an option to extend the lease period by one year or the originally agreed-upon lease period, and an option to cancel the contract earlier with a six-month prior notice in writing. Contracting parties who lease properties for business purposes may use these options as needed.

(i) Expenses and cash flows associated with lease contracts

Expenses and cash outflows for lease contracts are as follows.

	(Unit: Million yen)
	FY2020 (April 1, 2019–March 31, 2020)
Depreciation of right-of-use assets by asset type	
Buildings and structures	¥ 445
Machinery, equipment and vehicles	32
Tools, furniture and fixtures	76
Land	11
Total depreciation	¥ 566
Expenses related to short-term leases or leases of low-value assets	¥ 819
Total cash outflow for leases	¥2,466

- Notes: 1. Depreciation of right-of-use assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
 - 2. Expenses related to short-term leases or leases of low-value assets are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(ii) Right-of-use assets included in the carrying amount of property, plant and equipment

The carrying amount and the amount of increase in right-of-use assets included in the carrying amount of property, plant and equipment are as follows.

					(Unit: Million yen)
	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Total
FY2020					
(As of March 31, 2020)	¥2,819	¥36	¥71	¥1,463	¥4,391

Note: During FY2020, the amount of right-of-use assets increased by 648 million yen.

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(iii) Balance of lease liabilities by the period to maturity

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

	(Unit: Million yen)
	FY2020 (As of March 31, 2020)
Within 1 year	¥1,098
Between 1 and 2 years	603
Between 2 and 3 years	358
Between 3 and 4 years	296
Between 4 and 5 years	198
More than 5 years	1,384
Total	¥3,939

Note: The balance of lease liabilities is included in "Other financial liabilities" in the consolidated statement of financial position.

(2) Lease transactions as lessor

The Group mainly leases molds under finance lease contracts.

(i) Revenues associated with lease contracts

Revenues associated with lease contracts are as follows.

	(Unit: Million yen)
	FY2020 (April 1, 2019–March 31, 2020)
Finance lease	
Selling profit or loss	¥688

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

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

	(Unit: Million yen)
	FY2020 (As of March 31, 2020)
Within 1 year	¥2,643
Between 1 and 2 years	1,024
Between 2 and 3 years	590
Between 3 and 4 years	590
Between 4 and 5 years	_
More than 5 years	_
Total	¥4,848

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

32. RELATED-PARTY DISCLOSURES

(1) Transactions between the submitting company and related parties

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

For the year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

					(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	¥62,385	Accounts receivable — trade	¥9,569

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, 2020 (April 1, 2019 to March 31, 2020)

					(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	¥48,379	Accounts receivable — trade	¥7,654

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, 2019 (April 1, 2018 to March 31, 2019)

					(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	¥58,138	Accounts receivable — trade	¥5,046

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, 2020 (April 1, 2019 to March 31, 2020)

					(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	¥52,366	Accounts receivable — trade	¥3,191

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, 2019 (April 1, 2018 to March 31, 2019)

					(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	¥43,926	Accounts receivable – trade	¥3,959

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, 2020 (April 1, 2019 to March 31, 2020)

					(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	¥39,518	Accounts receivable – trade	¥2,334

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, 2019 (April 1, 2018 to March 31, 2019)

					(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	¥48,169	Accounts receivable – trade	¥4,438

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, 2020 (April 1, 2019 to March 31, 2020)

					(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	¥45,643	Accounts receivable — trade	¥2,960

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, 2019 (April 1, 2018 to March 31, 2019)

					(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	¥25,357	Accounts receivable — trade	¥4,553

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, 2020 (April 1, 2019 to March 31, 2020)

					(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	¥22,425	Accounts receivable — trade	¥3,855

Note: Business terms and conditions, and policy for the determination of business terms and conditions

Business terms and conditions for the sale of products are determined upon the submission of individual quotes and price negotiations.

(3) Remuneration of key management personnel

Remuneration to the directors and auditors of the Company is as follows.

		(Unit: Million yen)
	FY2019 (April 1, 2018–March 31, 2019)	FY2020 (April 1, 2019–March 31, 2020)
Basic remuneration and bonuses	¥571	¥535

33. CONTINGENT LIABILITIES

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

		(Unit: Million yen)
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Employees (Company housing and mortgage loans)	¥46	¥34

34. SUBSEQUENT EVENTS

Not applicable

OTHER

Quarterly information for the fiscal year under review is as follows.

