TS TECH Co.,Ltd.

Beyond Comfort

TS TECH Report 2013

— TS Philosophy —

Beliefs

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

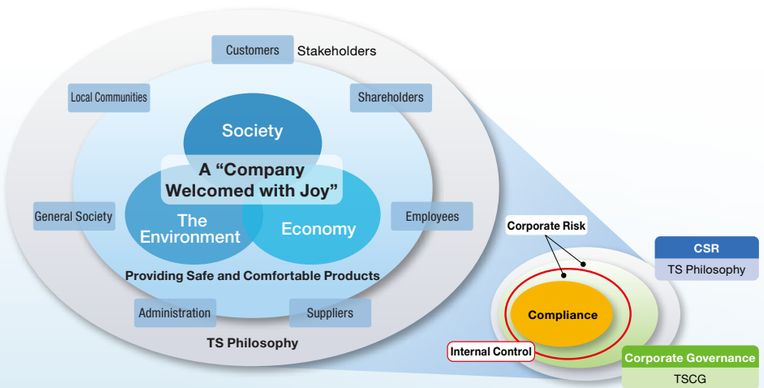
Company Principle

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

Management Policies

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

Conceptual Overview of TS TECH’s CSR



Corporate Message

Beyond Comfort

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

Contents

Editorial Policy

In 2012 the TS TECH Group issued the new TS TECH Report by integrating the annual reports and environmental reports that it had until 2011 published in separate volumes. The new TS TECH Report was reorganized from the twin perspectives of financial information and non-financial information (corporate social responsibility (CSR)).

The Group is carrying out a variety of activities and initiatives in terms of the economy, the environment, and society in order to be a “Company Welcomed with Joy.” This report is issued with the purpose of fulfilling the Group’s accountability in these regards. It is also a part of a commitment to “Build a corporate structure with advanced CSR characteristics,” which is one of the measures in the 11th Medium-Term Management Plan (April 2011 to March 2014).

Following on from the basic structure of last year’s edition, the TS TECH Report 2013 includes a discussion between our president and a CSR expert, an opening feature on priority initiatives based on the medium-term management plan, and also takes on some new challenges.

Scope of the report

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

Period covered by the report

In principle, this report covers the period from April 1, 2012, to March 31, 2013 (fiscal 2013), but it may include coverage of activities before or after that period.

Guidelines referred to in the report

In producing this report we have referred to ISO 26000:2010 Guidance on Social Responsibility, GRI Sustainability Reporting Guidelines 2006, and the 2012 edition of the Environmental Reporting Guidelines published by the Japanese Ministry of the Environment.

Date of publication: July 2013

■ Disclaimer

This report contains forward-looking statements of TS TECH Co., Ltd., pertaining to plans, strategies, and results. These forward-looking statements are based on currently available information, and actual results may vary significantly from the forward-looking statements contained in this report due to a range of variable factors.

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

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Michio Inoue

President and Representative Director
TS TECH Co., Ltd.

We strive to be a company that contributes to the sustained development of society and earns public appreciation through our core businesses.

Overview of business conditions for fiscal 2013

KURODA For this "TS TECH Report," I would like to pursue a discussion on both business strategy and CSR activities, so could you please begin by describing the consolidated financial results for the year ended March 31, 2013?

INOUE Fiscal 2013 saw reduced production due to changing circumstances in China, but we nonetheless managed to increase revenues as automobile demand rose in North America and elsewhere and as we moved out from under the shadow of natural disasters such as the Great East Japan Earthquake and the flooding in Thailand. With the North American market rebounding, the policies we have continued to pursue to improve earnings have been paying off, and we were able to achieve a substantial increase in earnings in the Americas and elsewhere. Fiscal 2013 was a very good year overall.

KURODA What type of business strategy did you pursue specifically?

INOUE Domestically, we started up operations at a new seat plant in the Saitama Plant (Gyoda). In addition to improving efficiency by 30% through a revamped production system, the new seat plant has been able to achieve a substantial decrease in CO_2 emissions by cutting energy usage. We also have decided to construct a new interior trim plant, again in Saitama Prefecture, that consolidates the interior trim plants presently operating in four locations.

Overseas, we opted to relocate our Group's facilities in Thailand to protect them from the risk of water damage, and we approved the construction of a new seat plant in Indonesia in order to enhance our automotive business. Furthermore, we decided to set up a new company in Mexico to consolidate production of automobile seat components in the Americas with an eye to strengthening our competitiveness in

Profile

Michio Inoue

President and Representative Director
TS TECH Co., Ltd.

Graduated from the College of Engineering at Shibaura Institute of Technology in March 1977, he joined Tokyo Seat (now TS TECH) in April of that year. In August 1998 he was appointed to concurrent position as Director/Deputy Executive General Manager of First Engineering Sales Division. Thereafter, he served as Director/Executive General Manager of Manufacturing Division and Senior Managing Director/Executive General Manager of Development and Engineering Division, and in 2008 was appointed Director and Chairman of TS TECH North America Incorporated (now TS TECH Americas). After a stint as Vice President (Representative Director), he assumed his current position in April 2013.

Kaori Kuroda

Secretary-General & Director
CSO Network Japan

In line with its "2020 Vision" formulated in 2011, TS TECH has sought to please stakeholders the world over by pursuing a business growth strategy and CSR activities in an integrated fashion. For this 2013 TS TECH Report, Ms. Kaori Kuroda, an expert in CSR who was also involved in the drafting of ISO 26000, was invited to exchange views with TS TECH's president on future business and CSR activities.

that region. We have also established a new company in Hungary to primarily undertake the production of seats that Volkswagen has already ordered.

KURODA What is your outlook for fiscal 2014?

INOUE We anticipate a solid influx of orders from primary customers, particularly in the Americas and Asia, in this fiscal year as well. We expect that this should, combined with the impact of exchange rates and other factors, give us higher revenues and earnings.

Background to vision formulation and positioning of CSR

KURODA Your company declared its aim of becoming an "INNOVATIVE QUALITY COMPANY" in its 2020 Vision. Presenting a clear-cut vision for the company makes it easier for employees to take specific actions. Could you please tell me more about the background to the formulation of this 2020 Vision?

INOUE The 2020 Vision is a 10-year long-term vision for the period 2011-2020. Viewing the decade leading up to 2020 as a preparatory period for reaching a level enabling us to compete on par with the world's largest interior trim manufacturers, our Group has been pursuing various measures on the basis of this long-term vision. We must continually develop our business if we are to get stakeholders to appreciate our company's existence. It was against this backdrop that we stipulated in our 2020 Vision what we should do to emerge victorious in the fierce global competition.

KURODA I get the impression that your company's CSR, with the 2020 Vision and such, has been incorporated into your corporate management itself. How do you as president position CSR within the context of corporate management?

INOUE Our Group has a fundamental philosophy known as the TS Philosophy,

Profile

Kaori Kuroda

Secretary-General & Director
CSO Network Japan

Originally employed in the private sector, she went on to work at the Center on Japanese Economy and Business at the Columbia University Business School and at the Asia Foundation Japan Office, assuming her current position in 2004. She has also served as a Japanese NGO expert in the drafting of ISO 26000 (an international standard for CSR) and serves as a member of the JIS Conversion Committee for this same standard. As a consequence of a business partnership agreement between the CSO Network and the Asia Foundation, she has concurrently been the Japan Director for the foundation Network since April 2010.

comprising our beliefs, company principles and management policies, and this fundamental philosophy corresponds for the most part to our views on CSR. Our Group is working to contribute to society while expanding our earnings by continuously providing safe and comfortable products, and to realize the TS Philosophy by pursuing business activities that strike a good balance among economic, environmental and social facets. This means putting CSR into practice at the same time.

KURODA What do you see as the social responsibilities of an automotive interior trim manufacturer?

INOUE I believe that our Group's role is to continue providing users with safer and more comfortable automotive spaces and with attractive products that exceed expectations, which should be manufactured in eco-friendly manners, thereby seeking to please people around the world.

KURODA On the topic of customer satisfaction, you have received recognition in the satisfaction survey conducted by J.D. Power and Associates in the US.

INOUE An automobile is a product that tends to be bought only one at a time, so customers will likely feel extreme discontent if an automobile should prove defective. Our Group has continued to insist that all companies give quality the first priority and take on the serious challenge of zero quality defects. I am convinced that the happy outcome of being ranked first in the seat division in J.D. Power's "U.S. Seat Quality and Satisfaction Study" is a manifestation of the stance taken by our Group in this regard.

What is "people-oriented management"?

KURODA Maintaining high quality requires skilled personnel. I sense that the philosophy of working with employees to advance CSR management is extremely close to your people-oriented corporate philosophy.

INOUE It is people who formulate policies and ideas for corporate growth and then implement these. Our Group contends that people are truly the decisive factor for companies, and this is one background element in our approach to management that holds people in high regard. Respecting employees as individuals and fairly evaluating them are essential from a people-oriented perspective. Employees have a positive impression of organizations that treat them as necessary personnel. We will only be able to fully leverage the capabilities of all employees by respecting them as individuals while at the same time evaluating them fairly. This, I believe, is people-oriented management.

KURODA You seem to have covered all the elements for people-oriented management, including respect for diversity and work-life balance. I was particularly impressed by the high percentage of your employees taking paid leave, enabling them to carry out their duties while maintaining a good work-life balance. Has this been your company's corporate climate from the outset?

INOUE It took some time before we were able to made this part of our corporate climate. To ensure that all employees could take paid leave and maintain a good work-life balance, structural reforms were first needed that allowed us to generate profits even with a greater number of personnel. On the other hand, efforts were also required to boost the motivation of each and every employee and increase the quality and efficiency of work. By seeking balance in both of these areas, all our employees have taken their full annual paid leave for 16 consecutive years.

KURODA It seems you have established a virtuous circle in which employees enjoy greater motivation and are able to take leave and have sufficient time to spend with their families, which in turn enhances the enthusiasm and quality of their work. "Fostering global personnel" is given as one pillar in your Medium-term Management Plan, and you have in fact been implementing TS Camp, an Overseas Trainee System, and various other measures.

INOUE TS Camp offers selective training to foster leaders capable of playing an active role globally, while our Overseas Trainee System aims to educate younger employees in foreign languages and different cultures; both of these are designed for Japanese employees. What we need from personnel who will serve internationally are not only linguistic and operational proficiency but also adequate understanding of different cultures and, above all, of the TS Philosophy. Even non-Japanese employees possessing these characteristics could play an active role worldwide. In our Group, unfortunately, there are still not many examples of foreign nationals being appointed to key positions. We still need to take steps that enable global personnel to exercise their inherent capabilities and become key persons for our entire Group. I would like to see us transform into a company where it becomes common practice for local employees to be appointed to important positions.

KURODA So your policy is to look for "outstanding personnel" without regard to nationality or background.

INOUE That's right. Being a global company, we have a multitude of people with different birthplaces and ideas. Employees around the world should show each other respect and, bound together by the desire to advance our company, should share our fundamental viewpoints on management. We hope to become just such a company.

Extending CSR throughout the supply chain

KURODA The basic idea underlying CSR is that of a company reducing its negative impacts on the environment and society, but it is said that the most serious impacts often occur in supply chains. We seem to have moved into an era in which even individual Group companies and business partners must accord consideration to labor issues, human rights, environmental concerns and fair trade.

INOUE Our Group, too, has had its difficulties in this regard. The fact is that we have not always been able to obtain data from secondary and tertiary business partners.

KURODA No doubt it is quite hard to closely manage matters all the way down to secondary and tertiary subcontractors.

INOUE That is a major issue for our Group as well. When starting something new such as developing new products or using new materials, however, our Group has begun comparing these with previous products or materials and assessing the degree of improvement achieved from a CSR perspective. We intend to resolve issues one by one and move forward by accurately determining whether less waste is generated when switching over to new things or schemes, whether recycling is feasible, where we can procure materials and what labor conditions prevail at the workplace.

KURODA What you are saying, then, is that, although this is a serious issue, your company will not adopt a negative attitude but will instead make the necessary adaptations when switching over to new things. Controls and checks alone just will not provide fundamental solutions to problems. Earlier you spoke about employees at your company being able to maintain a good work-life balance by pursuing greater efficiency, and I think it would be a good idea if that mindset were to be shared by your suppliers as well.

Emphasizing dialogue with stakeholders

KURODA TS TECH has a policy of working to ensure that its plants are appreciated by local residents and, indeed, it appears you have been creating opportunities to listen to the opinions of local residents.

INOUE Co-existence with local communities is extremely important for plants. In Japan, our Group has long participated in local festivals and other locally-held events, and recently these activities have expanded beyond local communities as we work with NPOs and NGOs to undertake projects to conserve 'green' ecosystems in locations around the world. In addition, we have begun offering tours of our plants, and we donate notebooks and pencils each year to local elementary schools in emerging Asian countries. Our Group is striving for active communication with local communities through such activities.

KURODA I am intrigued by the fact that you were actively engaged in dialogue with members of the general public at last year's Za Forum. Could you please describe your thinking on dialogue with stakeholders?

INOUE I consider it important that we pro-actively seek to enter the community circle when conducting dialogue with stakeholders. The recent Za Forum was just such an approach, and opening up the discussions to members of the general public gave us the opportunity for dialogue with a variety of people. Opportunities for dialogue with stakeholders are extremely meaningful for companies. At the same time, such opportunities also open up the minds of employees, so I consider them quite valuable.

KURODA Then dialogue with stakeholders also helps you develop human resources. It would be ideal if your company's CSR and its growth could in a certain sense be connected in a virtuous cycle, and my impression from talking with you today is that TS TECH has indeed achieved this now.

INOUE Thank you. The most desirable outcome would be to foster an increasing sense of our company contributing to society that would in turn boost our overall corporate value. This is, in my opinion, the very definition of CSR.

KURODA I look forward to seeing your company's stance on mutual respect through dialogue continued into the future and even expanded in scope and shared among the business partners in your supply chain.

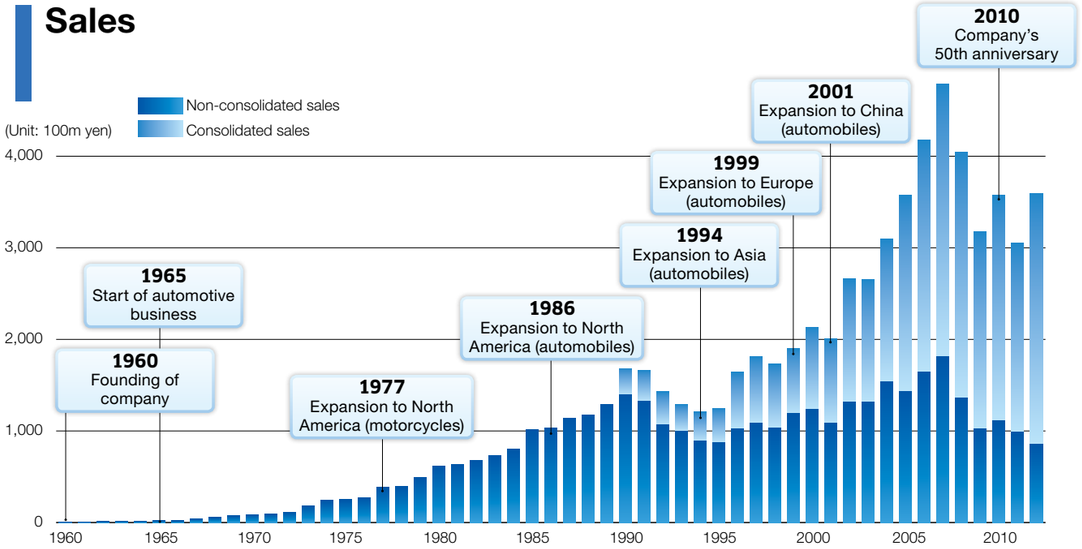
Michio Inoue
President and Representative Director
TS TECH Co., Ltd

Kaori Kuroda
Secretary-General & Director
CSO Network Japan

Background —Background to business strategy and CSR activities—

Growth strategy and CSR

Pursuing its business growth strategy and CSR activities in tandem, TS TECH strives to be a company “welcomed with joy” whose presence evokes high expectations from stakeholders around the world.



Toward further growth

2020 Vision
INNOVATIVE QUALITY COMPANY
World leader in component competitiveness

11th Medium-term Management Plan (from April 1, 2011 through March 31, 2014)

Evolution as a global company

Global speed challenge

- Bolster QCDDM competitiveness
- Construct an infrastructure of people capable of competing worldwide
- Develop as a leading company in CSR

Specific efforts from fiscal 2013 will be introduced in the “Special Topics” section

Chapter 1

Special Topics

Realizing the 2020 Vision
Three Priority Measures from the 11th Medium-term Management Plan

Report 1

New seat plant at Saitama Plant (Gyoda) aims to be a people- and environment-friendly plant welcomed with joy by the local community

Completed and opened for operation in January 2013, the new seat plant at the Saitama Plant (Gyoda) brings together cutting-edge production technology with the aim of establishing a people- and environment-friendly plant to realize our Group's philosophy of being a "company welcomed with joy." The new interior trim plant is set to be completed in December 2013, when it will begin full-scale operation as the mother plant for our globally expanding Group.

To be an eco-friendly plant

We are endeavoring to use the minimum energy necessary in production by installing state-of-the-art production technology and improving production efficiency. We will also be able to reduce loss during production and cut down on wasted energy in re-manufacturing by making improvements in quality.

For our Saitama Plant (Gyoda), now playing the role of the global mother plant, not only is high production efficiency a critical element but also environment-friendliness. Against this backdrop, the Plant has worked to reduce the amount of energy consumed for in-plant distribution through the integration of goods service entrances and also by cutting in half the number of air-conditioning units through the introduction of high efficiency air-conditioning units. In addition, CO_2 emissions have been reduced through various measures designed to reduce electric power consumption, such as the use of energy-saving type fluorescent lamps and high efficiency heat insulation materials.

Furthermore, the consolidation of production lines has enabled us to revamp the entire plant layout and thereby expand the green area within the facility grounds. Indeed, we have set aside one-fourth of the entire grounds as a greening space. To improve production efficiency, we have put together flexible production lines capable of flexibly addressing fluctuations in product production quantities and type/model changes. Reducing supplemental work through such innovations as "karakuri" mechanisms will help us boost production efficiency by about 30%. We have also reinforced our quality check efforts with the creation of a new double-doored soundproof inspection room, the aim being to strictly control product defects.

To be a people-friendly plant

We respect diversity to ensure a pleasant workplace for everyone. Striving to make our plant safe from accidents and disasters, we have been upgrading equipment and conducting safety education and 5S* activities to heighten safety awareness among all the plant staff. * 5S: seiri (sorting), seiton (straightening), seiso (systematic cleaning), seiketsu (hygiene), shitsuke (standardizing)

We demonstrate our efforts to make the plant work-friendly for individuals with disabilities preparing wheelchair slopes and barrier-free toilets to facilitate the employment of the disabled. Steps have been taken to maintain appropriate temperature settings and reduce noise to allow employees working inside the plan to carry out their tasks comfortably without physical or mental stress. By utilizing "karakuri" (handcrafted mechanism) based automation throughout the plant without consuming energy, we are simultaneously reducing employee workloads, saving energy, and improving production efficiency. To ensure safety by eliminating potential hazards and to prevent accidents and disasters, we enforce a strict policy of sorting, straightening up and systematic cleaning and ensure equipment safety, and we conduct a variety of safety education programs under the motto of "Let's establish workplace safety ourselves."

Aiming to be a plant "welcomed with joy" by the local community

We believe that mutual communication is essential for the local community and the plant to co-exist and for local residents to be pleased to have a TS TECH plant in their town.

Seeking to be a company that contributes to vitalizing the local community, we are actively hiring students from local high schools and vocational schools. We have also been increasing opportunities for exchange with the local community through club activities, such as cooperating in community-wide efforts aimed at nurturing the next generation and sponsoring elementary and junior-high school basketball tournaments. We have been enthusiastically joining in the activities of groups and organizations outside the company and cooperating in community safety and environmental protection efforts, with employees serving as volunteers in local traffic safety campaigns as part of our participation in the Saitama Prefecture Association for Safe Driving Managers and with our staff periodically engaged in environmental beautification activities in the community surrounding the plant in cooperation with the local government and community associations.

As we were erecting the new seat plant, we invited local residents to a briefing, part of our continuing effort to deepen local residents' understanding of the Saitama Plant by readily disclosing information to the public. We intend to plant cherry trees in the green areas expanded as part of the revised layout of the premises, and we are considering opening these green areas to the public during the cherry blossom season from next fiscal year. Once the new interior trim plant has been completed and fully outfitted in December 2013, we would like to use the plant lot and facilities to host various events to which local residents would be invited.

TS DIALOGUE

Stakeholder Dialogue

What are the local community's expectations of our plant?

To verify that our efforts are actually being welcomed with joy by local residents, TS TECH invited stakeholders to the newly completed seat plant at the Saitama Plant (Gyoda) for a tour. Following the plant tour, a dialogue was held to solicit comments from local residents on their expectations for the new plant.

Dialogue participants

Makoto Matsuzaki	Nonaka Neighborhood Association
Yukie Miyazaki	Local resident
Yoshiko Ohya	Local resident
Tomomasa Asami	Gyoda City General Planning Division
Tadaaki Moronuki	Gyoda City Environment & Economics Division
Fumio Kanai	Teacher at Saitama Prefectural Shinsyukan Senior High School
Fumiko Noguchi	Smilework NPO

Akihiko Hayashi, plant manager

Environment-friendliness not realized until the plant tour

HAYASHI We hope to receive many frank remarks today about our factory from stakeholders, and we certainly intend to reflect these in our future operation of the plant. First, what was your impression from the plant tour?

MATSUZAKI My first impression was that it was very clean.

MORONUKI The same for me. The impression I got was that it was extremely well-organized. I had been expecting it to be more cluttered. Instead, it was very neat and orderly both inside and outside and even in the areas between buildings.

Tadaaki Moronuki, Gyoda City Environment & Economics Division

MIYAZAKI I was surprised at how very quiet it was. The air conditioning felt nice and I was able to enjoy the tour comfortably without feeling either too hot or too cold. I also found the "karakuri" mechanisms very interesting, operating without motors just like the mechanical dolls of old.

OHYA I was also quite impressed by the "karakuri" mechanisms. I had thought that a modernized plant would use lots of electricity and everything would be automated, and I was very happy to see that so much trouble had been taken to save energy and reduce CO_2 emissions.

Yoshiko Ohya, local resident

ASAMI I was able to learn about environmental measures that I might not have understood without touring the plant, such as the switchover to an energy-saving type of florescent lighting and the use of high-efficiency sandwich-style insulation in the exterior walls. Gyoda City has also been undertaking its own eco-friendly efforts, and my impression was that the plant is conforming to the city's policies.

HAYASHI Thank you. This plant has adopted a variety of measures out of environmental consciousness but, of course, it was the experience of the Great East Japan Earthquake that has had the greatest impact on the process thus far. In the face of appeals for strict power conservation during the summer, we examined ways of operating with less electric power and received proposals from the construction companies. The seat plant you visited today incorporates the best of those environmentally-considerate measures.

MASUDA Before this new plant was built, the seat assembly process spanned multiple buildings. The need to repeatedly move items by forklift from building to building for the next stage of the process naturally required that we use extra fuel and generate CO_2 emissions. We have eliminated this waste by consolidating the manufacturing processes into one large plant.

KANAI There certainly is no wasted motion. The handmade "karakuri" mechanisms and such do make sure there is no wasted motion. That is what impressed

Saitama Plant (Gyoda) Plant Tour Digest

1 Before the plant tour, brochures were handed out and a briefing was held on TS TECH's CSR activities and the new seat plant.

2 Using a diorama model hand-built by the employees, a general description was given of the new plant construction, and plans for expanding green areas and planting cherry trees were introduced.

3 The visitors observed the manufacturing process for automobile seat head rests.

4 The visitors next moved on to the manufacturing line for the main seat unit, where they listened to explanations of the wide variety of eco-friendly equipment and technology installed in the plant building.

me most today.

HAYASHI The heat and cold that Mr. Miyazaki mentioned also take a toll on employees. Workers sweating away in a hot plant are a sorry sight, and their concentration suffers in such conditions. We also bore this point in mind when we adopted the various environmental measures we showed you today.

Tangible sense of a pleasant workplace that values people

ASAMI As the plant manager noted, a quiet and orderly factory without waste is also one that is people-friendly. In that sense, I got the impression that this is a company that values its employees.

Tomomasa Asami,
Gyoda City General Planning Division

HAYASHI Prior to rebuilding, the plant did in fact have some features that were burdensome to employees. After thinking about what improvements could be made, we came up with such ideas as a scheme for automatically collecting cases and the "karakuri" mechanisms. One term we use in-house is "kako tora" (short for "kako toraburu," or past trouble), and we regularly analyze previous incidents to determine what kind of working environment we should establish.

MORIMOTO For example, the "karakuri" mechanisms could not have been developed without constant awareness of the issues they address. Making minds more flexible and getting each and every employee to think about these issues also serves the purpose of human resources development. It has been three years since we started soliciting "karakuri" ideas from employees. In the first year we asked that they offer as many ideas as possible, and in the second year we emphasized effectiveness in these ideas. This year, the third year, we are moving one step beyond "karakuri" to the concept of automation.

OHYA If you introduce greater automation, won't this end up in restructuring and cuts to the number of people currently working here?

MORIMOTO No, our ultimate goal is operational improvement, and these efforts will not lead to restructuring. We are hoping to eliminate overtime and allow everyone to go home on time. That's our thinking.

Hiroshi Morimoto,
Manufacturing Department Manager

MASUDA Automation is also a perpetual topic that must be addressed in the context of the evolution of technology. We are currently pursuing automation in the interest of both greater efficiency and technological evolution.

NOGUCHI I provide job assistance to the disabled at an NPO called "Smilework," and it is said that hiring the disabled is more difficult in the manufacturing industry than in other industries. What are your thoughts on hiring the disabled?

HAYASHI We have been seeking to hire persons with disabilities not just on our own but also in collaboration with the head office. At present this is essentially limited to persons with disabilities that do not hinder operations at the plant, but we hope in future to conduct more in-depth discussions with the head office in addressing a variety of other disabilities.

NOGUCHI When touring the plant, I saw wheelchair slopes, barrier-free toilets and the like, and I felt that this was a good workplace that had laid the foundations of a working environment receptive to the disabled. However, the attributes of people with disabilities are so varied that not even I can grasp them all. I would certainly like to see you not content just with the measures you have taken for the disabled so far, but eager to undertake measures to address even more disabilities.

HAYASHI There are many points that we do not notice until we hear such opinions as yours, and we would be grateful if we could continue our exchange in future to become better informed on various matters concerning the needs of the disabled.

NOGUCHI Thank you. In addition to those with physical handicaps, there are also many persons with mental handicaps that make them a bit slow to remember things, so I would like to ask that you take further steps to help them such as working out ways of making signs more easily understandable.

Fumiko Noguchi, Smilework NPO

KANAI I work as a guidance counselor at a high school, and I sense that there are more students now who, while not mentally handicapped, are psychologically delicate. Such students have difficulties in finding employment. I would be thankful if you as a company seeking employees would give due consideration to the mindsets of such youths.

Fumio Kanai, teacher at Saitama Prefectural Shinsyukan Senior High School

ASAMI As far as I could tell from the plant tour, visibility throughout the plant is good and robust steps have been taken in consideration of diversity, such as the various signs in multiple languages reflecting the nationalities of the people working at the plant. My impression was that greater efficiency leads to less environmental impact and lower costs, and an extremely positive cycle has been established. Speaking personally, I felt that I would like to take some of the ideas to improve efficiency that I saw today and put them to use in my own work.

What our plant can do for the community

OHYA I am proud as a resident to know that we have such a wonderful company operating here in Gyoda. Gyoda is regrettably facing a depopulation issue, with many students leaving the city after they graduate from high school or university. Given that we are fortunate enough to have such a good company as TS Tech located here, we would appreciate any efforts you could make so that these students wish to make a U-turn and be employed here.

ASAMI Depopulation has certainly become a problem for Gyoda, and we are ahead of other cities in our efforts to retain citizens. In fact, I am engaged in just such work, so I would like to ask your company to ensure job security for local residents.

MASUDA I understand. I myself have worked at this plant for a long time, and I want to make it a plant appreciated by local residents and also selected by them as a place of employment.

OHYA During the pre-tour briefing there was mention of a plan to plant cherry trees and, interestingly enough, I had been thinking of making that suggestion today.

MIYAZAKI I would also like to see these efforts to increase greenery continued for the sake of the planet.

MATSUZAKI Planting cherry trees will mean fallen leaves in autumn, but processing these leaves as mulch and distributing this to the local community is just one of many ideas that can serve the dual ends of environmental friendliness and community exchange.

Makoto Matsuzaki,
Nonaka Neighborhood Association

MASUDA Our company has a plant in Kawagoe City as well, where the employees have planted cherry trees on the plant premises and installed benches so that local residents in the neighborhood could stop by and view the trees. We would like to think of ways that our plant's grounds, too, can be utilized as a relaxation spot for everyone.

Wataru Masuda,
Corporate Administration Department Manager

MIYAZAKI For example, we could get even more local residents to learn about this plant by running plant tours on several occasions during the cherry blossom season.

Yukie Miyazaki, local resident

HAYASHI We have been giving some thought to what we can do for the community utilizing our plant's grounds and facilities, and one idea has been an autumn sports festival. The opportunity to meet with you today has reaffirmed for us the importance of activities rooted in the community. Thank you very much for your valuable input.

5 The visitors then went to the "Karakuri Dojo" set up in one corner of the plant to examine a variety of "karakuri" mechanisms that move items along automatically without motors.

6 The tour participants admired the extensive visibility within the neatly organized plant.

7 The visitors were shown steps taken to reduce workloads through automation, e.g., an automatic collection machine for empty cases.

8 The visitors received explanations on quality improvement and greater work efficiency in an inspection room highly soundproofed with double doors.

9 The plant tour concluded with an introduction of measures such as a wheelchair slopes.

●Profile of TS TECH Saitama Plant (Gyoda) (as of March 31, 2013)

Location:	3600, No, Gyoda-shi, Saitama 361-0026 Japan
Lot area:	79,969m²
Employees:	285
Principal operations:	Manufacture of automobile seats and door trim

Report 2

Fostering global human resources to win out in global competition

TS Camp launched to discover and nurture global human resources

The new “TS Camp” training system started in 2012.

TS Camp offers a total of seven practical classes—among them classes on understanding and implementing the TS Philosophy, on the mindset, flexibility and vitality needed by global human resources, and on skills and experience in the areas of QCDDM (quality, cost, delivery, development and management)—as well as an outdoor ASE (action socialization experience) course. This is a team competition program in which members from different specialist areas work together to come up with ingenious solutions to given unfamiliar, challenging problems, with a view to developing leadership, followership and socialization skills through these activities.

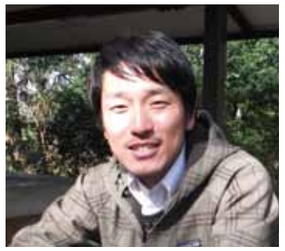
These training programs are intended to provide trainees with opportunities for learning the qualities required for working globally, for acquiring independence, a positive attitude, cooperativeness and flexibility, and for meeting with colleagues with whom they will be working to take on challenges. We are seeking to foster global human resources by encouraging the growth of human resources capable of shouldering the TS Group’s future.

The inaugural fiscal 2013 TS Camp extended over a five-month period between July and November. At the final report meeting in November, trainees were divided into groups to summarize the things they had learned in the lectures and on-site QCDDM practical exercises, and prepare presentations made to the president and TS Camp instructors under the theme titled “Evolving as a global company.” The team of instructors then offered incisive questions and unsparing comments, many of which displayed a sense of high expectations for the future. Trainees in their feedback remarked that they would like to apply the things they had learned in training to their work and that the networking they had been able to do through this training would prove of great use. TS Camp will supply considerable tools to those who will be taking on the responsibility for TS TECH’s future.

■ 1st TS Camp—Overview

(1) Purpose: Selective training program designed to discover and nurture global human resources
(2) Period: July—November 2012 (18 days in all)
(3) Participants: 29
(4) Curriculum: Topic-based lectures on the TS Philosophy, QCDDM (quality, cost, delivery, development and management) and management theories, as well as joint outdoor activities

Voice **Comments from a TS Camp instructor**



Hitoshi Watanabe
Joint Outdoor Activities—ASE
Assistant Professor
University of Tsukuba

High expectations for human resources development grounded in a long-term vision

In ASE*, participants are presented with problems that cannot be resolved unless they use their own bodies and ideas and cooperate with fellow participants, and during the resolution process participants take notice of a variety of things. It is important that they exercise their minds and bodies while working out resolutions in consultation with other participants. The impression I got was that all of the people participating in the course were initially wary about what they would be called on to do but, once the activities got underway, they became like kids again and enthusiastically set about addressing the problem.

I think it is wonderful that TS TECH unhesitatingly expends labor, time and money on human resources development. It is perhaps only its clear-cut long-term vision that makes this kind of approach possible. I would like to see TS TECH go on to present society with a new model for companies through such unique training.

* ASE = Action Socialization Experience (hands-on activity program designed to nurture social skills)

Voice **Comments from a TS Camp instructor**

Hiroki Abe
Instructor in
Management Theory
Advisor
Achievement Corporation

Creating frameworks in which the differing capabilities of employees can be respected

I saw during the classes the serious attitude that everyone regularly takes toward their work. In pursuing greater globalization, however, this earnestness must be complemented with frameworks that respect the differing capabilities of individuals.

I think that persons who can be considered global human resources have their own opinions, have sufficient communication skills to make those opinions understood to others, and have the empathy to be able to view matters from others’ standpoints. In managing such personnel, it is critical that an organizational climate be created in which trust is placed in the skills of subordinates and the maximum authority granted them to take on challenges. Companies that are doing well often find it difficult to enact reforms, so I find the implementation of such approaches as TS Camp particularly worthy of esteem.

TS TECH's approaches to building human resources

Having stipulated "building an infrastructure of people who can compete globally" as a priority measure in the 11th Medium-term Management Plan, the TS Group is now working to foster global human resources. Employees able to perform on a world stage are essential if we are to achieve further growth in an automotive market marked by increasingly fierce global competition. Here we will discuss our Group's views on how to foster global human resources in this context.

TS TECH's idea of global human resources

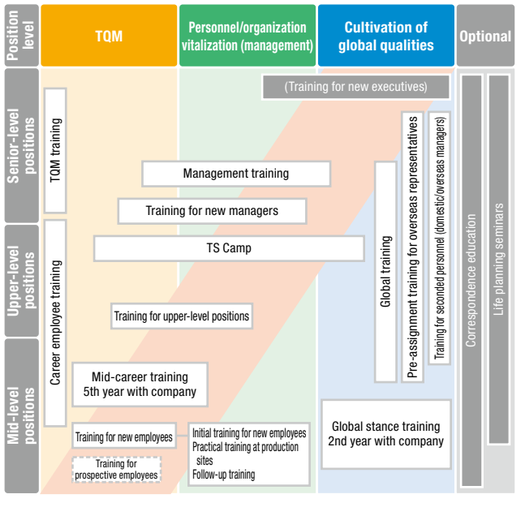
Foundations for global human resources

The foundations of TS TECH's global human resources are an adequate understanding of the TS philosophy, and a firm grasp of ideas concerning *monozukuri* and necessary skills as a manufacturing industry. Efforts to foster global human resources begin with having each and every employee acquire these foundations, which, we believe, is an essential step to acquiring abilities required for working in the global business arena.

Views on nurturing global human resources

Key qualities required of competent global business professionals include a sense of balance in effectively expressing themselves while respecting the cultures and customs of other countries and the flexibility to adapt to living in new environments in various locations. Also important is the proactive attitude of acting on one's own initiative with a broader outlook. TS TECH's approaches to developing global human resources are grounded on this idea, and repeated rank-specific OFF-JT and JR (job rotation) are utilized in nurturing such personnel.

■ Human Resources Development Process: OFF-JT Structure (rank-specific education)



Interviews with personnel officers at overseas companies

These are the kinds of human resources we wish to develop

Voice

Comments from an overseas company personnel officer

Let's take a pro-active attitude, thinking, acting, and responding ourselves without relying on others

Hiroshi Kamogawa
Leiter Administration
TS TECH Deutschland

The employees of TS TECH Deutschland are truly a global team, comprising members from Japan, Germany, Sweden, Iraq, Kazakhstan, Ukraine and Vietnam. As a consequence, tensions naturally arise from language and cultural differences, but also present are obstacles created by business processes unique to Germany. Japanese concepts such as *hon-ne* and *tatemae* (distinguishing between one's real feelings and one's public stance) and *aun no kokyu* (thinking or feeling in unison with others and anticipating their thoughts/actions) no longer apply, and neither senior-subordinate relations nor age differences matter. What is viewed as "common sense" in Japan will not necessarily work overseas so, while it is of course necessary to collect information and learn about other countries beforehand, it is absolutely crucial when working in such an environment that you explain your thinking to others in an easily comprehensible manner to get them to understand. Global human resources must have the positive attitude and the skills to think on their own without relying on others, to act on their own initiative, and to respond to any sudden changes in circumstances.

■ Advice to employees responsible for TS TECH's future

I urge everyone seeking overseas assignments in future to channel your hidden potential and refine your own particular skills so that they can be of use globally. There will inevitably come a time when you will look back over your life.

Voice

Comments from an overseas company personnel officer

Developing human resources who can create tomorrow's TS TECH

Joe Downing
Vice President
TS TECH Americas

The global-class associates we hope to develop are persons who can adapt and be flexible no matter the circumstances and who are willing to try things outside their own comfort zones. Also, in order to demonstrate their abilities on behalf of the TS Group, they need to possess a wide variety of TS TECH experiences, training and education that can be applied no matter what country they are in, and have good common sense and trust their gut feeling in determining a course of action and carrying it out. I am engaged in personnel affairs at TS TECH Americas and I always make decisions and take actions based on the fundamental TS Philosophy, which help in making decisions based on common sense and facts. I hope that those who aspire to be TS TECH leaders in the future will learn and adhere to the TS Philosophy as an essential requirement for their leadership.

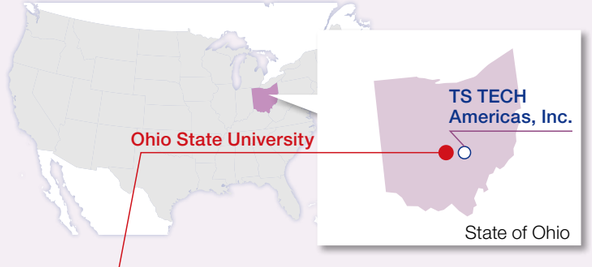
■ Advice to employees responsible for TS TECH's future

It is important that you have a positive attitude, that you are willing to do more than your fair share, that you make the best of every opportunity that comes your way, and that you have a challenging spirit.

Overseas Trainee System

In April 2013 we introduced an "Overseas Trainee System" for younger employees. This training system is designed to help participants quickly acquire English language skills and improve their adaptability to different cultures through actual experience living overseas. Incorporated into this system is a curriculum that includes attendance at a language school affiliated with Ohio State University in the US for approximately one year.

Only selected persons recommended by their companies were eligible in fiscal 2014, but in fiscal 2015 we will introduce an open recruitment system and expand eligibility to all young employees wishing to have this overseas experience. We developed this training system to foster personnel for future overseas assignments and to reinforce our capability to address global business needs.



Ohio State University

OSU-affiliated language school

Street view near the university

Report 3

Conducting a broad range of activities that benefit society and establishing ourselves as a CSR leader

01 Za Forum: Attaining the ultimate in “seating”

As part of its 50th anniversary celebrations in 2011, TS TECH launched a unique event under the theme of “attaining the ultimate in ‘seating.’” The second round of this event, called “Za Forum,” was held on November 30, 2012 in Nihonbashi, Tokyo. It was the first TS TECH open forum in which members of the public were invited to participate.

Purpose of the Forum

TS TECH has pursued seats that provide both safety and comfort. Different customers, however, have different needs with regard to safety and comfort while others may be attracted to different types of seats for different reasons. To examine these standpoints, the Za Forum is held with the intention of considering the essence of “seating” through a discussion involving multiple participants, since it is felt that this is not a task for the manufacturer of a single component alone.

In the second Za Forum, to which members of the public were invited, our groups introduced their approaches to determine the essence of “seating.” At the same time, research findings were presented by our Za-Lab Teams A and B. (Made up of young employees, these teams were established in 2011 to contemplate and scientifically pursue the essence of seating.) Based on their unique approaches, these teams proposed their own ideal seats on the theme of “Maximum Comfort in Minimum Space.” In the special panel discussion that followed, expert panelists from different fields shared their opinions on seating, providing us with a number of useful suggestions that will guide our future business development.

An ultimately fruitful event, the second Za Forum provided not only our Za-Lab students but also experts from different fields and members of the public with an opportunity to think about the future of seating.