				(Unit: Million yen)
Cumulative period	1st quarter	2nd quarter	3rd quarter	4th quarter
Revenue	¥100,722	¥191,791	¥283,351	¥359,682
Income before income tax	10,942	19,071	27,647	28,751
Income attributable to owners of parent	6,383	11,101	15,680	15,064
Earnings per share (Yen)	¥ 93.87	¥ 163.26	¥ 230.61	¥ 221.54
Accounting period	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share (Yen)	¥93.87	¥69.39	¥67.34	¥(9.07)

Independent Auditor's Report

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 19, 2020

To the Board of Directors of TSTECH Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Tokyo office

Designated Engagement Partner,

Certified Public Accountant: Kazuyoshi Kuramoto

Designated Engagement Partner,

Certified Public Accountant: Yutaka Takeda

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of TSTECH Co., Ltd. and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2019 to March 31, 2020, and notes to consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended 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.

Basis for Opinion

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

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with International Financial Reporting Standards pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are 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, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

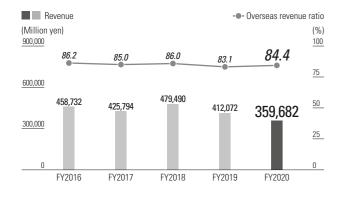
Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

Financial Highlights

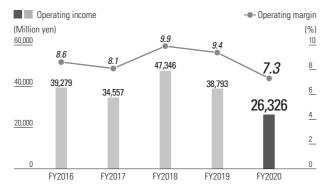
Revenue/Overseas Revenue Ratio (Consolidated)

We operate in 14 countries around the world, and more than 80% of our revenue is from outside Japan.



Operating Income/ Operating Margin (Consolidated)

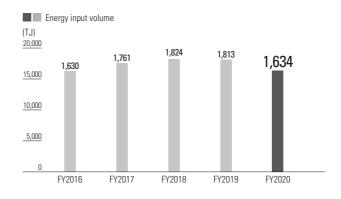
We have worked to thoroughly enhance our revenue structure, and we maintain a higher operating margin than our competitors.



Energy Input (Consolidated)

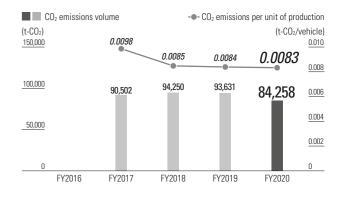
Non-Financial Highlights

We are actively working to conserve energy in our global operations through means such as ISO 50001 certification for energy management systems.



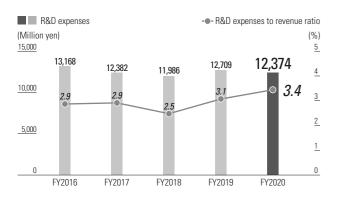
CO₂ Emissions per Unit of Production/ CO₂ Emissions Volume (Consolidated)

We are working to further reduce and appropriately manage CO₂ emissions in all processes, from product development to production.



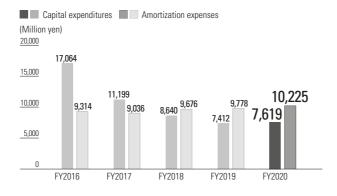
R&D Expenses/ R&D Expenses to Revenue Ratio (Consolidated)

Even when revenue declines, we devote generous amounts of management resources to research and development that will lead to the creation of new value, including the development of next-generation technologies.



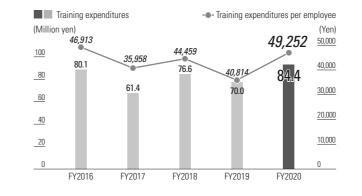
Capital Expenditures and Amortization Expenses (Consolidated)

We are focusing on automation and other initiatives for future growth, while leveraging our plants and equipment through investments in capacity expansion made through fiscal 2016.



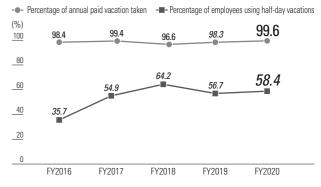
Training-Related Expenses (Non-consolidated)

Under our Vision Statement of being "a company dedicated to realizing people's potential," we are actively working to create opportunities and environments that encourage employee growth and development.