■ Outline

Venue: Nihonbashi Mitsui Hall
Organizer: TS TECH Co. Ltd.
Cost: Free of charge

■ Schedule

Session 1: Presentations

(1) Speech:
“Za” Initiatives at TS TECH
Yutaka Kizawa, Manager, Experiment and Research Section, Development and Testing Department, TS TECH

(2) Presentations:
Maximum Comfort in Minimum Space Created by TS TECH’s Za-Lab
Za-Lab students

Session 2: Special Panel Discussion
“The Future of Seating”
Guest panelists:
Shunji Yamanaka (product designer)
Toshiyuki Sawaguchi (neuroscientist)
Kundo Koyama (broadcast writer/playwright)
Yumi Yoshida (automobile lifestyle essayist)
Moderator:
Naoki Sakai
(conceptor/professor at Keio University)

■Aibou Seat (buddy seat)

Presented by Za-Lab Team A

Approach to Maximum Comfort in Minimum Space by Za-Lab Team A

In response to the New Value Proposition of Compact Car Seats, a mission common to both Team A and Team B, Team A focused on personal authentication technology, particularly skeletal authentication, which makes it possible for a car seat to detect and identify personal skeletal patterns. Pursuing the development of a driver’s seat that can estimate the height, gender, age, and posture of the driver within seconds of him or her being seated, Team A named the seat the “Aibou Seat.” The team is also planning to combine the skeletal authentication technology with correction technology in order to position the seat’s occupant in the ideal posture, thereby contributing to his or her health. Team A’s Aibou Seat proposal is a seat that can take advantage of skeletal authentication and correction technologies to promote driver health and a sense of security.

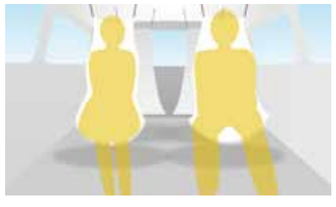
The Aibou Seat is an entity that understands you, helps you, and makes you feel relaxed. In other words, the seat comprehends the occupant within seconds of him or her being seated.

■Gyutto Seat (hug seat)

Presented by Za-Lab Team B

Approach to Maximum Comfort in Minimum Space by Za-Lab Team B

Team B started by surveying compact car owners to find out what they really think. Through the survey, the team discovered that, for owners, the word “compact” has not only negative but also positive connotations, producing images of security and coziness. This shift from a negative to positive image of the word is embodied by the Gyutto Seat, in which the material can change form to match the physical size of the occupant. Team B is reviewing the structure of various conventional seats consisting of numerous components with the idea of producing—by tightly encompassing the occupant with the use of a sheet of simple material—the sense of personal security that is unique to compact interiors. To this end, Team B is working on developing technologies that create versatile materials as well as an interior layout and structure that are suitable for the Gyutto Seat.



The Gyutto Seat tightly encompasses the user with the use of a simple raw material, thus providing the user with a sense of security. The seat has a challenging structure that defies convention.

TS DIALOGUE

Stakeholder Dialogue

Important points: Study results presented by the Za-Lab Teams

The two proposals presented at the Za Forum by the Za-Lab students in November 2012 are progressing steadily toward realization as products. In moving from the stage of unrestrained brainstorming to the stage of product realization—a shift that requires various practical constraints to be overcome—we need an opportunity to review the important findings of the study results. Product designer and guest panelist for the Za Forum Special Panel Discussion Prof. Shunji Yamanaka was invited to exchange views with the Za-Lab students.

Is it possible to create a smart car seat?

NIITSUMA Under the theme, “New Value Proposition of Compact Car Seats,” Za-Lab Team A focused on the health of the occupant and making the driver feel secure. From this, we created a concept model, namely, the Aibou Seat, based a technology called “personal authentication.” However, we are searching for ideas that could help us push forward with regard to commercialization.

YAMANAKA It is a good idea to focus your development efforts on each individual. A sense of security, however, is categorically different from health in the sense that you can scientifically measure whether or not a person has recovered their health, whereas producing a sense of security comes down to the issue of how much data a seat can gather about the person occupying it. Since producing outcomes related to health and a sense of security require completely different design approaches, I think you need to design the seat with an understanding that the locus of any sense of security is right at the point of contact between the person and the seat.

NIITSUMA As you indicated, a sense of security cannot be measured numerically. So, I think the issue of how to evaluate the sense of security will be one of our future challenges in developing the Aibou Seat as a commercial product.

MIZOI I work in the manufacturing department and am responsible for testing and trials. With the aim of commercializing the Aibou Seat, we are now comparing measured results with our hypotheses to confirm the efficacy of theory in health evaluation. However, we have no idea how to quantify the sense of security.

YAMANAKA Do you have a clear image of what an interactive or smart seat might look like?

FURUTA My idea is a seat that sends some kind of signal to the occupant.

NIITSUMA I think that that involves the section that comes into contact with the occupant.

MIZOI I think that interactivity occurs at the point where the seat automatically changes its shape in accordance with the body size of the occupant.

NIITSUMA A seat that could automatically change its shape to perfectly fit the occupant could possibly create a sense of security.

YAMANAKA That situation can surely be construed as interactivity. However, you may be mistaken.

NIITSUMA That’s true. I feel like we need to confirm whether or not this idea is the best approach, or even whether customers really want this kind of seat before we try to commercialize it.

YAMANAKA Maybe all the people involved in the development feel the same way, and it is their refined sensibilities that are most important. You therefore need to have detailed discussions with each other throughout the development process. The bottom line is you have to determine what approach to take regarding the commercialization process so as to meet the desire of the designers responsible for the development.

FURUTA In that case, we may be able to say that the interactivity between a person and a seat is equivalent to that between the designer and the user, because the seat is the embodiment of the designer’s idea.

YAMANAKA Exactly. The key point is whether the designer is willing to interact with the user. Now that you have techniques for measuring health, the next important thing to consider is establishing interactivity technology that enables the user to feel a sense of security while in the seat. This technology should make the driver want to be in the car and feel secure in the car, and the designer should want to convey the design concept. If I were a user of the seat, I would like to think that the seat is smart enough to understand me. This is why the seat is called the Aibou Seat or buddy seat, isn’t it?

NIITSUMA That’s right. We are now trying to work out how to convey our design concept.

YAMANAKA It would actually be really amazing to feel like your seat understands you.

Clarifying the design intention prior to commercialization

YAMANAKA I think the Gyutto Seat by Team B is the same in the sense that it personalizes the experience for users and that it’s about interactivity between the person and the seat.

FUJITA Our approach is based on the idea that we can use the seat cover or a sheet of material to tightly “encompass” the user. If the material can follow the user’s movements, it can constantly reshape itself to fit the user’s body. In other words, our approach is based on the idea that being “encompassed” gives the user a sense of personal space. I heard you say that “it is their refined sensibilities that are most important.” However, their ideas are sometimes in direct contradiction to survey findings. In that case, which should be prioritized?

YAMANAKA I believe the instincts of the designers should come first. This is because many products that are highly valued by society are those that convey exactly what their designers intended.

TANABE Does that mean the important thing for us is to propose, in the first place, the sense of being encompassed that we are envisioning?

YAMANAKA That’s right. You are successful when the sense of being encompassed is understood by society. If not, you need to rethink your idea and come up with a new one (laughter).

FUJITA What we want to do today is to see whether or not we can produce a sense of being encompassed with a sheet of raw material before proceeding to the mechanical aspects of the seat and the specific actions we need to take toward commercialization.

YAMANAKA The research stage of a

Kenichi Niitsuma
Za-Lab Student, Team A

Kensuke Mizoi
Za-Lab Student, Team A

Noriko Tanabe
Za-Lab Student, Team B

Satoshi Fujita
Za-Lab Student, Team B

Ai Furuta
Za-Lab Student,
Team A and B

Shunji Yamanaka
(product designer)

Profile: Shunji Yamanaka was born in Aichi Prefecture in 1957. After graduating in mechanical engineering from the University of Tokyo’s Faculty of Engineering in 1982, he took a job at the Nissan Motor Design Center before starting to work as a freelance designer in 1987. From 1991 to 1994, he was an associate professor at the University of Tokyo, and in 1994, he established his own design firm, Leading Edge Design. Since then, he has not only designed a variety of industrial products ranging from wristwatches to railroad vehicles, but has also worked in the fields of robotics and communications technology as an engineer. Dr. Yamanaka has been a professor at Keio University since 2008 and a professor at the University of Tokyo since April 2013.

project is important as it really forms the foundation. However, you run the risk of losing sight of the original target if the research itself becomes the main goal.

FUJITA As in the case of the earlier questionnaire about "What does it mean to be encompassed?" we have been interviewing our employees to see what they think about the feeling of being "encompassed" in order to define a new index or target for this sensation.

YAMANAKA You are searching for a new sensation, but your approach is too abstract. I advise you to make more models. You do not have to make a complete seat, just try to make different prototypes with different sheet materials to check whether or not they can produce a sense of being encompassed. What is important for designers is that they learn from their own experiences.

TANABE Surely one's own feeling is important. I therefore feel the need to change our way of thinking from "producing a sense of being encompassed using a seat" to "creating a seat that can produce a sense of being encompassed." Up to the Za-Lab stage, we only focused on using the raw material of cloth. However, I think there are two approaches we can take toward commercialization. We may be able to produce a sense of being encompassed in a visual way. As I was listening to you, it occurred to me that we many need to channel our approach from this viewpoint, which is different again.

YAMANAKA That's a good idea. As a project progresses, broadening the scope of focus usually tends to not be an option. Once much discussion has taken place and a direction has been set, we feel the urge to stick with it. If you feel that you want to think about other approaches, I would say this is a successful discussion.

To change the subject, what is the current status of progress for "Maximum Comfort in Minimum Space," which was the original inspiration for your project?

FUJITA We derived the concept from questioning the generally accepted notion that the wider the car interior, the more comfortable. The concept is still alive.

FURUTA We once had a gathering where we all brought in pictures of ourselves sitting in our favorite places. Surprisingly, most of our favorite places turned out to be narrow spaces, such as small chairs that just fit our bodies or the toilet. As cars are often owned by one person these days, compact cars are a popular choice. Solo drivers who feel lonely might think of their seat as their partner. Team A started from this idea.

YAMANAKA In that case, interactivity is all the more important. You should not eliminate the idea of interactivity from seat development. I think that designers should consider all possibilities. For example, if there are five "either-or" subjects of investigation, you may be inclined to analyze only one or two of them. However, I want them to show initiative by analyzing all the possibilities—that is, two to the fifth power (= 2^5).

The important thing is how to turn ideas into products without losing sight of the original intention.

YAMANAKA Generally speaking, many of these study projects are intended to act as a stress release for young employees or provide them with learning opportunities. However, I really want your seats to be turned into products.

MIZOI When we presented our idea at the Za Forum, our idea was very clear. When we get to the stage of commercialization, however, I think we have come back down to earth. I think this opportunity has made me reconfirm the importance of going back to our first objective.

TANABE I also reaffirmed the importance of holding on to our belief. If we do not develop a product that we believe is a good product, no one else will believe it either. I will do my best to translate my own ideas into products.

NIITSUMA I also thought that what is important is to not forget our own ideas and motivation. As I am engaged in research on a daily basis, I tend to focus on immediate problems. Today, I was reminded again of the importance of going back to what first motivated us.

YAMANAKA In that sense, I think this talk has been worthwhile. I would advise to you to create some more opportunities to reaffirm your original objectives.

FURUTA What I learned today is that I have not yet experienced the feeling of being "encompassed." I also noted that I cannot understand the feeling of being encompassed unless I first experience it myself. In addition, the key point is how to convey our intentions as designers to the user via the product.

FUJITA In my case, I was most impressed by the phrase "designers' refined sensibilities." I shall never forget that phrase.

YAMANAKA I really hope that you do value that phrase because the first idea that comes to a designer is always weak and unformed—it is likely to disappear once you forget it.

If you really want the world to accept your products as something of value, you need to get your message across. In the past, messages like "Our Products Are Used in This Kind of Place" might have been acceptable to consumers. However, I think, they no longer accept these kinds of messages from Japanese companies. From now on, component manufacturers are also required to develop new markets. To that end, you need to create your own concepts and start your manufacturing processes based on your own instincts. I hope that you will make efforts to turn your ideas into products and to share these products with the whole world.

02 Green ecosystem conservation activities:

Implementing environmental conservation activities together with local communities

Under the concept of "giving back to the Earth greenery sacrificed for our business activities," we are working on forest and ecosystem conservation activities in areas close to our domestic and overseas sites.

Japan: Suzuka Plant

TS TECH Forest of Relaxation

November 17, 2012

We held a tree-planting event under the theme of "TS TECH Forest of Relaxation" in an area adjacent to the Kuwana-shi General Sports Park in Suzuka, Mie Prefecture. Participants included 113 Suzuka Plant employees and their families along with 18 people from local organizations such as Morinokaze, a forestry-related NPO. As part of the event, a representative of Morinokaze delivered a speech on the current status of natural forest conservation in the area. Then "bird calls" (tools that can be attached to a tree and twisted to imitate bird calls) were distributed. Participants also ate lunch and took a leisurely walk among the trees, thus spending an enjoyable two hours.

US: TS TECH Americas, Inc.

Participated in The Nature Conservancy's natural environmental protection program on a volunteer basis

May 11 and August 11, 2012

TS TECH Americas, Inc. has been providing support to The Nature Conservancy's ecosystem conservation activities since fiscal 2012. The Nature Conservancy, a world-leading natural conservation organization founded in 1951 in the United States, is working on ecosystem conservation, securing wildlife habitats, and protecting rare fauna. In May, the Company cooperated in performing maintenance activities, including trash picking, along walking paths in the riverhead conservation area of Big Darby Headwaters Nature Preserve. In August, the Company also participated in maintenance activities along the nature trails in the area, such as clearing overgrown honeysuckle plants.

Stakeholder feedback

Voice

I greatly appreciate the company's interest in environmental conservation. Forests are important places in the sense that they serve not only as water sources but also as sources of everything else. A lot of people from Suzuka Plant, most of them young employees, were kind enough to participate in the inaugural event, held in November 2012. This indicates the high degree of interest at TS TECH in CSR activities.

Kunio Takiguchi
Representative of Morinokaze (forestry-related NPO)

The Nature Conservancy believes businesses have an important role to play in advancing nature conservation. I hope our expertise and experience will help businesses make their business decisions and take action. TS Tech has made significant contributions by supporting volunteer stewardship efforts at Big Darby Headwaters Nature Preserve. I have been very impressed by their dedication and positive attitude regarding these efforts. I look forward to continuing conservation efforts with TS Tech associates.

Steve Ross
Conservation Volunteer Coordinator
The Nature Conservancy

* Green ecosystem conservation activities at our business sites are explained on page 42 in the section on ISO 26000 and Examples of Community Involvement

Chapter 2 Sharing Pleasure with Stakeholders

Practicing the Seven Attitudes of TS TECH

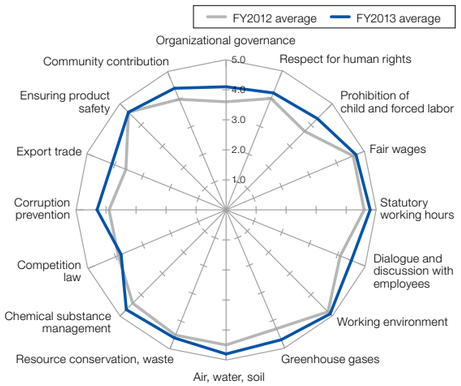
The TS TECH Group carries out principles-based business operations in order to maintain good relationships and grow together with all of its stakeholders. Below is an explanation of the association between the core subjects of social responsibility defined by ISO 26000 and the Seven Attitudes of TS TECH in the TS Guidelines for Conduct, as well as an overview of specific initiatives the Group is taking in relation to the core subjects.

The ISO 26000 seven core subjects	Summary	Main stakeholders	Association with Seven Attitudes in the TS Guidelines for Conduct
Organizational Governance P. 26	In order for organizations to fulfill their social responsibility, it is important that they have a mechanism for effective decision-making to achieve their objectives and roles. Organizational governance is the foundation for an organization to fulfill its social responsibility. Organizational governance requires communication with outside stakeholders as well as internal employees, to reliably implement accountability and transparent decision-making, and to demonstrate leadership through action.	Shareholders, employees, administration	Attitude toward shareholders Our attitude while working for the Company Attitude toward administration
Human Rights P. 28	In order to create a society in which all people are free from discrimination based on gender, age, ethnicity, and so forth, it is important that individuals be aware of human rights, respect the human rights of people inside and outside the organization, and take care not to infringe upon human rights either directly or indirectly. The organization must check to make sure its activities do not infringe upon human rights and that it has not created an environment that might prove to invite human-rights infringement. It is also important to have a mechanism for making improvements in the event that acts have been committed or an environment created that infringes upon human rights.	Employees	Our attitude while working for the Company
Labour Practices P. 30	Labour practices have a big impact on society and the economy in the sense that an organization creates jobs and maintains and improves the living standard of workers by paying wages. Based on the fundamental principle that "labour is not a commodity" (International Labour Organization [ILO]), organizations are asked to ensure equal employment opportunities to all workers, provide working conditions and an environment that are fair and safe for workers and their health, and engage in public dialogues such as negotiations, discussions, and exchanges of information with representatives of government, employees, and workers.	Employees	Our attitude while working for the Company
The Environment P. 32	Modern society is faced with a number of environmental problems and all organizations can be said to have some impact on the environment. In addition to complying with laws and regulations, organizations must take responsibility for the environmental impact caused by their actions. When the environmental impact exceeds an acceptable level, the organization is asked to bear the costs. It is also important for organizations to take preventive measures to minimize impact on the environment as much as possible, even if that impact is uncertain.	General public	Attitude toward the general public
Fair Operating Practices P. 36	Issues in the subject of fair operating practices for an organization to fulfill its social responsibility include the prevention of corruption, responsible political involvement, fair competition, and respect for property rights. The foundation of fair operating practices is an organization carrying out operations based on an ethical code of conduct. For this reason, organizations also ask their suppliers and other related organizations to practice ethical operations. It is important in this way for organizations to strive to promote ethical behavior by society as a whole.	Suppliers	Attitude toward suppliers
Consumer Issues P. 38	It is important for organizations to take responsibility for the products and services they provide, to avoid putting consumers in danger through the provision of products that have a safety defect. It is also important that when consumers use those products and services they do not have an adverse effect on society, such as by causing environmental damage. It is important to practice consumption in such a way that neither the organization nor consumers have an adverse effect on society.	Customers and end users	Attitude toward customers and end users
Community Involvement and Community Development P. 40	It is important for organizations to communicate with the communities that they belong to, to be actively involved in community growth and revitalization, and to grow together with their communities. Organizations are required to participate and contribute in diverse ways, including the enhancement of dialogues with community residents and education and culture in the community through their involvement in the community.	Local community	Attitude toward the local community

Using a Checksheet to Discover CSR Issues

The TS TECH Group's CSR Checksheet is used to identify issues in reference to the seven core subjects defined by ISO 26000. The respective operating locations in Japan and abroad perform self-checks on questions relating especially to basic issues. Issues are identified based on analytical findings and responsive measures rolled out accordingly.

On the following pages, the level of improvement measured in point form in relation to each subject is shown to the side of the caption. **(Example)**



*Rated by criterion on a scale of 1 to 5

CSR Checksheet FY2012 average: 4.2 FY2013 average: 4.5

Item	FY2012 average	FY2013 average
Organizational governance	3.6	**4.1**

Item	FY2012 average	FY2013 average
Respect for human rights	4.0	**4.2**
Prohibition of child and forced labor	3.7	**4.3**

Item	FY2012 average	FY2013 average
Fair wages	4.6	**4.7**
Statutory working hours	4.6	**4.8**
Dialogue and discussion with employees	4.1	**4.5**
Working environment	4.8	**4.9**

Item	FY2012 average	FY2013 average
Greenhouse gases	4.3	**4.7**
Air, water, soil	4.5	**4.8**
Resource conservation, waste	4.5	**4.6**
Chemical substance management	4.4	**4.7**

Item	FY2012 average	FY2013 average
Competition law	3.9	**3.8**
Corruption prevention	3.9	**4.3**
Export trade	3.6	**4.1**

Item	FY2012 average	FY2013 average
Ensuring product safety	4.6	**4.6**

Item	FY2012 average	FY2013 average
Community contribution	4.0	**4.4**

To Be a “Company Welcomed with Joy”

The TS TECH Group is striving to establish sound and highly transparent management that abides by the law and observes rules and regulations.

CSR Checksheet

FY2012 average: 3.6 pts

FY2013 average: 4.1 pts

The ISO 26000 core subject

Organizational governance

Main stakeholders

Shareholders, employees, administration

Association with Seven Attitudes in TS Guidelines for Conduct

Attitude toward shareholders

In order for the Company to maintain a high degree of transparency,

I make a positive disclosure of information with a view to ensuring a high degree of transparency in corporate management.

Our attitude while working for the Company

In order for the Company to be an entity of high ethical standards,

I observe the Company rules and regulations faithfully.

Attitude toward administration

In order for the Company to be strictly law-abiding,

I abide by the law faithfully as a member of society.

Association with business operations and corporate value enhancement

Winning trust as a company is an absolute must to achieve sustainable growth.

In recent years, there have been various corporate compliance-related scandals that have had a significant negative impact on the corporate value of the companies concerned.
In order to grow sustainably, TS TECH recognizes that it must first be a company that is trusted by society.
It therefore strives to maintain faithfulness and a high degree of transparency in its corporate management.

Group Governance System

The TS TECH Group has established an across-the-board Group Governance System to ensure the proactive performance of compliance activities. Specific measures include the self-check system and establishment of an Internal Notification Office for early detection of compliance problems and issues as well as various legal awareness activities.

In addition, a framework is in place whereby in the event that an affiliated company makes a decision on an important matter, TS TECH will also deliberate on the matter based on the Affiliate Company Management Rules. For affiliated companies, TS TECH’s Business Audit Office also performs a business audit.

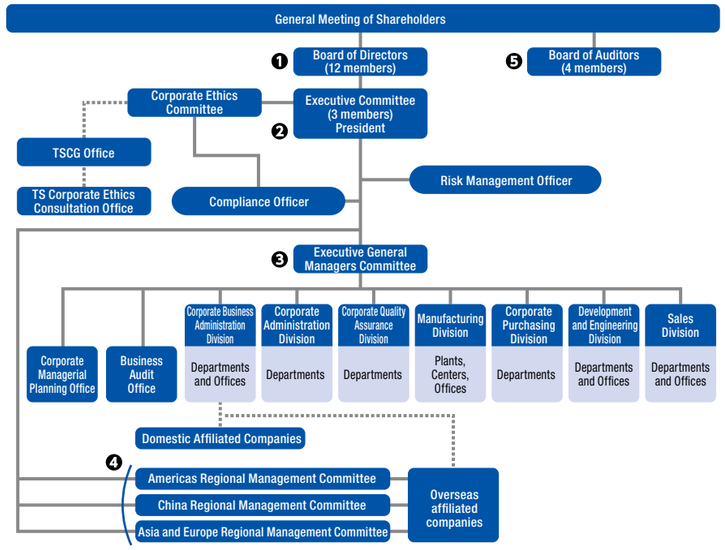
Basic Policy on Corporate Governance

TS TECH’s corporate philosophy calls for a “Company Welcomed with Joy,” firstly by its customers and shareholders, as well as its suppliers, the community, and its employees. The Company recognizes that establishing corporate governance is an important step in fulfilling its social responsibility and becoming a “Company Welcomed with Joy” by all its stakeholders, and so is carrying it out enthusiastically.

Based on this philosophy, the TS TECH Group has established the TS TECH Corporate Governance (TSCG) System and is working to enhance compliance and risk management and improve corporate ethics.

TSCG System

TS TECH has adopted an operating officer system, to improve the mobility of the Board of Directors and enhance its oversight and to strengthen its regional and on-site management systems.



1 Board of Directors
It comprises 12 members and convenes once a month in principle. It makes decisions regarding management policies, important management issues, and matters mandated by laws and regulations, as well as supervises the execution of the Company’s operations.

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

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

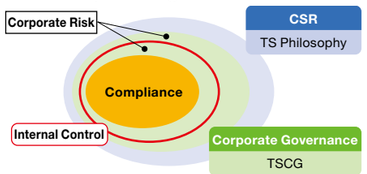
4 Regional Management Committees
They comprise directors and other managers in the Americas, China, and Asia and Europe, and deliberate on important matters affecting management in their respective areas.

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

Operation of TSCG Self-Verification System

In order to identify any potential problem regarding compliance and risk management as early as possible and to address the envisaged issues, TS TECH has established the TSCG Self-Verification System to check the Company’s status in terms of legal compliance, risk management, and corporate ethics.

Conceptual Diagram of TSCG



Status of Risk Management System

A risk management officer is appointed from among the representative directors as the person responsible for overseeing risk management. The risk management officer is charged with carrying out regular verification of risks in every operating division and verifying safety systems at all manufacturing facilities, in an effort to prevent risks in business operations. If problems occur or there is some defect that could cause a problem, improvements and corrections are made. On the off chance that a crisis-involving loss occurs, the TS TECH Group is prepared to take emergency measures based on crisis management rules and manuals for specific risks.

Status of the Internal Control System

Based on the provision of the Companies Act, the General Meeting of Shareholders held on May 11, 2006, passed a resolution on Basic Guidelines for the Formation of an Internal Control System. Since then, the Board of Directors has checked the status of operation of the system every year at its end-of-fiscal-year meeting. Whenever there are changes, they are voted on at Board meetings held as needed.

To Be a Non-discriminatory and Fair Company

The TS TECH Group is determined to remain a company that acts under the notion that people are equal and positively promotes mutual acceptance of individual personalities and differences amongst the people of the world.

CSR Checksheet

FY2012 average: 3.9 pts

FY2013 average: 4.3 pts

The ISO 26000 core subject

Human rights

Main stakeholders

Employees

Association with Seven Attitudes in TS Guidelines for Conduct

Our attitude while working for the Company

In order for the Company to be non-discriminatory and fair to everybody,
I act under the notion that all people are equal, while positively promoting mutual acceptance of individual personalities and differences amongst the people of the world.

Prohibition of discrimination

I do not discriminate on account of birth, nationality, creed, religion, sex, race, ethnicity, age, intellectual/physical handicap, clinical history, hobby, academic career, or social standing.

Prohibition of use of discriminatory expressions and terms

I do not use words that are considered to be discriminatory terms or expressions and terms that may produce misunderstanding.

Association with business operations and corporate value enhancement

The key to growth resides in embracing the diverse values of diverse people.

The way in which companies address the issue of increasingly diverse values and needs significantly affects their corporate performance. TS TECH recognizes that respecting both individual differences and human rights is an important approach for the Company to be well recognized and accepted in the global market.
TS TECH will continue to develop our business operations in a way that respects the diverse values of a diverse population.

Basic Policy on Human Rights

As it says in the TS Guidelines for Conduct, TS TECH does not discriminate on account of birth, nationality, creed, religion, sex, race, ethnicity, age, intellectual/physical handicap, clinical history, hobby, academic career, or social standing.

Moreover, TS TECH does not use words that are considered to be discriminatory terms or expressions. It also does not use terms that may produce misunderstanding.

CSR Checksheet on Human Rights Used by the Whole Group

The TS TECH Group uses a CSR Check Sheet which covers basic points related to human rights to help employees understand the kind of corporate group we aspire to be as well as to identify current challenges. In 2011, all overseas operating locations performed self-checks in accordance with the CSR Check Sheet. Based on the analysis results of this Check Sheet, individual business sites identified their respective challenges and rolled out specific measures.

Awareness Building about Human Rights

With measures to prevent harassment in the workplace designated as high priority, the TS TECH Group in Japan holds training sessions to build awareness of human rights and puts up posters discouraging harassing behavior. In addition to anti-harassment measures, the Group's overseas subsidiaries take various actions in response to local conditions, such as displaying anti-discrimination posters and distributing handbooks, displaying anti-child labor posters, and holding training sessions on the Guidelines for Conduct.

Training to Build Awareness of Human Rights (TS TECH)

Training name	Frequency per year
Training for executives	Twice
Training for newly assigned managers	Once
New employee training	Once

New employee training

Corporate Ethics Consultation Office

TS TECH has established a Corporate Ethics Consultation Office charged with the early detection of potential legal violations and violations of the TS Guidelines for Conduct as well as taking corrective action to prevent any recurrence. An external consultation office has also been established to ensure fairness and prevent disadvantageous treatment of whistleblowers.

To Create New Value and a Safe and Comfortable Workplace

TS TECH does all it can to create a safe and healthy environment for its employees, where they can take pride in their company and work and maintain a positive attitude.

CSR Checksheet

FY2012 average: 4.5 pts

FY2013 average: 4.7 pts

The ISO 26000 core subject

Labor practices

Main stakeholders

Employees

Association with Seven Attitudes in TS Guidelines for Conduct

Our attitude while working for the Company

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

Communication
I try to create a bright working atmosphere, respecting harmony and communication among people.

Efficient work
I work in a balanced manner, giving consideration to time and priority.

Self-fulfillment
I strive persistently for the fulfillment of my own vision.

In order for all people to be safe and comfortable at all times,
I try to create a safe and healthy environment for working.

Association with business operations and corporate value enhancement

Development of a global workforce to survive global competition

Even though workers performing tasks may be replaced by machines, neither creativity nor originality and ingenuity can be exerted without the input of human beings.
It is only human beings that can produce creativity and differentiate products and services from those of competitors.
In light of this, it is considered particularly important for employees to be able to play an active role on a global basis in order to secure the future performance of the Group.
TS TECH is promoting the development of a global workforce for the sustainable growth of its business.

People—The Decisive Factor in a Company

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

Major Personnel Data
(As of end March 2013; regular employment only)

		FY2011	FY2012	FY2013
No. of employees by gender	Male	1,525	1,573	1,547
	Female	186	186	182
	Total	**1,711**	**1,759**	**1,729**
Average service years	Male	13.8	13.9	14.4
	Female	11.8	12.2	13.0
	Average	**13.6**	**13.7**	**14.3**

Diversity

TS TECH actively maintains a diverse workforce through the employment of foreign nationals and people with disabilities as well as older people (through a reemployment system). In fact, our employment rate of people with disabilities has exceeded the statutory requirement. Various efforts are made to accommodate employees with disabilities, such as the installation of a PATLITE (rotary beacon light) alert system to inform hearing-impaired workers of impending danger and the commissioned operation of Shop "Ibuki."* Additionally, through the establishment of a committee consisting only of female employees, we are also working to develop a human resources system and workplace environment that eliminate gender distinctions to enhance the motivation level and job satisfaction of female employees. Furthermore, we are proactively promoting the development of an environment where employees can both work and raise children and we were certified as one of Saitama Prefecture's "flexible employers" in January 2013.

* See page 41.

Employment of People with Disabilities
(TS TECH, Japan)

Employment rate of people with disabilities	
FY2011	1.93%
FY2012	1.80%
FY2013	1.90%

Approval certificate

Promotion of Work-life Balance

TS TECH is working to raise employee awareness of work-life balance and enhancing relevant systems so that individual employees have the flexibility to design their work life in accordance with their life stage. Also, the Company holds regular discussions with the TS TECH Labor Union to improve working conditions and the working environment. A major exemplary result of these efforts is that for 16 years straight, all the Company's employees have taken their full annual paid leave.

Systems to Support Work-life Balance and the Number of Recipients (TS TECH, Japan)

		FY2011	FY2012	FY2013
Child-care leave system	Male	1	0	0
	Female	17	19	17
Shorter working hours system	Male	0	0	2
	Female	8	13	14

Occupational Safety and Health

In order to reduce the number of occupational accidents, TS TECH identifies foreseeable risks from the perspective of risk assessment, preemptively removes the cause, and improves the environment. We are thus striving to eradicate occupational accidents. Specifically, the Safety and Health Representative Conference has been established as an internal body consisting of the executive in charge of safety and health and the general managers of the respective sites. It meets to comprehensively review safety and health activities and make decisions on important issues, such as the operation policies for the following year. In fiscal 2013, we twice invited instructors from the Japan Industrial Safety and Health Association to hold training sessions for risk assessment staff, with a total of 24 employees participating.

In addition, in order to thoroughly implement these activities, we train and foster the development of internal auditors and internal audits of the safety and health management system are performed periodically.

Occupational Accident Occurrence (TS TECH, Japan)

	Total frequency rate	Rate of lost work time due to occupational injuries
FY2011	4.02	1.51
FY2012	3.13	0.00
FY2013	1.11	0.00

Mental Health Care

We believe that appropriate understanding and management of mental health is as essential as that of physical health when it comes to employee productivity. As well as providing access to an industrial physician as specified in the Industrial Safety and Health Act, TS TECH also makes available mental health specialists, who closely cooperate with the in-house medical clinic, at all of its business sites and, furthermore, has established a system for responding promptly to employees with concerns about their mental health. Training sessions are also held periodically to promote better understanding of mental health.

Mental health lecture

To Be Proactive in Environmental Preservation

The TS TECH Group is making Group-wide efforts to protect the Earth, working to eliminate and reduce environmental impact generated through business operations.

CSR Checksheet

FY2012 average: 4.4 pts

FY2013 average: 4.7 pts

The ISO 26000 core subject

The environment

Main stakeholders

General public

Association with Seven Attitudes in TS Guidelines for Conduct

Attitude toward the general public

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

Proper disposal of waste and pollutants

I dedicate my best efforts to the cause of minimization and proper disposal of waste and pollutants.

Efficient use and recycling of resources

I dedicate my best efforts to the cause of efficient use and recycling of resources.

Measurement, recording, and reporting pursuant to the relevant ordinances

I carry out environmental measurement, recording and reporting concerning soil, underground water, the atmosphere, noise, and smell pursuant to the relevant environmental ordinances and internal rules.

Association with business activities and corporate value enhancement

Environmentally responsible management solutions— essential for corporate existence

In the 21st century, the "century of the environment," it is no exaggeration to say that a company's future is determined by environmentally friendly business operations and technologies that can alleviate or resolve environmental problems. In response to the broad-based shift to green industrial products, TS TECH strictly adheres to environmentally responsible manufacturing and endeavors to develop products with reduced environmental impacts.

Basic Environmental Policy

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

Action Plan

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

Environmental Impact of Business Activities and Environmental Initiatives

The TS TECH Group is moving ahead with its 11th Medium-Term Management Plan toward the realization of its vision for 2020: to be an "INNOVATIVE QUALITY COMPANY."

The Group is working at environmental preservation activities to cut and reduce the environmental impact generated by its business operations.

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

Status of ISO 14001 Certification at our Business Sites

In February 2013, the Group contracted an external audit organization to renew its ISO 14001 certification. As a result, three notable initiatives were reported although only one minor non-conformity was pointed out, which shows high recognition for the Group's proactive approach. Corrective action has already been taken to deal with the non-conformity. The Group also encourages its major suppliers and trade partners to work to obtain the certification.

TS TECH	100%
TS TECH Group	79%

Above figures are for consolidated subsidiaries currently in operation

Main Environmental Targets and Results in FY2013 and Targets for FY2014

In the 11th Medium-Term Management Plan (April 2011 to March 2014), TS TECH instituted the reduction of CO_2 emissions as a priority environmental target. Accordingly, the Company has been working toward a 1% year-on-year reduction in CO_2 emissions per unit of production *1 by carrying out various measures.

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

Item	FY2013				FY2014	
	Targets	Measures	Results	Evaluation	Targets	Measures
CO_2	Emissions per unit of production down 1% from FY2012 (FY2012 results: 0.096 t-CO_2/million yen)	· Reduce standby mode electricity consumption when not in operation · Reduce losses by improving processes; conduct energy-efficient manufacturing operations	Emissions per unit of production down 0% *2 from FY2012 (FY2013 results: 0.096 t-CO_2/million yen)	90% or more attainment rate	Emissions per unit of production down 1% from FY2013	· Conserve energy consumption involved in new plant construction · Improve manufacturing equipment energy efficiency · Improve lighting/air-conditioning energy efficiency · Energy savings at transformer facilities · Purchasing more hybrid vehicles as company cars
Waste	Output per unit of production down 1% from FY2012 (FY2012 results: 0.0131 t/million yen)	· Promoted recycling · Reduced product defect rate	Output per unit of production up 0.7% *2 from FY2012 (FY2013 results: 0.0132 t/million yen)	90% less than attainment rate	Output per unit of production down 1% from FY2013	· Promote recycling · Reduce product defect rate
Water	Consumption per unit of production FY2011 results: below 1.729 m³/million yen	· Save water at all business sites · Inspect leaks at water supply facilities	Consumption per unit of production down 12% from FY2011 (FY2013 results: 1.517 m³/million yen)	100% attainment rate	Consumption per unit of production below 1.729 m³/million yen	· Save water at all business sites · Inspect leaks at water supply facilities

*1 CO_2 emissions, waste output, or water consumption per unit of production refers to the amount emitted or consumed, calculated on the basis of TS TECH's standards, in proportion to production from business operations (sales).
*2 In FY2013, the CO_2 emission and waste output targets were not achieved due to lower productivity and greater non-operational waste output, both attributable to reduced production.

FY2013 Environmental Accounting

Environmental Conservation Cost (TS TECH Co., Ltd.) (Unit: Millions of yen)

Category		Main Efforts	FY2011		FY2012		FY2013	
			Investment	Cost	Investment	Cost	Investment	Cost
Business area cost	Pollution prevention cost	Prevention of air, water, and soil pollution, etc.	35	21	2	8	2	12
	Global environmental conservation cost	Prevention of global warming and ozone depletion and other environmental preservation efforts	86	48	55	30	1,199 *1	43
	Resource circulation cost	Recycling, waste treatment and disposal, and water-saving efforts	—	48	3	46	5	53
Upstream/downstream cost		Purchase of environmentally friendly products and raw materials Purchase of products for energy savings	—	1	—	1	3	2
Administration cost		Environmental management system (EMS) development and operation, environmental monitoring and measuring, and environmental education activities for employees	15	78	14	72	10	86
R&D cost		Research and development of new technology with a high positive environmental impact, such as reducing VOCs (not using paints), reducing the weight of products, and developing recyclable materials	—	86	54	132	—	4,040 *2
Social activity cost		Environmental measures such as nature protection, greening, and scenery preservation	—	2	—	6	—	6
Environmental remediation cost		Remediation of soil pollution, etc.	—	—	—	—	—	—
Total			136	284	128	295	1,219	4,242

1 The scope is as follows:
· Period covered: April 1, 2012, to March 31, 2013
2 The above figures include portions ascertained by estimation, such as apportionment.
3 Materials relating to environmental accounting, such as guidelines and guidebooks published by the Ministry of the Environment of Japan, were referenced when preparing the spreadsheet.
4 Costs do not include depreciation costs.

*1 The global environmental conservation cost increased partly due to investment and costs for the construction of a new sheet production plant within the Saitama site (aiming for a 50% cut in CO_2 emissions).
*2 R&D cost increased due to environment-related investment and costs of Technical Center being brought under review, where a new calculation method was employed from fiscal 2013 onward.

Material Effects (TS TECH Co., Ltd.)

		FY2012	FY2013	Difference
Energy consumption	GJ	238,499	208,640	–29,859
Water consumption	1,000m³	146	130	–16
CO_2 emissions	t-CO_2	9,427	8,232	–1,195
CO_2 emissions due to transportation	t-CO_2	2,719	2,633	–86
Total waste output	t	1,292	1,134	–158
VOC emissions	t	52	40	–12
PRTR emissions	t	9	14	5

Economic Effects* (TS TECH Co., Ltd.) (Unit: Thousand yen)

	FY2013
Gain on sale of valuables	6,077
Cost saved by energy conservation	13,940
Total	20,016

* Calculation of the "economic effects" commenced in FY2013.

Examples of Environmental Improvement Initiatives

Technology development

Contribution to environmental conservation through product weight reduction

The TS TECH Group is addressing the CO_2 emission reduction issue in various ways, with product weight reduction contributing to fuel efficiency improvement being one such approach. Product weight reduction must not result in the degradation of product performance or quality, however. To this end, we focus our efforts on the development of technology that can achieve product weight reduction, while adding additional functions to and enhancing the performance of our products. Seats for the new Honda Accord launched in North America in September 2012, for example, employed new seat frames with reduced weight along with an increase in safety performance. Around a 14% weight reduction (seat/vehicle) compared to the previous model was able to be achieved, along with increased comfort and operability.


Seat for the new Honda Accord

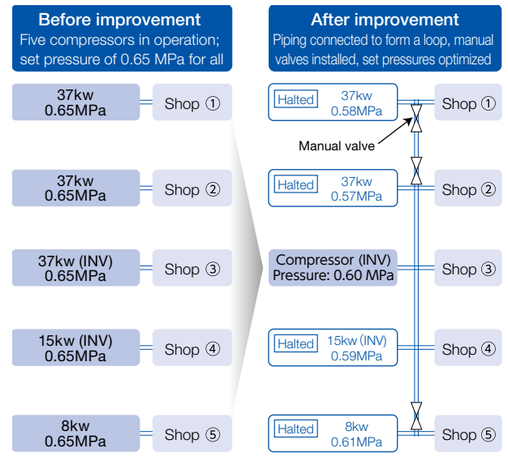

New seat frame (CAD data)

Production

Reduction in electricity consumption at the Hamamatsu Plant by connecting the compressor air piping to form a loop

Hamamatsu Plant

At the Hamamatsu Plant, in order to obtain a significant energy conservation effect with low investment, rather than using an expensive automatic compressor number control system, the air piping for multiple (five) compressor units was connected to form a loop. This improvement allows the operation of a minimum required number of compressors. Moreover, with priority placed on compressors with efficient inverter specifications, adjustment of a set pressure for individual compressors allows for reduced operation uptime. In addition, manual valves were installed to the piping to deal with the operating time difference between the operation processes, which eventually led to a reduction in electricity consumption by 31% (70,614 kWh/year) and CO_2 emissions by 26.7 tons compared to before the improvement was made.



Management

CO_2 emissions cut by the introduction of electric vehicles

Head Office

In May 2013, the Head Office introduced an electric vehicle (Honda Fit EV) fitted with seats manufactured at TS TECH's Saitama Plant. By fiscal 2013, the 108-vehicle corporate fleet included five hybrid cars (four Civic hybrid cars and one Insight). In fiscal 2014, another eco-vehicle (Accord) will be added to the fleet.