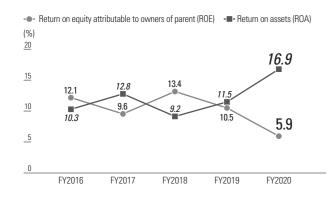
Percentage of Employees Taking Paid Leave (Non-consolidated)

For many years, labor and management have worked together to promote the use of paid leave, and we have maintained a high rate of paid leave



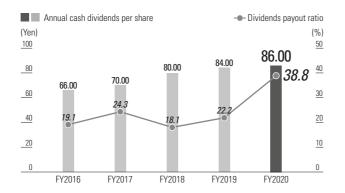
Return on Equity Attributable to Owners of Parent (ROE)/Return on Assets (ROA) (Consolidated)

We will strive for efficient management of invested capital to further improve profitability.



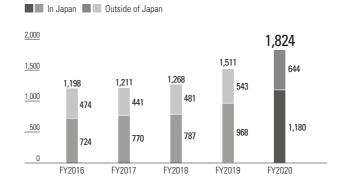
Annual Cash Dividends per Share/ Dividends Payout Ratio (Consolidated)

As we strive to increase corporate value, we continue to pay out stable dividends, taking into account a comprehensive range of factors, including consolidated performance and dividends payout ratio



Number of Patents Held (Consolidated)

In addition to creating more of the technology that is the source of our competitiveness, we are working to maximize the value of our intellectual property and minimize losses through appropriate management.



Fines and Penalties for Anti-Competitive Practices (Consolidated)

In fiscal 2020, the TS TECH Group did not experience any significant non-compliance issues that resulted in **Cases** fines or penalties.

Cases in Which the TS TECH Group Was Found to Be Involved in Corruption or Bribery (Consolidated)

In fiscal 2020, there were no cases in which the TS TECH Group was found to be involved in corruption or bribery.

Financial Information

Five-Year Financial Summary

					(Unit: Million yen
Fiscal Year under Review on a Consolidated Basis	FY2016	FY2017	FY2018	FY2019	FY2020
Revenue	458,732	425,794	479,490	412,072	359,682
Cost of sales	381,258	355,176	399,329	338,031	300,307
Selling, general and administrative expenses	39,414	35,755	37,418	36,521	33,531
Operating income	39,279	34,557	47,346	38,793	26,326
Income attributable to owners of parent	23,528	19,622	30,115	25,750	15,064
Basic earnings per share (Yen)	346.01	288.58	442.89	378.70	221.54
Operating margin (%)	8.6	8.1	9.9	9.4	7.3
Return on equity attributable to owners of parent (ROE) (%)	12.1	9.6	13.4	10.5	5.9
Return on assets (ROA) (%)	13.6	11.4	14.7	11.7	8.2
Effective statutory tax rate (%)	32.3	30.1	30.1	29.9	29.9
Average actual tax rate (%)	27.8	29.9	22.7	25.0	29.7
Total at End of Fiscal Year					
Total assets	303,948	322,202	351,944	358,265	341,820
Property, plant and equipment	76,338	76,576	73,532	71,515	68,530
Interest-bearing liabilities	4,335	3,506	4,182	1,742	4,014
Total equity	219,092	230,989	259,924	277,424	274,552
Shareholders' equity	189,497	204,800	229,866	249,904	259,233
Revenue per Consolidated Segment					
Japan	92,071	91,830	93,552	92,856	75,134
Americas	247,087	213,008	224,867	195,604	176,346
China	96,513	94,990	121,266	89,187	82,729
Asia and Europe	59,257	59,825	76,041	66,822	51,967
Overseas revenue	395,571	361,980	412,249	342,496	303,544
Overseas revenue ratio (%)	86.2	85.0	86.0	83.1	84.4
Stock Information					,
Cash dividends per share	66.00	70.00	80.00	84.00	86.00
Consolidated price to earnings ratio (PER) (Times)	7.6	10.4	9.5	8.4	11.5
Consolidated dividends payout ratio (%)	19.1	24.3	18.1	22.2	38.8
Total shareholder return (%)	83.2	96.4	136.5	107.4	90.7

ROE: Net income/Total equity attributable to owners of parent (Average)

ROA: Income before income tax/Total assets (Average)

Non-Financial Information

Environmental

Environmental Accounting

Environmental Conservation Cost (Non-consolidated)

(Unit: Million yen)

		M : 5% .		016	FY2	017	FY2018		FY2019		FY2	020
		Main Efforts	Investment	Cost								
	Pollution prevention cost	Prevention of air, water, and soil pollution, etc.	30	5	12	11	34	14	46	10	6	11
Business area cost	Global environmental conservation cost*	Prevention of global warming and ozone depletion and other environmental preservation efforts	153	36	187	38	748	116	615	95	208	62
		Recycling, waste treatment and disposal, and water-saving efforts	3	36	31	53	28	97	11	173	7	56
Upstream/do	am/downstream cost Costs generated from purchasing low environmental impact products and raw materials		26	_	26	9	38	13	48	3		
Administration	ion cost	EMS development & operation costs, environmental measurement costs, office interior "greening" and development costs	56	42	49	54	29	38	24	63	62	82
R&D cost		Research and development of new technology with a high positive environmental impact, such as reducing the weight of products, reducing VOCs (not using paints), and developing recyclable materials	_	3,935	_	3,859	_	2,952	_	3,630	9	4,184
		Environmental measures such as nature protection, "greening," and scenery preservation	_	9	_	4	_	4	4	4	_	2
Environment	tal remediation cost	Remediation of soil pollution, etc.	_	_		_	_	_	_	_		
Total			261	4,063	305	4,019	865	3,230	738	3,988	339	4,399

¹⁾ Period covered: April 1, 2019 to March 31, 2020

Economic Effects (Non-consolidated)

(Unit: Thousand yen)

	FY2016	FY2017	FY2018	FY2019	FY2020
Gain on sale of valuables	5,163	6,587	9,232	8,143	4,613
Cost saved by energy conservation	12,689	8,950	13,093	26,690	16,073
Total	17,852	15,537	22,325	34,833	20,686

Material Effects (Non-consolidated)

	(Unit)	FY2016	FY2017	FY2018	FY2019	FY2020
Energy consumption	GJ	199,561	195,808	204,701	205,251	166,002
Water consumption	1,000m ³	71	78	87	77	81
CO ₂ emissions	t-CO ₂	9,999	9,945	10,341	10,361	8,394
CO ₂ emissions due to transportation	t-CO ₂	1,946	1,611	1,868	2,108	1,845
Total waste output	t	1,009	1,174	1,068	1,075	1,062
VOC emissions	t	33	31	34	50	28
PRTR emissions	t	54	49	4	0	0

²⁾ The above figures include portions ascertained by estimation, such as apportionment.

3) Materials related to environmental accounting, such as guidelines and guidebooks published by the Ministry of the Environment of Japan, were referenced when preparing the spreadsheet.

^{*} Global environmental conservation cost includes expenses related to the construction of the new Head Office building.

⁴⁾ Costs do not include depreciation costs.

Non-Financial Information

Social

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

	FY2016	FY2017	FY2018	FY2019	FY2020
Human rights/diversity training (Number of times)	9	8	9	8	8
Training time per employee (Hours)	_	_	9.0	7.6	8.8

In-House Training Sessions: Number of Attendees (Non-consolidated)

(Unit: Persons)

	FY2016	FY2017	FY2018	FY2019	FY2020
Practical training sessions for risk assessment*	23	36	22	42	28
Mental health seminars	57	52	78	80	108

^{*} Seminars held for company employees. We have held "Risk Assessment Training Regarding Specified Chemical Substances" since fiscal 2017 as well.