Overseas

Cleaning activities at Pattaya beach

TS TECH (THAILAND)

TS TECH (THAILAND) is promoting environmental restoration activities at a beach in Thailand as part of its social contribution activities. In fiscal 2013, on a company trip to the famous Pattaya beach resort in October, a total of 30 volunteer employees conducted beach cleaning activities.


TS TECH (THAILAND) employees participating in cleaning activities

To Grow Together with Our Suppliers

We practice procurement based on fair transactions in order to develop good products and grow together with our suppliers.

CSR Checksheet

FY2012 average: 3.8 pts

FY2013 average: 4.1 pts

——The ISO 26000 core subject ——

Fair operating practices

—— Main stakeholders ——

Suppliers

—— Association with Seven Attitudes in TS Guidelines for Conduct ——

Attitude toward suppliers

In order for the Company to maintain a fair and sound relationship with its suppliers,
I deal with suppliers in a fair and sound manner.

Selection of a supplier

When a product or service is procured, I select the optimum supplier from among several suppliers by comparing and evaluating their terms and conditions with an unbiased eye.

Prohibition of unreasonable gifts or business entertainment

I do not offer suppliers nor receive from suppliers any gift or business entertainment that is beyond what is generally acceptable.

Prohibition of unreasonable use of organizational position or authority

I do not make unreasonable use of my organizational position or authority to afford convenience to the interested party or make the interested party afford convenience to me.

Association with business activities and corporate value enhancement

Partnerships of trust throughout the supply chain— essential for market competitiveness

A company cannot successfully compete in the global market on its own. It must work in collaboration with trade partners so as to strengthen competitiveness throughout the supply chain. TS TECH nurtures and cherishes strong and mutually beneficial ties with its suppliers and other trade partners through fair and sound transactions, leading to greater corporate value on both sides.

Reinforced Foundation for Domestic Procurement (Japan)

TS TECH works together with its suppliers, frequently sharing information, to strengthen cost competitiveness amid increasingly globalized competition.

Moreover, TS TECH is building a mechanism that will ensure flexible and stable procurement, backed by greater preparedness for market upheavals, foreign exchange fluctuations, unexpected changes in manufacturing conditions, natural disasters, and other risks. The underlying concept of this mechanism is fair and impartial treatment of all suppliers and trade partners. TS TECH is also putting in place a system that supports suppliers in areas related to their expertise, quality and cost so that they can fully demonstrate their strengths in their transactions with TS TECH.

Greater Competitiveness in Global Procurement

The TS TECH Group builds and strengthens its partnerships with suppliers in accordance with the Four Principles for TS Procurement.

To achieve greater cost competitiveness and consistent high product quality, we are also working to build a global procurement system where the Corporate Purchasing Division of the Head Office in Japan centrally purchases raw and other materials which are commonly used worldwide. Conducting optimal purchasing practices on a global scale through such central procurement will help us build a procurement system which earns trust from all our stakeholders.

■ Four Principles of TS Procurement

Principle 1: Fair trade	When selecting a supplier, we offer our business to several candidates irrespective of their nationality, size, or past transactions and finalize our choice in a fair manner by comprehensively evaluating their ability to offer superior quality, expertise, price, delivery, and other elements, as well as competitiveness, rationality, efforts for business security and other relevant matters.
Principle 2: Mutually beneficial transactions	We share with our trade partners business challenges such as development and competitive pricing, set goals from a common perspective, and conduct joint efforts to achieve targets. We afford the highest priority to mutually beneficial transactions in terms of results thus obtained and make continuous efforts to strengthen mutual trust as the basis of mutually beneficial relationships.
Principle 3: Environmental responsibility	In our corporate activities, we under all circumstances attach the greatest importance to global environmental preservation. Accordingly, we practice “green purchasing,” granting preference to environmentally responsible products, services, companies, etc.
Principle 4: Legal compliance and confidentiality	We respect the principle of legal compliance and thoroughly observe relevant laws and regulations and generally accepted norms. We handle with the greatest care all kinds of information obtained from our customers and trade partners and make the utmost effort to prevent the loss or misuse of such information.

Respect for Intellectual Property Rights

We respect intellectual property rights. In developing products and technologies, we take full and appropriate care to ensure that we do not infringe on the intellectual property rights of others. Prior to the use of such proprietary materials, we ensure that we conclude licensing agreements with related parties. At the same time, we ask others to respect our intellectual property rights. In cases where an infringement is identified, we take all necessary measures, including demanding that infringing parties immediately discontinue any offending activities and offering such parties an opportunity to negotiate the signing of license agreements. We also provide our employees with training sessions on intellectual property rights in various forms, including in-house training.

Employee Invention Compensation

Aiming to encourage inventive activities of employees and effective utilization of the results of such activities, we have established the Rules on Invention Management. The incentive scheme specifies three levels of capped compensation for application, registration and market performance. To ensure adequate assessment of market performance, the patent review committee meets to review each invention in a fair manner.

Policy and Action against Antisocial Forces

The 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 and orderly civil society, and to work together as an entire group to demonstrate uncompromising attitudes against such forces. Specific measures include incorporating provisions for excluding the influence of antisocial forces in preparing agreements.

Winning Trust as a Company that Makes High-quality Products

We are further strengthening our quality management system as we strive to realize quality that meets global market needs.

CSR Checksheet

FY2012 average: 4.6 pts

FY2013 average: 4.6 pts

—— The ISO 26000 core subject ——

Consumer issues

—— Main stakeholders ——

Customers, end users

—— Association with Seven Attitudes in TS Guidelines for Conduct ——

Attitude toward customers (customer companies and end users)

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

Offer of Quality Products
I offer quality products, always placing myself in the customer's position.

—— Association with business activities and corporate value enhancement ——

High quality—starting point of global competitiveness

Consumer insistence on quality has become increasingly rigorous in recent years. Featuring assured long-term serviceability increases product superiority. To be globally competitive, TS TECH is therefore completely committed to quality control, implementing it at all times from the customer standpoint.

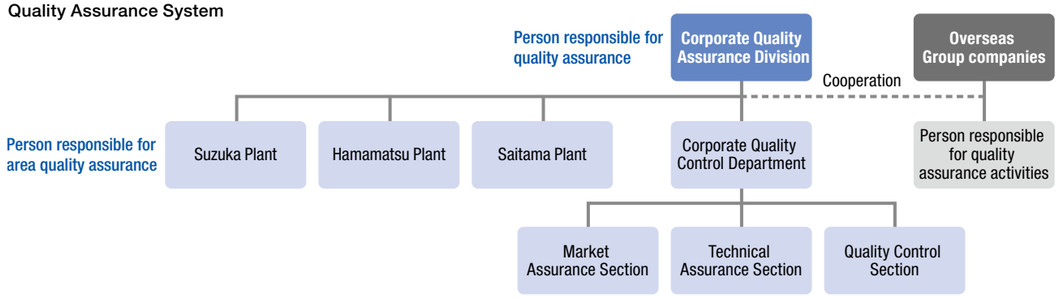
Our Concept of Quality and Quality Control

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

Our quality assurance system is maintained at our sites in and outside Japan, all of which are certified by internationally recognized quality standards (ISO 9001, ISO/TS16949, etc.), enabling us to constantly offer products of equally high quality anywhere in the world. The Corporate Quality Assurance Division centrally controls quality assurance targets and achievements for the entire TS TECH Group. We continue to aim for greater customer satisfaction through our products, subject to continuous improvement based on market research (IQS, VDS, etc).

Quality control in the manufacturing field, on the other hand, is led by quality-control-related divisions at each plant working in tandem with those directly engaged in manufacturing. Every two years, an international meeting is held for the Company's TC circles for small-group activities to raise the quality consciousness of each and every employee.

Quality Assurance System



Global Quality Management System

TS TECH's global quality management system is centered on Japan, the nucleus of TS TECH manufacturing. Under this system, quality is controlled and assured at each of the steps from new model planning to mass production, as indicated in the quality assurance system chart. This procedure leads to smooth manufacturing process startup.

Once mass production is launched, quality information from all sites, including those outside Japan, is collected for centralized management. The global system also enables instantaneous horizontal transmission of quality-related knowhow.

Responses to and Utilization of Customer Feedback

We consider customer feedback, including complaints, as valuable information that can contribute to the Group's continued future quality improvement. Accordingly, we make positive use of customer feedback toward the earliest possible resolution of problems and the prevention of their recurrence. Our troubleshooting procedure is explicitly stated in in-house regulations. Adhering to the procedure, we respond sincerely to every piece of customer feedback.

Customer complaints are compiled on a monthly basis to be shared with all of our sites via our global online network. Furthermore, we repeatedly test and evaluate our products under simulated conditions of use to identify and rectify problems so as to offer products that can truly satisfy and reassure our customers.

To Be a Company Firmly Rooted in the Local Community

The TS TECH Group actively engages in social contribution through community exchange, social welfare promotion, and disaster support as a member of the community.

CSR Checksheet

FY2012 average: 4.0 pts

FY2013 average: 4.4 pts

The ISO 26000 core subject

Community involvement and development

Main stakeholders

Local community

Association with Seven Attitudes in TS Guidelines for Conduct

Attitude toward the local community

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

Cultural exchange with the community	Social welfare	Disaster relief	Volunteer
I try to promote cultural exchange with the community through positive participation in local events.	I extend help positively to mentally or physically handicapped persons.	I will give positive aid to the victims when and if a disaster occurs.	I join or support volunteer activities in a positive manner.

Association with business activities and corporate value enhancement

Community service for a stronger foundation for business activities

To be and remain a company that is highly appreciated by society and chosen by consumers, we carry out a variety of activities that contribute to local communities, thereby enhancing the TS TECH brand value and strengthening the foundation of our business activities on a global basis.

Examples of Community Involvement

Japan

Sponsoring a women's football club

Head Office

On April 1, 2013, TS TECH signed a sponsorship agreement with women's football club AS Elfen Sayama FC (Elfen Sports Club). AS Elfen Sayama, based in Sayama City, Saitama Prefecture, belongs to the Plenus Challenge League 2013. Through this sponsorship, TS TECH contributes to the local community and supports those striving for excellence in the world of sports.

AS Elfen Sayama FC members

Examples of Community Involvement

Japan

Shop and refreshment area operated by a social welfare employment center

Technical Center

The Technical Center, located in Takanezawa-machi, Tochigi Prefecture, entrusts the operation of a shop on the Center's premises to Ibuki, a social welfare employment center and vocational facility* for people with mental disabilities operating in the same district, as a part of its CSR initiatives. Shop Ibuki provides its staff with opportunities to work in the private sector while appropriating part of the proceeds as payment for the workers. The Technical Center expanded its contract with Ibuki by entrusting the operation of "Primavera," a shop and refreshment area that opened in the new Center facility that was completed in March 2013. Also, 12 vending machines that were in the new facility were all replaced with SELP machines, with the goal of increasing remuneration for the Ibuki workers.

* Vocational facility is a facility that aims to help people who have difficulty finding employment to become independent, by providing them with opportunities for work and skills acquisition.

Primavera staff: "We enjoy working here."

SELP vending machine

China

Supporting elderly residents who live alone

Ningbo FTZ TS Trimont Automotive Interior Inc. (NFTS)
Ningbo EPZ TS Trimont Automotive Interior Inc. (NETS)

The Beilun District of Ningbo, where NFTS and NETS are located, has many elderly residents who live alone. Because this district has no governmental office for the management of residential areas, local environmental upkeep tends to be neglected, with the result that garbage can often be seen piling up in the streets. A group of 19 employees from the two companies volunteered to clean up a housing estate in Beilun. In about six hours, the group removed all garbage from the area, making the local residents very happy.

Beilun District clean-up campaign in October 2012

Asia/Europe

Dengue fever prevention

TS TECH (Thailand)

Dengue fever, a mosquito-borne infectious disease found mainly in tropical regions, is a serious public health problem in Thailand. Since there are no approved vaccines that are effective against infection, the focus is placed on prevention.

TS TECH (Thailand) cooperates with the public health center of Ban Dua City, where the company is located, in its dengue fever prevention campaign. In October 2012, 30 TSTH employees participated in the campaign as volunteers.

TS TECH (Thailand) employees participating in the dengue fever prevention campaign

Americas

Donation of toys to a local primary school

TST NA Trim

TST NA Trim carries out a toy drive to provide toys to local primary school children. In this campaign, 45 TSNT employees brought used toys into work for redistribution to children at Salinas Elementary School.

Toys given to children as Christmas gifts

Column

Examples of Community Involvement

Global Development of the Green Ecosystem Conservation Activities

The Green Ecosystem Preservation Campaign, one example of TS TECH's community involvement presented in Special Topics REPORT 3, has been spreading globally.

■ **Activities of the Green Ecosystem Preservation Campaign in FY2013**

TS TECH Do Brazil Ltda.

China

GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO., LTD.
· Payment of tree-planting fee
WUHAN TS-GSK Auto Parts Co., Ltd.
· Tree-planting activity in a residential area near the plant

Japan

Head Office·Saitama Plant
· "TS TECH Forest"
Technical Center
· "Forest of High Spirits"
Hamamatsu Plant
· "TS TECH Forest of Healing"
Suzuka Plant
· "TS TECH Forest of Relaxation"

Americas

TS TECH Americas, Inc.
· Cherry tree planting
· Cooperation with The Nature Conservancy
TS TECH Alabama, LLC.
· Activities to protect wild bird sanctuary
TST NA Trim, LLC.
· Tree planting at Salinas Elementary School
· Clean-up at World Birding Center
Trimont Mfg. Inc.
· Voluntary community service
· Front yard gardening
· Contribution to The Nature Conservancy
INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.
· Support for "TS TECH Forest"
TS TECH Do Brazil Ltda.
· Tree planting by volunteer employees

Asia/Europe

TS TECH Trim Philippines, Inc.
· Tree planting for environmental improvement and flood control
· Tree planting for air purification, school zone greening and dengue fever prevention
PT. TS TECH Indonesia
· Tree planting for "TS TECH Forest"
TS TECH (Thailand) Co., Ltd.
· Local environmental improvement
· Cleaning activities at Pattaya beach
TS TECH UK Ltd.
· Creating green arches in school gardens

TS TECH (Thailand) Co., Ltd.

■ **Topics from the FY2013 activities**

Asia/Europe

Tree planting for TS TECH Forest

PT. TS TECH Indonesia

In Indonesia, illegal collection of earth from Mount Merapi National Park (situated in the middle of the island of Java) following a recent volcanic eruption and the resultant destruction of the local ecosystem have become serious problems. In collaboration with the National Park Bureau and the Japan International Cooperation Agency (JICA), PT TS TECH Indonesia has been participating in a program that attempts to restore the local ecosystem. From 2012 to 2013, a total of 3,000 trees will be planted under this program. The growth of the trees will then be supervised for two years following the reforestation. On December 22, 2012, a ceremony was held on the site to mark the commencement of the program.

Reforestation in Mount Merapi National Park

Japan

Registered under the Green Wave 2013

Some programs conducted within the framework of the Green Ecosystem Conservation Activities have been registered on the Green Wave 2013 (arrived out from March 1 to June 15, 2013) list promoted by the Japanese Ministry of the Environment as group activities that contribute to general public understanding and consciousness-raising in relation to biodiversity through contact with forests, tree-planting activities, etc.

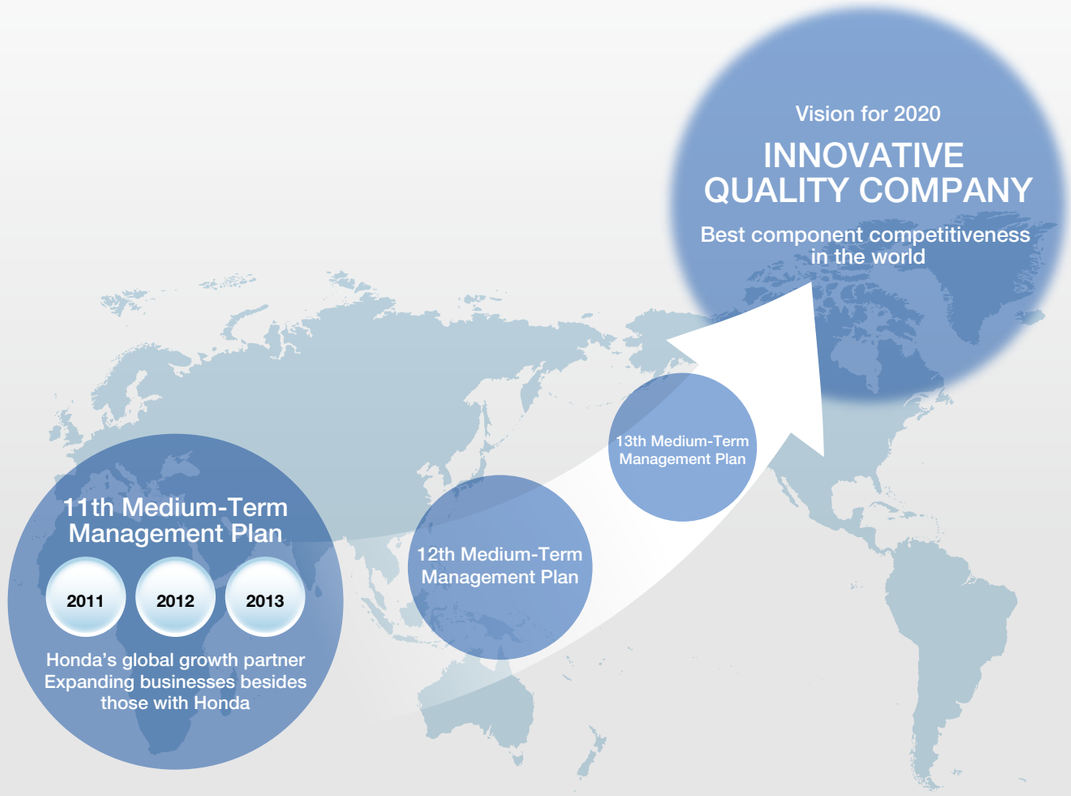
(1) "TS TECH Forest" new recruit training (tree planting), conducted in the Head Office and Saitama Plant
(2) "TS TECH Forest of Healing" fund-raising (cleanup of wind fallen tees), conducted in the Hamamatsu Plant

THE GREEN WAVE
One school, one tree, one gift to nature
UNEP CBD

Chapter 3 Financial Report

Vision for 2020
INNOVATIVE QUALITY COMPANY

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



Contents

Consolidated Performance Highlight

Consolidated Financial Statements (Million yen)

Item	FY2012 (As of March 31, 2012)	FY2013 (As of March 31, 2013)
Assets		
Current assets	126,602	136,587
Cash and deposits	47,435	58,270
Notes and accounts receivable-trade	52,417	48,806
Merchandise and finished goods	2,252	2,252
Work in process	1,901	1,978
Raw materials and supplies	15,790	18,256
Other	6,832	7,046
Allowance for doubtful accounts	(24)	(21)
Noncurrent assets	62,741	71,114
Property, plant and equipment	42,994	48,870
Intangible assets	1,174	1,259
Investments and other assets	18,573	20,985
1 Total assets	**189,343**	**207,701**

Item	FY2012 (As of March 31, 2012)	FY2013 (As of March 31, 2013)
Liabilities		
Current liabilities	67,369	62,189
Notes and accounts payable-trade	47,961	40,331
Short-term loans payable	4,298	2,050
Long-term loans scheduled for payment within one year	222	2,573
Income taxes payable	933	1,716
Allowances	2,009	2,477
Other	11,945	13,042
Noncurrent liabilities	9,727	7,988
Long-term loans payable	2,487	210
Allowances	682	621
Other	6,559	7,157
2 Total liabilities	**77,096**	**70,177**
Net assets		
Shareholders' equity	109,074	122,982
Capital stock	4,700	4,700
Capital surplus	5,163	5,163
Retained earnings	99,214	113,123
Treasury stock	(3)	(3)
Valuation and translation adjustments	(8,127)	10
Minority interest	11,301	14,532
3 Total net assets	112,248	137,524
Total liabilities and net assets	**189,343**	**207,701**

1 Total assets

Total assets as of March 31, 2013 increased 18,358 million yen over the year earlier, due to factors including a rise in cash and deposits and an increase in property, plant and equipment, reflecting investments in new models and the construction of new facilities for manufacturing automobile seats at the Saitama Plant, in addition to the impact of exchange rates.

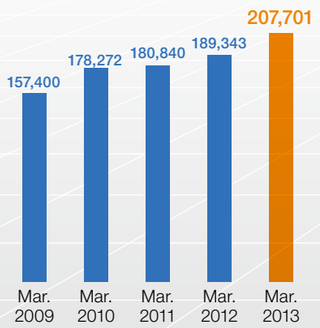
2 Total liabilities

Total liabilities as of March 31, 2013 decreased 6,919 million yen from the previous year, resulting primarily from a decline in notes and accounts payable-trade and a fall in short-term loans payable, chiefly owing to an improvement in financing associated with increased income.

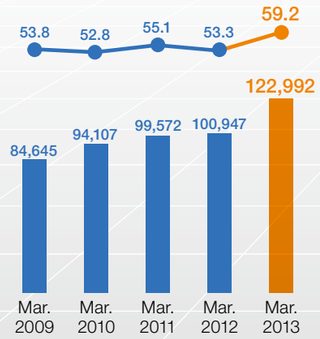
3 Total net assets

Total net assets as of March 31, 2013 rose 25,276 million yen over the year earlier, largely attributable to an increase in retained earnings, in addition to a decline in the negative balance for foreign currency translation adjustments.

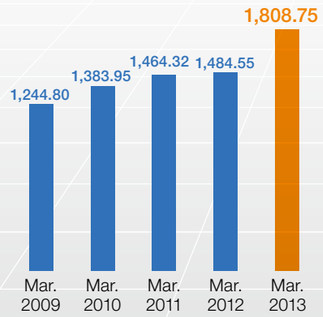
Total assets (Million yen)



Shareholders' equity (Million yen) Equity ratio (%)



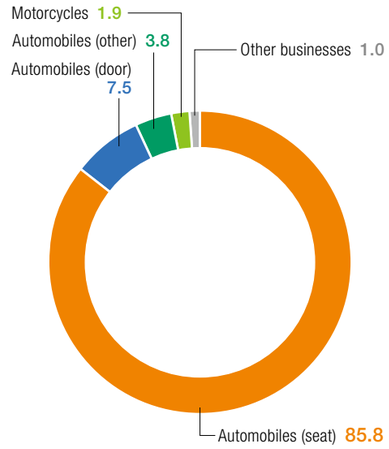
Net assets per share (Yen)



Consolidated Statements of Income (Million yen)

Item	FY2012 (As of March 31, 2012)	FY2013 (As of March 31, 2013)
Net Sales	305,483	359,331
Cost of sales	273,813	309,929
Gross profit	31,670	49,402
Selling, general and administrative expenses	22,269	25,182
Operating income	9,401	24,220
Non-operating income	2,242	3,346
Non-operating expenses	715	355
Ordinary income	10,928	27,210
Extraordinary income	1,204	359
Extraordinary loss	1,569	1,122
Income before income taxes	10,563	26,447
Total income taxes	3,690	7,563
Income before minority interests	6,873	18,884
Minority interests in income	2,160	3,142
Net income	4,713	15,742

Sales by business segment (%)



Consolidated Statements of Cash Flows (Million yen)

Item	FY2012 (As of March 31, 2012)	FY2013 (As of March 31, 2013)
Net cash provided by (used in) operating activities	18,599	23,773
Net cash provided by (used in) investing activities	(5,410)	(10,976)
Net cash provided by (used in) financing activities	(1,930)	(7,305)
Effect of exchange rate change on cash and cash equivalents	(1,275)	4,462
Net increase (decrease) in cash and cash equivalents	9,984	9,954
Cash and cash equivalents at beginning of period	33,288	43,395
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	123	—
Cash and cash equivalents at end of period	43,395	53,349

4 Net cash provided by operating activities

Net cash provided by operating activities increased 5,173 million yen over the previous year, due to factors including a year-on-year increase in income before income taxes.

5 Net cash used in investing activities

Net cash used in investing activities rose 5,566 million yen from the previous year, primarily reflecting the fact that a net change in time deposits deriving from payments into time deposits and proceeds from the withdrawal of time deposits came to a net outlay compared with a net increase in the previous year.

Operating Performance

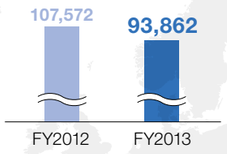
Performance by geographic segment

Japan

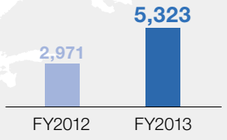
Net sales
93,862 million yen
(Down 12.7% year on year)

Operating income
5,323 million yen
(Up 79.2% year on year)

Sales (Million yen)



Operating income (Million yen)



The Group continued to face a challenging business environment. Sales of light automobiles for its main customers were strong, but sales volume for the models the Group received orders for declined. Under these circumstances, the Group began operating a new seat production plant on the site of its Saitama plant. The new plant improves production efficiency by 30% and reduces CO_2 emissions by 50% by cutting electricity use. Meanwhile, the Group decided to consolidate and restructure its interior product business and build a new interior product production plant on the site of the Saitama plant to further improve production efficiency and cut logistics costs. The Group also took steps in anticipation of future business deployment. It has built an organizational structure in accordance with the prospective customers it expects to place orders for seats and interior products for light automobiles.

Main factors for year on year changes

Net sales	Net sales declined due to a drop in orders from major customers, which offset increased royalties, reflecting a rise in overseas production.
Operating income	Operating income increased, given the effects of increased royalties and changes in the depreciation method, despite a decline in sales.

Production launched for:

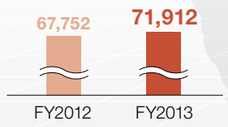
Seat for Acura RLX (for export)

China

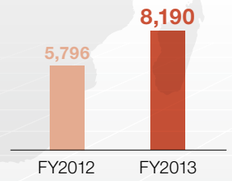
Net sales
71,912 million yen
(Up 6.1% year on year)

Operating income
8,190 million yen
(Up 41.3% year on year)

Sales (Million yen)



Operating income (Million yen)



The Group started producing seats and interior products for Honda's new CR-V in February 2012 and seats for the new Elysion in June. Following the production of the Li Nian S1 last year, the Group commenced the production of seats and interior products for CIIMO, a Dongfeng Honda* brand. In the Chinese market, the Group will need to respond to locally developed vehicles and the local optimal specifications. In consideration of this, the Group endeavored to strengthen its local development capabilities by enhancing its regional control and management structure. Meanwhile, the Group strove to cut costs, primarily by developing new local business partners.

*Dongfeng Honda: Dongfeng Honda Automobile Co., Ltd.

Main factors for year on year changes

Net sales	An increase in net sales, compared with FY2012, when business was affected by the Great East Japan Earthquake, reflected changes in the makeup of models and the positive impact of exchange rates, despite lower production as a result of changing conditions in China.
Operating income	Operating income improved due to the positive impact of exchange rates, as well as changes in the makeup of models and the effects of cost reductions, which outweighed higher labor costs and other negative factors.

Production launched for:

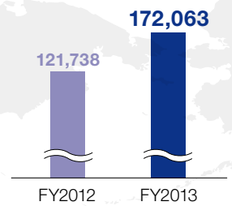
Seat for Honda ELYSION

Americas

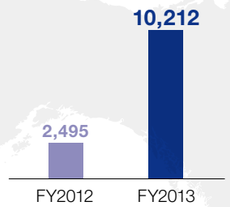
Net sales
172,063 million yen
(Up 41.3% year on year)

Operating income
10,212 million yen
(Up 309.4% year on year)

Sales (Million yen)



Operating income (Million yen)



The Group began manufacturing seats for the new Acura RDX in April 2012 and seats for the new Acura ILX in May. It also started manufacturing seats and interior products in September for Honda's new Accord. As demand for automobiles recovered in North America, orders were strong. Profitability improved significantly thanks to the effects of the measures to improve earnings that the Group took in its 9th Medium-Term Management Plan (April 1, 2005–March 31, 2008).
The Group also took steps to increase its competitiveness in North America, where competition is intensifying. It decided to establish a new company in Mexico to consolidate its production bases that manufacture parts for automobile seats in North America.

Main factors for year on year changes

Net sales	An increase in net sales, compared with FY2012, when business was affected by the Great East Japan Earthquake, reflected an increase in orders with recovering demand in North America, in addition to the normalization of the operations of major customers.
Operating income	Operating income increased, given higher sales, despite an increase in expenses associated with a rise in orders.

Production launched for:

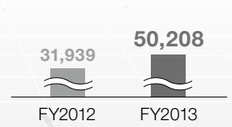
Seat for Honda ACCORD

Asia and Europe*

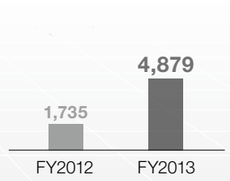
Net sales
50,208 million yen
(Up 57.2% year on year)

Operating income
4,879 million yen
(Up 181.1% year on year)

Sales (Million yen)



Operating income (Million yen)



In Thailand, a subsidiary affected by the flooding resumed production in March 2012 to make up for the lost production. The Group started manufacturing seats and interior products in Thailand for Honda's new Civic, seats and interior products for the new CR-V, and seats for the new Brio Amaze. To avoid the risk of flooding in the future, the Group decided to move its production. Meanwhile, the Group established a regional headquarters for operations in Asia and Europe to enhance its sales and development capabilities in these areas and its regional control and management structure for globalization.

*TS TECH has changed the "Asia and the U.K." segment to "Asia and Europe" since April 1, 2012

Main factors for year on year changes

Net sales	An increase in net sales, compared with FY2012, when business was affected by the Great East Japan Earthquake, reflected an increase in orders from major customers, offsetting the effects of the suspension of operations due to the flooding in Thailand.
Operating income	Operating income rose thanks to an increase in net sales, which outweighed higher expenses due to the flooding in Thailand.

Production launched for:

Seat for Honda BRIO AMAZE

Management's Discussion and Analysis

1. Analysis of Financial Condition

Total assets as of March 31, 2013, the end of FY2013, stood at 207,701 million yen, increasing 18,358 million yen from the end of FY2012. The main factors for the increase were a rise in cash and deposits and an increase in property, plant and equipment, reflecting investments in new models and the construction of new facilities for manufacturing automobile seats at the Saitama Plant, in addition to the impact of exchange rates.

Total liabilities at the end of FY2013 amounted to 70,177 million yen, declining 6,919 million yen from the end of FY2012. The decrease resulted primarily from a decline in notes and accounts payable-trade and a fall in short-term loans payable, chiefly due to an improvement in financing associated with an increase in income, offsetting the impact of exchange rates.

Net assets at the end of FY2013 totaled 137,524 million yen, rising 25,276 million yen from the end of FY2012, chiefly attributable to an increase in retained earnings, in addition to a decrease in the negative balance for foreign currency translation adjustments.

2. Analysis of Cash Flows

Cash and cash equivalents (hereinafter "cash") at the end of FY2013 amounted to 53,349 million yen, up 9,954 million yen from the end of the previous fiscal year.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities amounted to 23,773 million yen, a rise of 5,173 million yen year on year. This result reflects, among other factors, a year-on-year increase in income before income taxes of 15,884 million yen, to 26,447 million yen, and a shift to an increase of 8,459 million yen in notes and accounts receivable-trade from a 3,308 million yen decrease in notes and accounts receivable-trade in the previous fiscal year, which offset a change to a 12,899 million yen decrease in notes and accounts payable-trade from a 5,259 million yen increase in notes and accounts payable-trade in the previous fiscal year.

(Net cash provided by (used in) from investing activities)

Net cash used in investing activities came to 10,976 million yen, a rise of 5,566 million yen from the previous fiscal year, primarily reflecting the fact that a net change in time deposits deriving from payments into time deposits and proceeds from the withdrawal of time deposits came to a net outlay of 127 million yen compared with a net increase of 2,667 million yen in the previous fiscal year, as well as a purchase of property, plant and equipment of 9,343 million yen, rising 2,324 million yen compared with the previous fiscal year.

(Net cash provided by (used in) financial activities)

Net cash used in financing activities was 7,305 million yen, a rise of 5,375 million yen year on year. This reflects, among other things, a net outlay in short-term loans payable of 2,330 million yen compared with a net increase of 2,597 million yen in the previous fiscal year.

3. Analysis of Operating Performance

During FY2013, the global economy generally continued to gradually recover, despite the downside risks from the sovereign-debt crisis in Europe and other negative factors. Meanwhile, while production for the TS TECH Group was adversely affected by changes in China, overall performance was solid, as the Group recovered from the damage caused by the series of large natural disasters in the previous fiscal years and demand for automobiles increased, especially in North America.

Against this backdrop, under its vision for 2020, "Innovative Quality Company," the Group continued to work on its 11th Medium-Term Management Plan (April 1, 2011–March 31, 2014) with the goal of "Evolution as a global company."

In FY2013, the second year of the Group's 11th Medium-Term Management Plan, the Group significantly improved its profitability in the Americas, thanks to the market recovery and the effects of measures to improve its profit structure. In other areas, the Group increased production and steadily launched new models while maintaining high quality. In J.D. Power and Associates' U.S. Seat Quality and Satisfaction Study, the Group was ranked number one for the first time. A number of the steps the Group had taken in past years produced results in FY2013.

Net sales for FY2013 amounted to 359,331 million yen on a consolidated basis, an increase of 53,848 million yen (17.6%) from the previous fiscal year, primarily reflecting an increase in orders from major customers, chiefly in North America, and the positive impact of exchange rates. Looking at profits, operating income stood at 24,220 million yen, an increase of 14,819 million yen (157.6%) year on year, mainly due to a rise in net sales and cost-reduction effects. Ordinary income was 27,210 million yen, an increase of 16,282 million yen (149.0%) from the previous fiscal year. Net income stood at 15,742 million yen, rising 11,029 million yen (234.0%) year on year.

4. Forecasts for the Fiscal Year Ending March 31, 2014

The Group's consolidated forecasts for the FY2014 are as follows:

Consolidated net sales	417.0 billion yen	(Year-on-year Up 16.0%)
Consolidated operating income	28.5 billion yen	(Year-on-year Up 17.7%)
Consolidated ordinary income	30.5 billion yen	(Year-on-year Up 12.1%)
Consolidated net income	17.5 billion yen	(Year-on-year Up 11.2%)

The Group's forecasts by segment are as follows:

(Japan)

(Unit: Million yen)

	FY2013	FY2014 Forecasts	Year-on-year	Changes
Net sales	93,862	104,970	11,108	11.8%
Operating income	5,323	7,140	1,817	34.1%

Main factors for year on year changes

Net sales: Net sales are expected to rise, reflecting increased orders from major customers.

Operating income: Operating income is expected to increase, given the effects of higher sales.

(Americas)

(Unit: Million yen)

	FY2013	FY2014 Forecasts	Year-on-year	Changes
Net sales	172,063	188,470	16,407	9.5%
Operating income	10,212	10,230	18	0.2%

Main factors for year on year changes

Net sales: Net sales are expected to increase, reflecting increases in orders from major customers and the positive impact of exchange rates, offsetting a fall in sales due to changes in the makeup of models.

Operating income: Operating income is expected to rise, given the effects of higher sales and the positive impact of exchange rates, despite a decline in income as a result of changes in the makeup of models.

(China)

(Unit: Million yen)

	FY2013	FY2014 Forecasts	Year-on-year	Changes
Net sales	71,912	82,360	10,448	14.5%
Operating income	8,190	9,980	1,790	21.9%

Main factors for year on year changes

Net sales: Net sales are expected to increase, reflecting increases in orders from major customers and the positive impact of exchange rates, offsetting a fall in sales due to changes in the makeup of models.

Operating income: Operating income is expected to rise, given the effects of higher sales and the positive impact of exchange rates, despite a decline in income as a result of changes in the makeup of models.

(Asia and Europe)*

(Unit: Million yen)

	FY2013	FY2014 Forecasts	Year-on-year	Changes
Net sales	50,208	61,680	11,472	22.8%
Operating income	4,879	6,040	1,161	23.8%

Main factors for year on year changes

Net sales: Sales are expected to rise, reflecting a early recovery in production, which was disrupted by flooding in Thailand, and an increase in orders from the Group's main customers.

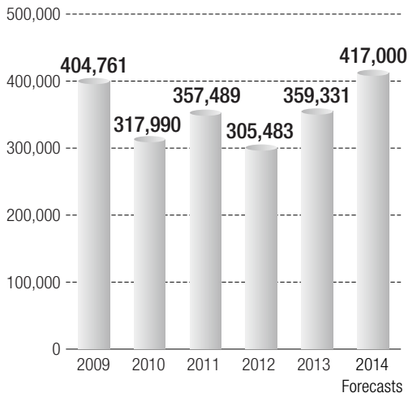
Operating income: Operating income is expected to rise, given the effects of higher sales and the positive impact of exchange rates.

* TS TECH has changed "Asia and the U.K." segment to "Asia and Europe" since April 1, 2012

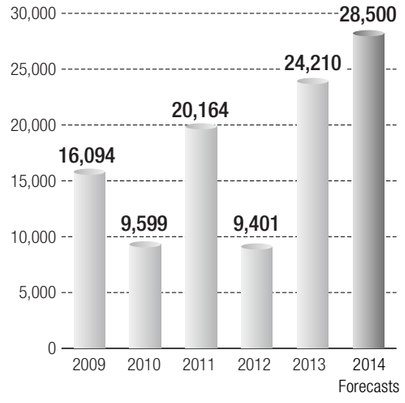
The Group also plans a capital investment of 181 billion yen, up 59.1% year on year.

Regarding full-year average exchange rates, the Group has assumed 1 USD = 90.0 yen and 1 CNY= 14.2 yen.

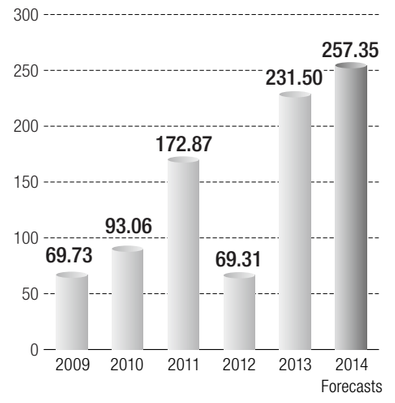
Net Sales (Millions of yen)



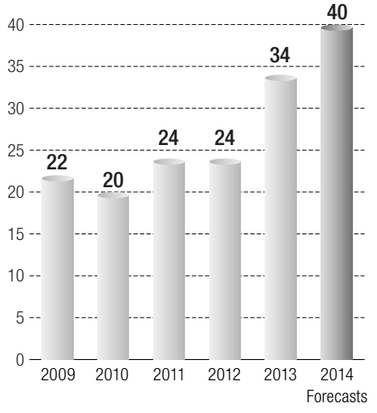
Operating Income (Millions of yen)



Basic Net Income per Share (Yen)



Cash Dividends per Share (Yen)



Business and Other Risks

The business performance and fi nancial condition of the TS TECH Group may be affected by the following risks, and we believe that the risk factors outlined may materially affect the investment decisions of investors. Although the Group has established appropriate risk management systems in response to these risks, users of this information should be aware that it is not possible to anticipate all contingencies.

Any statements contained herein regarding the future are based on judgments made by the Group as of the time this report was produced.

[1] Changes in the market environment

The TS TECH Group operates in regions around the world, including Japan, North America, South America, China and other countries in Asia, and Europe. The decline in the economies of these regions and reduced consumer spending resulting from trends in the costs of goods that has led to reduced sales of motorcycles and automobiles may have an adverse effect on the Group's operating performance.

[2] Level of dependence on sales to Honda Motor Co., Ltd., and Honda Group

Since its founding, the TS TECH Group has worked to quickly and flexibly develop business locations and pursue a development and production system to meet the needs of Honda Motor Co., Ltd. and its affiliates (the Honda Group). As a result, sales to the Honda Group accounted for a high percentage of consolidated net sales in FY2013, at 92.4%. (Including indirect sales to the Honda Group via other Honda Group partners, the Honda Group was the final customer for 95.0% of sales.)

The TS TECH Group participates in new vehicle model projects from the planning and development stages, and strives to carry out product development that meets customer needs by providing plans and proposals. However, the pursuit of such a strategy does not guarantee that the Group will receive ongoing orders for each model. If the Group were to unexpectedly fail to win an order with the Honda Group, the Group's operating performance may be affected.

In addition, the TS TECH Group has regular opportunities to communicate with the Honda Group through which it reaffirms the business direction being pursued by both groups. However, the business performance of the Group may be affected by such factors as (1) changes in the Honda Group's business strategies or purchasing policies; (2) adjustments in the Honda Group's production; (3) transfer of the production location of special models produced by the Honda Group; (4) reorganization of the Honda Group's production locations; and (5) the marketing launch date and marketing trends of Honda Group models that incorporate the Group's products.

[3] Competition

The appearance of new competitors or cooperation among existing competitors may result in such companies, or alliances, rapidly gaining market share.

The TS TECH Group aims continually for technical innovation to reinforce its position as a manufacturer specializing in automobile seats and interiors. The Group focuses on the development of high-quality, high-value-added automobile seats and interiors as a means of enhancing its competitiveness. However, there is no guarantee that the Group will be able to maintain or expand its market share in the future.

[4] Latent risks inherent in international operations and overseas expansion

In an operating environment in which automobile manufacturers are focusing increasingly on the optimization of their procurement systems on a global level, automobile component manufacturers are also facing expanding requirements related to optimum global procurement, where local production and local parts procurement comprise a fundamental part of the business model. Responding successfully to this globalization is an essential prerequisite to survival in the current competitive environment.