Percentage of Managers Who Are Women (Non-consolidated)

(Unit: %)

FY2016	FY2017	FY2018	FY2019	FY2020
1.73	2.05	2.15	1.90	2.30

Percentage of Employees with a Disability (Non-consolidated)

(Unit: %)

FY2016	FY2017 FY2018		FY2019	FY2020	
2.38	2.27	2.30	2.37	2.62	

^{*} Designated employment rate: 2.0%

Percentage of Employees Who Are Non-Japanese (Non-consolidated)

(Unit: %)

FY2016	FY2017	FY2018	FY2019	FY2020
0.66	0.66	0.55	0.66	0.51

Number of New Graduates Hired (Non-consolidated)

(Unit: Persons)

FY2016	FY2017	FY2017 FY2018		FY2020	
49	56	52	50	54	

Number of Employees Who Leave Within Three Years of Hiring (Non-consolidated)

(Unit: Persons)

FY2016	FY2017	FY2018	FY2019	FY2020
0	2	5	3	5

Turnover Rate Within Three Years of Hiring (Non-consolidated)

(Unit: %)

FY2016	FY2017	FY2018	FY2019	FY2020
0.0	4.7	10.9	6.1	8.9

Employee Satisfaction Data (Non-consolidated)

(Unit- DI*)

FY2016	FY2017	FY2018	FY2019	FY2020			
30.7	29.8	31.2	31.7	29.8			

^{*} A subtraction of the percentage of respondents who answered negatively from the percentage of those who answered positively.

Major Personnel Data (As of March 31; Full-time employees only) (Non-consolidated)

		FY2016	FY2017	FY2018	FY2019	FY2020
	Male	1,529	1,529	1,543	1,531	1,524
Number of employees by gender	Female	180	181	180	185	191
	Total	1,709	1,710	1,723	1,716	1,715
	Male	15.8	15.9	16.0	16.3	16.6
Average years of service	Female	14.1	14.4	15.1	15.1	15.0
	Total	15.6	15.7	15.9	16.2	16.5

Maternity, Childcare, and Nursing Care Leave Data (Non-consolidated)

		FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees using maternity leave (Persons)		10	18	8	8	3
	Male	1	1	0	3	4
Number of employees using childcare leave (Persons)	Female	14	17	15	8	6
	Total	15	18	15	11	10
Rate of return to work after childcare leave (%)	Male	100	100	_	100	100
	Female	100	94	100	100	100
	Total	100	94	100	100	100
	Male	1	2	1	1	2
Number of employees using shorter working hours system for children (Persons)	Female	6	6	12	8	17
	Total	7	8	13	9	19
	Male	0	0	1	0	0
Number of employees using nursing care leave (Persons)	Female	0	0	0	0	0
	Total	0	0	1	0	0

Labor Union Data (Non-consolidated)

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of employees affiliated with the labor union (Persons)	1,453	1,466	1,483	1,491	1,491
Percentage of employees affiliated with the labor union (%)	98	97	98	98	98

Non-Financial Information

Number of Social Contribution Activities Conducted (Consolidated)

(Unit: Activities)

FY2016	FY2017	FY2018	FY2019	FY2020
_	_	258	277	285

Note: 38 locations worldwide

Number of Social Contribution Activities Conducted in FY2020

(Unit: Activities)

	Japan (Non-consolidated) 10 locations	Americas 14 locations	China 5 locations	Asia and Europe 9 locations	Total 38 locations
Economic assistance	34	75	10	17	136
Social contribution activities	40	77	16	16	149
Total	74	152	26	33	285

Social Contribution Activity Expenditures (Non-consolidated)

(Unit: Thousand yen)

FY2016	FY2017	FY2018	FY2019	FY2020
51,812	50,290	46,768	50,019	41,824

Industrial Accident Circumstances (Non-consolidated) [Industry average]

(Unit: %)

	FY2016	FY2017	FY2018	FY2019	FY2020
Frequency rate	0.00 [1.06]	0.00 [1.15]	0.51 [1.02]	0.25 [1.20]	0.52 [1.20]
Severity rate	0.00 [0.06]	0.00 [0.07]	0.00 [0.08]	0.00 [0.10]	0.01 [0.10]

Frequency rate: Expresses the frequency of accident occurrences as the number of deaths and injuries due to industrial accidents per million hours worked

Severity rate: Expresses the degree of severity of an accident as the number of working days lost per thousand hours worked. However, this is limited to industrial accidents causing one or more days of lost working days.

Number of Divisions in Which Our Seats Were Recognized in a U.S. Seat Quality and Satisfaction Survey

FY2016	FY2017	FY2018	FY2019	FY2020
2	2	4	1	0

Improvement Initiatives (Consolidated)

	FY2016	FY2017	FY2018	FY2019	FY2020
Number of participating teams	620	594	466	489	483

Dialogue with Stockholders and Investors

	FY2016	FY2017	FY2018	FY2019	FY2020
General Meeting of Shareholders: Number of attendees	373	405	386	441	12 ²
Events for individual investors: Number of attendees	78	487 ⁻¹	573 ^{*1}	88	264
IR/SR interviews: Number of companies (Including small meetings and conference calls)	427	239	254	229	168

^{*1} Exhibited at the Nikkei IR/Individual Investor Fair

Corporate Data

Corporate Data

(As of March 31, 2020)

TSTECH Co., Ltd. Company Name Establishment December 5, 1960

Head Office 3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan

Common Stock 4,700,000,000 yen

Corporate Representative President, Masanari Yasuda

Lines of Business Manufacture and sale of seats for automobiles; interior trim and interior components for

automobiles; motorcycle seats; and motorcycle resin-based parts

Number of Employees 15,960 (Consolidated), 1,715 (Non-consolidated)

Closing of Accounts March 31

Securities Traded Tokyo Stock Exchange (First Section)

Main Banks MUFG Bank, 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./

Harley-Davidson, Inc./PARAMOUNT BED CO., LTD.

Member Organization Japan Auto Parts Industries Association

Stock Information (As of March 31, 2020) Total Number of Shares Authorized to Be Issued 272,000,000

Total Number of Shares Issued 68,000,000 Number of Shareholders 11,859

	Equity pa	rticipation
Major Shareholders (As of March 31, 2020)	Number of shares held (Thousands)	Voting stake (%)
Honda Motor Co., Ltd.	15,360	22.6
The Master Trust Bank of Japan, Ltd. (Trust account)	2,860	4.2
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust Account)	2,199	3.2
Sumitomo Life Insurance Company (Standing proxy: Japan Trustee Services Bank, Ltd.)	1,940	2.9
Saitama Resona Bank, Limited	1,720	2.5
Japan Trustee Services Bank, Ltd. (Trust account)	1,600	2.4
Taiyo Life Insurance Company	1,400	2.1
Okamoto Industries, Inc.	1,376	2.0
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	1,360	2.0
MUFG Bank, Ltd.	1,319	1.9
No. 4 No. 1 Co. 1 112 113 113 113 113		

Notes: 1. Number of shares held is rounded down to the nearest thousand. 2. Voting stake is calculated after deducting treasury stock (2,434 shares)

Individuals and others 8.5% Foreign corporations Ownership and and others distribution 28.8% of shares (%) Securities companies Other corporations and others 1.0% 28.2%

Financial institutions TOYOKEIZAI 33.5% CSR Companies Ranking by Toyo Keizai Inc

* Treasury stock is included in "Individuals and others

Ranking by Toyo Keizai Inc.

a score of A-

CSR 1,593 firms

External Recognition and

Selection as a Constituent in Indices

(JPX-Nikkei Index 400 as of August 31, 2019)

The 7th consecutive selection, starting with the

initial announcement of the index in 2014 and

CDP Climate Change Report 2019, Japan edition Selected as a "Leadership" level company with

> New Head Office Building In the fiscal 2020 Energy Conservation Grand Prize project, TS TECH received its first METI Minister's Award, the

project's top award.

including the subsequent annual reshuffles

JPX-NIKKEI 400

As of March 31, 2020

ESG Companies

1,593 firms

^{*2} To prevent the spread of COVID-19, shareholders were asked to refrain from attending the venue.

The Year in Review

(April 2019-March 2020)

April 26

Financial results announcement and results briefing for fiscal 2019

May 8 Brazil

Received an award for outstanding quality and delivery at a purchasing conference organized by Honda Automoveis Do Brasil Ltda.

June 21

73rd Annual General Meeting of Shareholders



October 24–November 4

Exhibition at the 46th Tokyo Motor Show 2019

We exhibited INNOVAGE, which combines a number of future technologies, and the Aisareru Seat, which integrates automotive seat technology and the IoT, at the motor show held at Tokyo Big Sight.



January 10 China

Received outstanding supplier and quality awards at a purchasing conference organized by GAC Honda Automobile Co., Ltd.