Reinforcing local production capabilities is a core strategy for the TS TECH Group. In North America, South America, China, other countries in Asia, and Europe, the Group has established local manufacturing subsidiaries and is pursuing an aggressive strategy of overseas business development. We expect this trend to continue. In FY2013, sales in Americas accounted for 47.9% of consolidated sales, China 18.9%, and Asia and Europe 14.0%.

As a result of this overseas business development, the management results and financial condition of the Group may be influenced by factors such as the unexpected establishment of or changes to overseas laws and regulations, the positions of tax authorities regarding transfer pricing taxation, changes in the politics and economies of different countries, changes to the management policies and business environments of joint ventures, difficulty in acquiring human resources and insufficient infrastructure.

[5] Exposure to the credit risk of business partners

As a manufacturer of automotive parts, the TS TECH Group has many business partners. While we regularly verify the management status of our business partners, in the event of an unexpected deterioration in the credit or failure of a partner, the Group's operating performance may be adversely affected.

[6] Impact of fluctuations in raw material markets

The TS TECH Group's main product, automobile seats, is made of steel, resin, polyurethane, and covering materials. The Group takes steps to ensure the stable procurement of these materials by concluding basic purchase contracts with our suppliers of raw materials and parts.

However, in the event of an insufficient supply of raw materials that cannot be addressed or absorbed by the Group, or sharp price increases induced by changes in the regulations surrounding raw materials, reduced production by raw materials manufacturers, and changes in raw materials markets, the Group's operating performance may be negatively affected.

[7] Impact of foreign exchange fluctuations

The TS TECH Group operates globally and is susceptible to foreign exchange fluctuations in its foreign currency-denominated transactions. While the Group conducts exchange hedging transactions for major currencies to minimize the risk of foreign exchange fluctuations, as it is impossible to hedge against all exchange risk, the Group's operating performance may be affected by changes in the foreign exchange market.

The Group's operating performance may also be affected by changes in management results following the conversion to yen based on the conversion rate used in the consolidated financial statements.

[8] Impact of disasters, accidents and other incidents on the Group's production lines

To minimize the latent risk of disruptions to its production lines, the TS TECH Group carries out regular accident prevention and safety inspections as well as equipment maintenance inspections on all equipment at its plants.

However, there is no guarantee that the Group will be able to completely prevent or mitigate the effect of disruptions to its production lines.

In addition, although the Group endeavors to enhance its manufacturing capacity by undertaking measures to improve processes on its production lines, making its equipment more versatile, and installing production equipment that enables the flexible transfer of production between different plants, among other measures, if an earthquake, contagious disease, or other large-scale natural disaster were to occur, or some other situation arose that caused the suspension of operations, it is possible that production capacity would be severely constrained. This event may have an adverse effect on the Group's operating performance.

[9] Protection of intellectual property rights

Although the TS TECH Group has accumulated significant technology and expertise related to the manufacture of its products, in the future it is possible that these intellectual property rights would not be comprehensively protected. Moreover, the Group's operations could be adversely affected if its intellectual property rights were to be illegally infringed on a large scale.

In addition to the situations outlined above, although the Group develops products and technologies while taking full and appropriate care to ensure that it does not infringe the intellectual property rights of other companies, it is possible that products and technologies developed by the Group could be deemed to infringe on the intellectual property rights of third parties.

[10] Response to legal procedures

Investigations of the TS TECH Group in lawsuits under related laws and regulations or decisions against the Group in ongoing legal procedures may adversely affect the operating performance and financial condition of the Group.

[11] Response in case of a product defect

The TS TECH Group's manufacturing plants take steps to prevent the occurrence of product defects by constructing a quality assurance system for manufacturing processes and operating ISO 9001 international standard for quality management systems.

Moreover, the Group hedges the risk of product liability claims for product defects through insurance coverage, construction of a system of traceability (tracing of manufacturing history) and other means. However, a product recall or similar event that incurred substantial cost and led to a decline in confidence in the Group might have an adverse effect on the Group's business performance and financial condition.

[12] Response to laws and regulations

In its business activities, which extend across many countries, the TS TECH Group is subject to a wide range of legal restrictions, such as safety and environmental regulations and laws. The Group operates in compliance with the relevant laws and regulations. In particular, in response to legal requirements in Europe and the United States relating to automobile safety, the Group has prepared a research and development system that enables it to adequately respond to future changes in the regulatory framework in this area.

However, in response to any future strengthening of regulations or the introduction of new regulations in a wide range of areas, if the Group is unable to fully comply with new legal requirements, its business activities may be restricted.

Moreover, any strengthening of regulations or introduction of new regulations may lead to increased costs for the Group. This scenario could adversely affect the Group's operating performance and financial position.

[13] Retirement benefit liabilities

The retirement benefit costs and liabilities of the TS TECH Group are calculated based on assumptions such as the discount rate and expected rate of investment income. As a result, should actual results differ from these assumptions or should these assumptions change, the Group's operating performance and financial condition may be affected.

Consolidated Balance Sheet

TS TECH Co., Ltd. and Consolidated Subsidiaries
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	**¥ 53,349**	¥ 43,395	**$ 567,238**
Short-term investments (Note 12)	**4,891**	4,008	**52,002**
Notes and accounts receivable (Note 12):			
Trade	**48,253**	52,111	**513,058**
Unconsolidated subsidiaries and associated companies	**553**	306	**5,884**
Inventories (Note 3)	**22,486**	19,943	**239,089**
Income taxes receivable (Note 12)	**187**	190	**1,987**
Deferred tax assets (Note 9)	**2,389**	2,196	**25,399**
Prepaid expenses and other current assets	**4,500**	4,477	**47,854**
Allowance for doubtful accounts	**(21)**	(24)	**(227)**
Total current assets	**136,587**	126,602	**1,452,284**
PROPERTY, PLANT, AND EQUIPMENT (Note 4)**:**			
Land	**9,683**	9,148	**102,952**
Buildings and structures	**37,270**	34,420	**396,278**
Machinery and equipment	**49,938**	46,763	**530,975**
Furniture and fixtures	**42,002**	38,001	**446,592**
Construction in progress	**3,027**	2,047	**32,190**
Total	**141,920**	130,379	**1,508,987**
Accumulated depreciation	**(93,050)**	(87,385)	**(989,373)**
Net property, plant, and equipment	**48,870**	42,994	**519,614**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 12)	**15,372**	13,129	**163,442**
Investments in and advances to unconsolidated subsidiaries and associated companies	**2,636**	2,270	**28,033**
Long-term loans (Note 12)	**692**	655	**7,353**
Intangibles assets	**1,259**	1,174	**13,387**
Deferred tax assets (Note 9)	**1,165**	843	**12,388**
Other	**1,457**	1,845	**15,496**
Allowance for doubtful accounts	**(337)**	(169)	**(3,588)**
Total investments and other assets	**22,244**	19,747	**236,511**
TOTAL	**¥207,701**	¥189,343	**$2,208,409**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Notes and accounts payable (Note 12):			
Trade	**¥ 39,820**	¥ 47,635	**$ 423,392**
Unconsolidated subsidiaries and associated companies	**511**	327	**5,431**
Short-term bank loans (Notes 6 and 12)	**2,050**	4,298	**21,795**
Current portion of long-term debt (Notes 6 and 12)	**2,992**	678	**31,814**
Accrued bonuses	**2,367**	1,922	**25,163**
Accrued bonuses to directors and corporate auditors	**110**	87	**1,171**
Income taxes payable (Note 12)	**1,716**	933	**18,250**
Deferred tax liabilities (Note 9)	**152**	174	**1,613**
Other	**12,471**	11,314	**132,603**
Total current liabilities	**62,189**	67,368	**661,232**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 12)	**457**	2,787	**4,863**
Liability for employees' retirement benefits (Note 7)	**563**	595	**5,983**
Liability for directors' and corporate auditors' retirement benefits	**59**	87	**624**
Deferred tax liabilities (Note 9)	**5,099**	4,888	**54,219**
Other	**1,810**	1,370	**19,246**
Total long-term liabilities	**7,988**	9,727	**84,935**
CONTINGENT LIABILITIES (Note 14)			
EQUITY:			
Common stock—authorized, 272,000,000 shares; issued, 68,000,000 shares in 2013 and 2012	**4,700**	4,700	**49,973**
Capital surplus	**5,163**	5,163	**54,898**
Retained earnings	**113,122**	99,214	**1,202,792**
Treasury stock—at cost, 1,709 shares in 2013 and 1,645 shares in 2012	**(3)**	(3)	**(35)**
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	**8,191**	7,089	**87,092**
Foreign currency translation adjustments	**(8,181)**	(15,216)	**(86,989)**
Total	**122,992**	100,947	**1,307,731**
Minority interests	**14,532**	11,301	**154,511**
Total equity	**137,524**	112,248	**1,462,242**
TOTAL	**¥207,701**	¥189,343	**$2,208,409**

Consolidated Statement of Income

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET SALES	**¥359,331**	¥305,483	**$3,820,640**
COST OF SALES	**309,929**	273,813	**3,295,369**
Gross profit	**49,402**	31,670	**525,271**
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 10)	**25,182**	22,269	**267,752**
Operating income	**24,220**	9,401	**257,519**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**1,414**	1,239	**15,038**
Interest expense	**(190)**	(228)	**(2,018)**
Loss on impairment of long-lived assets (Note 4)	**(326)**	(6)	**(3,461)**
Loss on sale and disposal of property, plant, and equipment	**(281)**	(318)	**(2,989)**
Gain on sale and disposal of property, plant, and equipment	**51**	205	**542**
Foreign exchange gains (losses)	**1,076**	(287)	**11,439**
Losses on disaster (Note 19)	**(420)**	(976)	**(4,468)**
Equity in earnings of associated companies	**306**	401	**3,257**
Rent income	**197**	236	**2,091**
Other—net	**400**	896	**4,253**
Other income —net	**2,227**	1,162	**23,684**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**26,447**	10,563	**281,203**
INCOME TAXES:			
Current:			
Income taxes	**8,539**	3,833	**90,796**
Deferred	**(976)**	(143)	**(10,384)**
Total income taxes	**7,563**	3,690	**80,412**
NET INCOME BEFORE MINORITY INTERESTS	**18,884**	6,873	**200,791**
MINORITY INTERESTS IN NET INCOME	**(3,142)**	(2,160)	**(33,414)**
NET INCOME	**¥ 15,742**	¥ 4,713	**$ 167,377**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK:			
Basic net income	**¥ 231.50**	¥ 69.31	**$ 2.46**
Cash dividends applicable to the year	**34.00**	24.00	**0.36**

	Thousands of Shares	
Number of common shares outstanding for the period	**68,000**	68,000

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	**¥18,884**	¥6,873	**$200,791**
OTHER COMPREHENSIVE INCOME (Note 15)**:**			
Unrealized gain on available-for-sale securities	**1,110**	649	**11,802**
Foreign currency translation adjustments	**8,683**	(2,973)	**92,327**
Share of other comprehensive income in associates	**105**	18	**1,113**
Total other comprehensive income	**9,898**	(2,306)	**105,242**
COMPREHENSIVE INCOME	**¥28,782**	¥4,567	**$306,033**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥23,878**	¥3,090	**$253,892**
Minority interests	**4,904**	1,477	**52,141**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Thousands	Millions of Yen								
						Accumulated other comprehensive income (loss)				
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2011	68,000	¥4,700	¥5,163	¥ 96,216	¥(3)	¥6,440	¥(12,944)	¥ 99,572	¥12,323	¥111,895
Net income				4,713				4,713		4,713
Cash dividends, ¥25 per share				(1,700)				(1,700)		(1,700)
Contribution to employee welfare fund				(93)				(93)		(93)
Purchase of treasury stock					(0)			(0)		(0)
Takeover of retained earnings for merger of nonconsolidated subsidiary				78				78		78
Net change in the year						649	(2,272)	(1,623)	(1,022)	(2,645)
BALANCE, MARCH 31, 2012	68,000	4,700	5,163	99,214	(3)	7,089	(15,216)	100,947	11,301	112,248
Net income				**15,742**				**15,742**		**15,742**
Cash dividends, ¥26 per share				**(1,768)**				**(1,768)**		**(1,768)**
Contribution to employee welfare fund				**(66)**				**(66)**		**(66)**
Purchase of treasury stock					**(0)**			**(0)**		**(0)**
Net change in the year						**1,102**	**7,035**	**8,137**	**3,231**	**11,368**
BALANCE, MARCH 31, 2013	**68,000**	**¥4,700**	**¥5,163**	**¥113,122**	**¥(3)**	**¥8,191**	**¥ (8,181)**	**¥122,992**	**¥14,532**	**¥137,524**

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note 1)								
					Accumulated other comprehensive income (loss)				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2012	$ 49,973	$ 54,898	$1,054,905	$(34)	$75,377	$(161,788)	$1,073,331	$120,157	$1,193,488
Net income			**167,377**				**167,377**		**167,377**
Cash dividends, $0.28 per share			**(18,798)**				**(18,798)**		**(18,798)**
Contribution to employee welfare fund			**(692)**				**(692)**		**(692)**
Purchase of treasury stock				**(1)**			**(1)**		**(1)**
Net change in the year					**11,715**	**74,799**	**86,514**	**34,354**	**120,868**
BALANCE, MARCH 31, 2013	**$ 49,973**	**$ 54,898**	**$1,202,792**	**$(35)**	**$87,092**	**$ (86,989)**	**$1,307,731**	**$154,511**	**$1,462,242**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥26,447**	¥10,563	**$281,203**
Adjustments for:			
Income taxes paid	**(7,734)**	(3,810)	**(82,235)**
Depreciation and amortization	**7,290**	8,578	**77,511**
Impairment loss on long-lived assets	**326**	6	**3,461**
Equity in earnings of associated companies	**(306)**	(401)	**(3,257)**
Losses on disaster undisbursed	**297**	750	**3,158**
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivable	**8,459**	(3,308)	**89,940**
(Increase) decrease in inventories	**(499)**	(2,259)	**(5,309)**
Increase (decrease) in interest and dividends receivable	**8**	(15)	**85**
(Decrease) increase in trade notes and accounts payable	**(12,899)**	5,259	**(137,149)**
(Decrease) increase in interest payable	**(1)**	1	**(13)**
(Decrease) increase in liability for employees' retirement benefits	**(85)**	227	**(899)**
Decrease (increase) in receivable for insurance proceeds	**0**	(264)	**2**
Other—net	**2,470**	3,272	**26,271**
Total adjustments	**(2,674)**	8,036	**(28,434)**
Net cash provided by operating activities	**23,773**	18,599	**252,769**
INVESTING ACTIVITIES:			
(Decrease) increase in time deposits	**(127)**	2,667	**(1,345)**
Proceeds from sale of property, plant, and equipment	**146**	596	**1,549**
Payment for purchase of property, plant, and equipment	**(9,343)**	(7,019)	**(99,339)**
Proceeds from sale of investment securities	**—**	8	**—**
Payment for purchase of investment securities	**(560)**	(46)	**(5,952)**
Proceeds from collection of loan receivables	**384**	418	**4,088**
Payment of loan receivables	**(187)**	(642)	**(1,992)**
Payment for purchase of unconsolidated subsidiary	**(375)**	(1,159)	**(3,991)**
Other—net	**(914)**	(233)	**(9,726)**
Net cash used in investing activities	**(10,976)**	(5,410)	**(116,708)**
FINANCING ACTIVITIES:			
(Decrease) increase in short-term bank loans	**(2,330)**	2,597	**(24,770)**
Repayment of finance lease obligations	**(580)**	(455)	**(6,169)**
Repayment of long-term debt	**(222)**	(218)	**(2,356)**
Payment for purchase of treasury stock	**(0)**	(0)	**(1)**
Dividends paid	**(4,173)**	(3,854)	**(44,374)**
Net cash used in financing activities	**(7,305)**	(1,930)	**(77,670)**
FORWARD	**¥ 5,492**	¥11,259	**$ 58,391**

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
FORWARD	**¥ 5,492**	¥ 11,259	**$ 58,391**
CASH AND CASH EQUIVALENTS INCREASED BY MERGER WITH UNCONSOLIDATED SUBSIDIARIES	**—**	123	**—**
FOREIGN CURRENCY TRANSLATION AND OTHER ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**4,462**	(1,275)	**47,444**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**9,954**	10,107	**105,835**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**43,395**	33,288	**461,403**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥53,349**	¥43,395	**$567,238**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

TS TECH Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2013

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards.
In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.
The consolidated financial statements are stated in Japanese yen, the currency of the country in which TS TECH Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The consolidated financial statements as of March 31, 2013, include the accounts of the Company and its 30 significant (29 in 2012) subsidiaries (together, the "Group").
Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.
Investments in 2 associated companies (2 in 2012) are accounted for by the equity method.
Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.
The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of five years.
All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.
Under Japanese GAAP, a difference of less than three months between the fiscal year–end of the parent company and its subsidiaries is not required to be adjusted for purposes of the consolidation. The fiscal year-end of subsidiaries except in Japan, North America, and India is December 31.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements***—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of research and development; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

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

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

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

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

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

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

h. ***Property, Plant, and Equipment***—Property, plant, and equipment are carried at cost. Depreciation of property, plant, and equipment is computed by the straight line method over the estimated useful lives. The range of estimated useful lives for the Company and its consolidated domestic subsidiaries is from 2 to 50 years for buildings, from 2 to 20 years for machinery and equipment, and from 2 to 20 years for furniture and fixtures.

Change of accounting estimate
Effective April 1, 2012, the Company and its consolidated domestic subsidiaries changed their depreciation method for property, plant and equipment, from declining-balance method to straight-line method.
Management's view is that the straight-line method provides a more reliable and relevant information of the components of property, plant, and equipment, because the assets can reasonably be expected to be used in stable condition over mid- and long-term during the process of achieving efficient and flexible productivity.
As a result, consolidated operating income and income before income taxes and minority interests for the year ended March 31, 2013, increased by ¥907 million ($9,648 thousand).

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

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

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

l. Other Assets—Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method principally over 3 to 20 years for intangible assets of the Company and its consolidated domestic subsidiaries and over the estimated useful life for intangible assets of the consolidated foreign subsidiaries. Goodwill and negative goodwill incurred before March 31, 2010, have been amortized by straight-line method over 5 years.

m. Employees' Retirement Benefits—The Company has a defined contribution plan, a retirement lump-sum payment plan, and a prepaid retirement plan covering substantially all of their employees. The domestic subsidiaries mainly have a contributory funded pension plan and retirement lump-sum payment plan. They also have the employee retirement benefit trust. Certain consolidated foreign subsidiaries have a defined benefit plan.
The Company accounts for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. The past service cost is amortized over 17 years, which is less than the employees' average residual service period, starting from the fiscal year when recognized. The actuarial gain or loss is amortized over 17 years, which is less than the employees' average residual service period, starting from the following fiscal year.

n. Retirement Allowances for Directors and Corporate Audit and Supervisory Board Members—Retirement allowances for directors and corporate audit and supervisory board members of domestic subsidiaries which rules them in their company policies, are recorded as a liability at the amount that would be required if all directors and audit and supervisory board members retired at each balance sheet date.
Retirement allowances for directors and corporate audit and supervisory board members are paid subject to approval of the shareholders in accordance with the Japanese Companies Act.

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

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

q. Bonuses to Directors and Audit and Supervisory Board Members—Bonuses to directors and audit and supervisory board members are accrued at the end of the year to which such bonuses are attributable.

r. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
Certain consolidated foreign subsidiaries file a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned subsidiaries.

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

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

u. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.
Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

v. Per-Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.
Diluted net income per share is not presented, as the effect of including potential common shares is anti-dilutive.
Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

w. New Accounting Pronouncements
Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:
(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or an asset.
Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

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

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013, with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard from the end of the annual period beginning on April 1, 2013, and is in the process of measuring the effects of applying the revised accounting standard for the year ending March 31, 2014.

3. INVENTORIES

Inventories as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Merchandise	**¥ 667**	¥ 789	**$ 7,097**
Finished products	**1,584**	1,463	**16,844**
Work in process	**1,978**	1,901	**21,034**
Raw materials	**16,848**	13,367	**179,133**
Supplies	**1,409**	2,423	**14,981**
Total	**¥22,486**	¥19,943	**$239,089**

4. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2013 and 2012. As a result, the Group recognized an impairment loss of ¥326 million ($3,461 thousand) and ¥6 million, respectively, as other expenses due to the significant decline in the market value of identified machinery and equipment. The total book values of the relevant assets were written off.

5. INVESTMENT SECURITIES

Investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Noncurrent:			
Marketable equity securities	**¥14,720**	¥12,971	**$156,511**
Nonmarketable equity securities	**652**	158	**6,931**
Total	**¥15,372**	¥13,129	**$163,442**

The costs and aggregate fair values of investment securities at March 31, 2013 and 2012, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2013				
Securities classified as available-for-sale equity securities	**¥2,107**	**¥12,613**		**¥14,720**
March 31, 2012				
Securities classified as available-for-sale equity securities	¥2,060	¥10,911		¥12,971

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2013				
Securities classified as available-for-sale equity securities	**$22,401**	**$134,110**		**$156,511**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2013 and 2012, were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Available-for-sale equity securities	**¥652**	¥158	**$6,931**

For other-than-temporary declines where fair values of securities at the end of the fiscal year become less than 50% of their acquisition costs, investment securities are reduced to net realizable value by a charge to income.