January 20

CDP Climate Change Report 2019, Japan edition Selected as a "Leadership" level company with a score of A-

Received Minister of Economy, Trade and Industry Award in the Energy Conservation Grand Prize project

Achieved a "Nearly ZEB" rating without having to incorporate any special technology or expensive equipment into the construction of the new Head Office building



July August September October November December January February March

July 31

Financial results announcement for the first quarter of fiscal 2020

September, November, December, and February

Information sessions for individual investors



Financial results announcement and results briefing for the second quarter of fiscal 2020

15th TC Circle World Convention 2019

The 18 out of 955 circles that won regional preliminary matches around the world gave presentations on problem solving and improvement measures



Winner of the Development Award and Sustainability Award, two Awards for Excellence, at a Honda supplier conference



Financial results announcement for the third quarter of fiscal 2020

February 17

State Minister of Economy, Trade and Industry Hideki Makihara visited the TS TECH Group's new Head Office building

Signing of an agreement to form a comprehensive partnership for community development with Konosu City, Saitama

We will work with the city to create an attractive community through joint projects that include initiatives to revitalize communities and promote sports



Integrated Report Review



Mariko Mishiro Representative Director. RIDEAL Co., Ltd.

Expert on integrated reporting and Californialicensed Certified Public Accountant (CPA)

Ms. Mishiro worked at a major auditing corporation before starting her own firm in 2011. From 2011 to 2013, Ms. Mishiro served on the International Integrated Reporting Council (IIRC), where she worked as a technical manager on developing an international disclosure framework for corporate reporting. To date, she has consulted on integrated reporting for listed companies in a range of industries including machinery, electric appliances, pharmaceuticals, nonferrous metals, retail, housing equipment, transportation equipment, and chemicals. She majored in accounting at the University of Texas at San Antonio and received her MBA from the Graduate School of Commerce at Waseda University. Since January 2019, she has served as an external Audit & Supervisory Board Member for DRAFT Inc. She is also a lecturer in business finances at Saitama University (fiscal 2020).

The COVID-19 pandemic this year has created a "new normal" and challenged conventional wisdom. The key to integrated reporting in the post-COVID-19 era will be making anticipated future changes easy to understand for key stakeholders, rather than simply continuing to create reports in the same manner as before.

The TS TECH Report 2020 is impressive in that it is exactly the kind of report that demonstrates this kind of willingness and determination to change. Readers will get a real sense of the company's confidence and reasoning behind what it is doing.

To begin, the Top Message touches on the shift away from dependence on a single customer as well as bold investments related to the expansion of strategic commercial rights. The Dialogue with the Outside Directors also makes note of other challenges and the importance of taking a long-term view of management. Proactively disclosing the challenges and weaknesses faced by the company in these pages affords the reader a glimpse of management from an integrated approach.

In addition, the TS TECH Group is reviewing the materiality (material issues) for areas in which measures set out in under the 13th Medium-Term Management Plan fell short or were behind schedule, and it plans to address these matters, for example, by prioritizing related initiatives in the 14th Medium-Term Management Plan. By clarifying and narrowing down the material issues, I think that it will be possible for the Group to effectively and efficiently allocate limited management resources and achieve strategic objectives.

The Group has also looked to the past to underpin these changes for the future. In Sixty Years of TS TECH Group, the reader can feel its desire to take on challenges and the unwavering commitment to quality that the company has maintained—always with a global and future-oriented focus—over its many years in business. Among other areas, these strengths are clear in the Group's bold expansion outside Japan, its continuous quality improvements, and the thorough efficiency improvements it is undertaking to maintain a highly profitable structure. These actions clearly demonstrate that the Group is amassing a diverse range of capital that will help it create new value going forward.

Looking ahead, the Group needs to strengthen its information disclosure related to material issues as well as financial and non-financial KPIs. In terms of material issues, disclosure of not only the outcomes but also the selection process will help to make the information more credible. As for KPIs, trust could be further enhanced by carefully selecting numerical data that is linked to material issues and providing descriptive explanations of the connection with strategy or analytical content from management's point of view (reviews and targets).

TS TECH management has become more involved in the preparation of the integrated report, and the scope of its use both internally and externally has also expanded. In the midst of today's significant changes, I expect the TS TECH Report 2020 to be a powerful tool for dialogue that will promote mutual understanding and resonate with the Group's key stakeholders



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