Due to low materiality, details of the proceeds from sales of available-for-sale equity securities for the year ended March 31, 2013, are not presented. Proceeds from sales of available-for-sale equity securities for the year ended March 31, 2012, were ¥8 million. There was no gross realized gain on these sales, computed on the moving-average cost basis for the year ended March 31, 2013.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short borrowings as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Short-term borrowings—From banks,			
0.61% to 2.20% (0.73% to 2.12% for 2012)	**¥2,050**	¥4,298	**$21,795**

Long-term debt as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loans from financial institutions—From banks,			
0.91% to 3.85% (1.18% to 3.85% for 2012):			
Collateralized			
Unsecured	**¥3,449**	¥3,465	**$36,677**
Total	**3,449**	3,465	**36,677**
Less current portion	**(2,992)**	(678)	**(31,814)**
Long-term debt, less current portion	**¥ 457**	¥2,787	**$ 4,863**

Annual maturities of long debt as of March 31, 2013, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥2,992	$31,814
2015	339	3,607
2016	85	906
2017	21	223
2018	6	67
2019 and thereafter	6	60
Total	¥3,449	$36,677

7. EMPLOYEES' RETIREMENT BENEFITS

Employees whose service with the Company is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs.

Prepaid pension expenses incurred from contribution plan using outside financial institutions to save plan assets; while liability for employees' retirement benefit incurred from retirement lump-sum payment plan.

There were no prepaid pension expense for the year ended March 31, 2013. For the year ended March 31, 2012, the plan assets were overfunded. However, Japanese GAAP allows deferred recognition of the actuarial loss as indicated above. As a result, the Company recorded prepaid pension expenses.

The liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	**¥14,691**	¥13,303	**$156,201**
Fair value of plan assets	**(11,487)**	(9,823)	**(122,133)**
Funded status	**3,204**	3,480	**34,068**
Unrecognized actuarial loss	**(2,641)**	(3,424)	**(28,085)**
Prepaid pension expenses		539	
Net liability	**¥ 563**	¥ 595	**$ 5,983**

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	**¥ 667**	¥ 742	**$ 7,088**
Interest cost	**253**	232	**2,694**
Expected return on plan assets	**(47)**	(219)	**(500)**
Recognized prior service cost		178	
Recognized actuarial loss	**431**	416	**4,588**
Other	**236**	206	**2,508**
Net periodic benefit costs	**¥1,540**	¥1,555	**$16,378**

Assumptions used for the years ended March 31, 2013 and 2012, were set forth as follows:

	2013	2012
Discount rate	**1.48%**	2.00%
Expected rate of return on plan assets	**1.50%**	2.50%
Amortization period of prior service cost	**17 years**	17 years
Recognition period of actuarial gain/loss	**17 years**	17 years

8. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a board of directors, (2) having independent auditors, (3) having an audit and supervisory board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

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

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

b. Treasury Stock

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

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.2% and 39.8% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences and loss carryforwards that resulted in deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Deferred tax assets:			
Accrued bonuses	**¥ 825**	¥ 709	**$ 8,775**
Income taxes payable	**71**		**752**
Accrued expenses	**867**	828	**9,215**
Reserve for retirement benefits for directors	**198**	221	**2,104**
Pension and severance costs	**189**	188	**2,005**
Allowance for doubtful accounts	**153**	61	**1,629**
Inventories	**168**	282	**1,782**
Loss on valuation of inventories	**156**		**1,659**
Depreciation and amortization	**537**	460	**5,711**
Research and development costs	**1,361**	905	**14,476**
Foreign tax credit carryforwards	**105**	277	**1,114**
Tax loss carryforwards	**257**	339	**2,737**
Inventory reserve	**138**		**1,469**
Other	**761**	630	**8,089**
Total deferred tax assets	**¥5,786**	¥4,900	**$61,517**
Valuation allowance	**(816)**	(794)	**(8,672)**
Deferred tax liabilities offset	**(1,416)**	(1,067)	**(15,058)**
Total deferred tax assets, net	**¥3,554**	¥3,039	**$37,787**
Deferred tax liabilities:			
Depreciation of foreign subsidiaries	**¥ 748**	¥ 860	**$ 7,950**
Net unrealized gains on marketable securities	**4,384**	3,791	**46,611**
Prepaid pension expense		189	
Foreign currency translation adjustments	**397**	372	**4,227**
Other	**1,138**	917	**12,102**
Total deferred tax liabilities	**6,667**	6,129	**70,890**
Deferred tax assets offset	**(1,416)**	(1,067)	**(15,058)**
Total deferred tax liabilities, net	**¥5,251**	¥5,062	**$55,832**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2013, with the corresponding figures for 2012, was as follows:

	2013	2012
Normal effective statutory tax rate	**37.2%**	39.8%
Permanent differences mainly arisen from non-taxable dividends income	**(2.1)**	(16.2)
Tax credits	**(2.1)**	(1.4)
Dividends income from subsidiaries eliminated by consolidation	**4.6**	20.7
Difference in statutory tax rates of foreign subsidiaries	**(9.3)**	(15.9)
Income taxes—prior year		(0.1)
Undistributed earnings of tax-haven subsidiaries	**1.1**	3.1
Valuation allowance		4.1
Other—net	**(0.8)**	0.8
Actual effective tax rate	**28.6%**	34.9%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Research and development expenses	**¥11,221**	¥9,642	**$119,313**

11. LEASES

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, the ASBJ Statement No. 13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied the ASBJ Statement No. 13 effective April 1, 2008, and continued to account for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, is omitted due to immateriality of the balance as of March 31, 2013.

The minimum rental commitments under noncancelable operating leases at March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥ 496**	**$ 5,275**
Due after one year	**1,371**	**14,578**
Total	**¥1,867**	**$19,853**

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

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

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

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

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

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

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

(3) *Risk Management for Financial Instruments*

Credit risk management

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

Market risk management (foreign exchange risk)

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

Liquidity risk management

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

(4) *Fair Values of Financial Instruments*

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

(a) *Fair value of financial instruments*

	Millions of Yen		
March 31, 2013	**Carrying Amount**	**Fair Value**	**Unrealized Gain/Loss**
Cash and cash equivalents	**¥ 53,349**	**¥ 53,349**	
Short-term investments	**4,891**	**4,891**	
Notes and accounts receivable	**48,806**	**48,806**	
Income taxes receivable	**187**	**187**	
Investment securities	**14,720**	**14,720**	
Long-term loans	**692**		
Allowance for doubtful accounts	**(300)**		
Subtotal	**392**	**368**	**¥(24)**
Total	**¥122,345**	**¥122,321**	**¥(24)**
Notes and accounts payable	**¥ 40,331**	**¥ 40,331**	
Short-term bank loans	**2,050**	**2,050**	
Current portion of long-term debt	**2,992**	**2,991**	**¥ (1)**
Income taxes payable	**1,716**	**1,716**	
Long-term debt	**457**	**453**	**(4)**
Total	**¥ 47,546**	**¥ 47,541**	**¥ (5)**
Derivatives	**¥ (2)**	**¥ (2)**	

	Millions of Yen		
March 31, 2012	**Carrying Amount**	**Fair Value**	**Unrealized Gain/Loss**
Cash and cash equivalents	¥ 43,395	¥ 43,395	
Short-term investments	4,008	4,008	
Notes and accounts receivable	52,417	52,417	
Income taxes receivable	190	190	
Investment securities	12,971	12,971	
Long-term loans	655		
Allowance for doubtful accounts	(150)		
Subtotal	505	471	¥ (34)
Total	¥113,486	¥113,452	¥ (34)
Notes and accounts payable	¥ 47,961	¥ 47,961	
Short-term bank loans	4,299	4,299	
Current portion of long-term debt	678	683	¥ 5
Income taxes payable	933	933	
Long-term debt	2,787	2,683	(104)
Total	¥ 56,658	¥ 56,559	¥ (99)
Derivatives	¥(2)	¥ (2)	

	Thousands of U.S. Dollars		
March 31, 2013	**Carrying Amount**	**Fair Value**	**Unrealized Gain/Loss**
Cash and cash equivalents	**$ 567,238**	**$ 567,238**	
Short-term investments	**52,002**	**52,002**	
Notes and accounts receivable	**518,942**	**518,942**	
Income taxes receivable	**1,987**	**1,987**	
Investment securities	**156,511**	**156,511**	
Long-term loans	**7,353**		
Allowance for doubtful accounts	**(3,190)**		
Subtotal	**4,163**	**3,908**	**$(255)**
Total	**$1,300,843**	**$1,300,588**	**$(255)**
Notes and accounts payable	**$ 428,823**	**$ 428,823**	
Short-term bank loans	**21,795**	**21,795**	
Current portion of long-term debt	**31,814**	**31,798**	**$ (16)**
Income taxes payable	**18,250**	**18,250**	
Long-term debt	**4,863**	**4,818**	**(45)**
Total	**$ 505,545**	**$ 505,484**	**$ (61)**
Derivatives	**$ (17)**	**$ (17)**	

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

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

Investment Securities

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

Long-Term Loans

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

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

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

Long-Term Debt

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

Derivatives

The information of the fair value for derivatives is included in Note 13.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Investments in equity instruments that do not have a quoted market price in an active market	**¥652**	¥158	**$6,931**

(5) *Maturity Analysis for Financial Assets with Contractual Maturities*

March 31, 2013	Millions of Yen	
	Due in One Year or Less	Due after One Year through Five Years
Short-term investments	¥ 4,891	
Notes and accounts receivable	48,806	
Income taxes receivable	187	
Long-term loans		¥692
Total	¥53,884	¥692

March 31, 2013	Thousands of U.S. Dollars	
	Due in One Year or Less	Due after One Year through Five Years
Short-term investments	$ 52,002	
Notes and accounts receivable	518,942	
Income taxes receivable	1,987	
Long-term loans		$7,353
Total	$572,931	$7,353

Please see Note 6 for annual maturities of long debt.

13. DERIVATIVES

Derivative transactions to which hedge accounting is not applied

Currencies

At March 31, 2013	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Forward currency forward contracts:				
Buying U.S. dollars	¥527			
Buying British pounds	229			
Buying Canadian dollars	83			
Buying Thai bahts	227		¥(2)	¥(2)

At March 31, 2012	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Forward currency forward contracts:				
Buying Japanese yens	¥301		¥(2)	¥(2)

At March 31, 2013	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Forward currency forward contracts:				
Buying U.S. dollars	$5,600		$ 4	$ 4
Buying British pounds	2,435			
Buying Canadian dollars	886		(1)	(1)
Buying Thai bahts	2,416		(20)	(20)

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

Derivative transactions to which hedge accounting is applied

(1) *Currencies*

At March 31, 2013	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Forward currency forward contracts:				
Buying Japanese yens	Payables	¥ 18		¥ 20
Selling British pounds	Receivables	385		386

At March 31, 2012	Hedged Item	Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Forward currency forward contracts:				
Selling U.S. dollars	Receivables	¥978		¥945
Selling British pounds	Receivables	566		542
Selling Canadian dollars	Receivables	83		80
Selling Thai bahts	Receivables	59		59

At March 31, 2013	Hedged Item	Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
Forward currency forward contracts:				
Buying Japanese yens	Payables	$ 194		$ 210
Selling British pounds	Receivables	4,094		4,108

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

(2) *Interest*

At March 31, 2013	Hedged Item	Millions of Yen	
		Contract Amount	Contract Amount Due after One Year
Interest rate swaps:			
(fixed-rate payment, floating-rate receipt)	Long-term debt	¥240	¥ 88

At March 31, 2012	Hedged Item	Millions of Yen	
		Contract Amount	Contract Amount Due after One Year
Interest rate swaps:			
(fixed-rate payment, floating-rate receipt)	Long-term debt	¥392	¥240

At March 31, 2013	Hedged Item	Thousands of U.S. Dollars	
		Contract Amount	Contract Amount Due after One Year
Interest rate swaps:			
(fixed-rate payment, floating-rate receipt)	Long-term debt	$2,552	$936

The above interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in the fair value of hedged items (i.e., long-term debt).

14. CONTINGENT LIABILITIES

At March 31, 2013, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Trade notes endorsed	**¥ 28**	**$ 302**
Guarantees and similar items of bank loans	**123**	**1,308**

15. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities			
Gains arising during the year	**¥ 1,703**	¥ 174	**$ 18,108**
Amount before income tax effect	**1,703**	174	**18,108**
Income tax effect	**(593)**	475	**(6,306)**
Total	**¥ 1,110**	¥ 649	**$ 11,802**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥8,683**	¥(2,973)	**$ 92,327**
Total	**¥8,683**	¥(2,973)	**$ 92,327**
Share of other comprehensive income in associates			
Gains arising during the year	**¥ 105**	¥ 18	**$ 1,113**
Total	**¥ 105**	¥ 18	**$ 1,113**
Total other comprehensive income	**¥9,898**	¥(2,306)	**$105,242**

16. RELATED-PARTY DISCLOSURES

Transactions between the Group and a Major Shareholder

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

Transactions between the Company and Honda for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Sales of products	**¥41,565**	¥58,897	**$441,948**
Purchases of materials and components	**8,262**	11,982	**87,849**

The balances due to or from Honda at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accounts receivable	**¥3,044**	¥10,498	**$32,363**
Accounts payable	**97**	272	**1,036**

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

Transactions between Consolidated Subsidiaries and Fellow Subsidiaries

TS TECH USA CORPORATION Ltd.

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

Transactions between TS TECH USA CORPORATION Ltd. and Honda of America Mfg., Inc., for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Sales of products	**¥50,894**	¥37,917	**$541,141**

The balances from Honda of America Mfg., Inc. at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accounts receivable	**¥ 4,295**	¥ 3,909	**$ 45,663**

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

TS TECH ALABAMA, LLC

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

Transactions between TS TECH ALABAMA, LLC and Honda Manufacturing of Alabama, LLC for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Sales of products	**¥34,701**	¥29,609	**$368,962**

The balances from Honda Manufacturing of Alabama, LLC at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accounts receivable	**¥ 3,116**	¥ 3,173	**$ 33,127**

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

TS TECH CANADA INC.

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

Transactions between TS TECH CANADA INC. and Honda Canada, Inc. for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Sales of products	**¥34,583**	¥17,545	**$367,710**

The balances from Honda Canada, Inc., at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accounts receivable	**¥ 3,546**	¥ 2,877	**$ 37,700**

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

TS TECH (THAILAND) Co., Ltd.

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

Transactions between TS TECH (THAILAND) Co., Ltd., and Honda Automobile (Thailand) Co., Ltd., for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Sales of products	**¥15,482**	¥7,909	**$164,613**

The balances from Honda Automobile (Thailand) Co., Ltd., at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accounts receivable	**¥ 4,950**	¥ 47	**$ 52,635**

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

TS TECH UK LTD.

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

Transactions between TS TECH UK LTD. and Honda of the U.K. Manufacturing Ltd. for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Sales of products	**¥19,069**	¥12,143	**$202,757**

The balances from Honda of the U.K. Manufacturing Ltd. at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accounts receivable	**¥ 2,257**	¥ 627	**$ 24,001**

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

17. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2013, was approved at the Company's shareholders' meeting held on June 21, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥20 ($0.21) per share	**¥1,360**	**$14,460**

18. SEGMENT INFORMATION

For the year ended March 31, 2013

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

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

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities, and other items for each reportable segment
   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies." As disclosed in Note 2.h, effective April 1, 2012, the Company and its consolidated domestic subsidiaries changed their depreciation method for property, plant, and equipment from declining-balance method to straight-line method. As a result, segment profit of Japan for the year ended March 31, 2013, increased by ¥907 million ($9,648 thousand).

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

	Millions of Yen						
	2013						
	Reportable segment						
	Japan	Americas	China	Asia/Europe	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	**¥69,698**	**¥172,063**	**¥67,470**	**¥50,100**	**¥359,331**		**¥359,331**
Intersegment sales or transfers	**24,164**		**4,442**	**108**	**28,714**	**¥(28,714)**	
Total	**93,862**	**172,063**	**71,912**	**50,208**	**388,045**	**(28,714)**	**359,331**
Segment profit	**5,323**	**10,212**	**8,190**	**4,879**	**28,604**	**(4,384)**	**24,220**
Segment assets	**78,971**	**61,587**	**37,750**	**38,257**	**216,565**	**(8,864)**	**207,701**
Segment liabilities	**21,569**	**31,495**	**17,802**	**10,825**	**81,691**	**(11,514)**	**70,177**
Other:							
Depreciation	**2,588**	**2,598**	**859**	**1,316**	**7,361**	**(29)**	**7,332**
Investment in associated companies in the equity method	**746**			**6**	**752**		**752**
Increase in property, plant,and equipment and intangible assets	**¥ 5,082**	**¥ 2,857**	**¥ 659**	**¥ 2,779**	**¥ 11,377**		**¥ 11,377**

	Millions of Yen						
	2012						
	Reportable segment						
	Japan	Americas	China	Asia/Europe	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	¥ 87,274	¥121,738	¥64,622	¥31,849	¥305,483		¥305,483
Intersegment sales or transfers	20,298		3,130	90	23,518	¥(23,518)	
Total	107,572	121,738	67,752	31,939	329,001	(23,518)	305,483
Segment profit	2,971	2,495	5,796	1,735	12,997	(3,596)	9,401
Segment assets	83,907	47,799	42,200	25,488	199,394	(10,051)	189,343
Segment liabilities	27,579	27,500	27,412	5,955	88,446	(11,351)	77,095
Other:							
Depreciation	3,769	2,509	1,006	1,377	8,661	(35)	8,626
Investment in associated companies in the equity method	763			5	768		768
Increase in property, plant, and equipment and intangible assets	¥ 2,880	¥ 2,466	¥ 563	¥ 2,257	¥ 8,166		¥ 8,166

	Thousands of U.S. Dollars						
	2013						
	Reportable segment						
	Japan	Americas	China	Asia/Europe	Total	Reconciliations	Consolidated
Sales							
Sales to external customers	**$ 741,072**	**$1,829,486**	**$717,386**	**$532,696**	**$3,820,640**		**$3,820,640**
Intersegment sales or transfers	**256,932**		**47,224**	**1,143**	**305,299**	**$(305,299)**	
Total	**998,004**	**1,829,486**	**764,610**	**533,839**	**4,125,939**	**(305,299)**	**3,820,640**
Segment profit	**56,600**	**108,582**	**87,082**	**51,875**	**304,139**	**(46,620)**	**257,519**
Segment assets	**839,672**	**654,836**	**401,378**	**406,777**	**2,302,663**	**(94,254)**	**2,208,409**
Segment liabilities	**229,336**	**334,879**	**189,286**	**115,094**	**868,595**	**(122,428)**	**746,167**
Other:							
Depreciation	**27,513**	**27,622**	**9,129**	**13,998**	**78,262**	**(303)**	**77,959**
Investment in associated companies in the equity method	**7,927**			**65**	**7,992**		**7,992**
Increase in property, plant and equipment and intangible assets	**$ 54,038**	**$ 30,378**	**$ 7,005**	**$ 29,546**	**$ 120,967**		**$ 120,967**

Notes: The above reconciliations include the following:
1. The reconciliations of "segment profit," ¥4,384 million ($46,620 thousand) and ¥3,596 million include intersegment elimination of ¥430 million ($4,576 thousand) and ¥105 million, and the Company's administrative expenses of ¥4,153 million ($44,161 thousand) and ¥3,925 million, which could not be allocated to each segment for the years ended March 31, 2013 and 2012, respectively.
2. The reconciliations of "segment assets," ¥8,864 million ($94,254 thousand) and ¥10,051 million include the Company's investments in subsidiaries, which amounted to ¥14,405 million ($153,159 thousand) and ¥12, 887 million, intersegment elimination of receivable of ¥11,477million ($122,029 thousand) and ¥11,459million, and long-term investment securities held by the Company and its subsidiaries, which amounted to ¥15,372 million ($163,442 thousand) and ¥13,129 million for the years ended March 31, 2013 and 2012, respectively.
3. The reconciliations of "segment liabilities," ¥11,514 million ($122,428 thousand) and ¥11,351 million for the years ended March 31, 2013 and 2012, respectively, are the intersegment eliminations.
4. The reconciliations of "depreciation," ¥29 million ($303 thousand) and ¥35 million for the years ended March 31, 2013 and 2012, respectively, are the intersegment eliminations.

Segment-Related Information

1. Information about products and services

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

2. Information about geographical areas

(1) Sales

	Millions of Yen					
	2013					
	Japan	Americas	China	Asia/Europe	Other	Total
	¥69,036	**¥172,148**	**¥67,749**	**¥50,127**	**¥271**	**¥359,331**

	Millions of Yen					
	2012					
	Japan	Americas	China	Asia/Europe	Other	Total
	¥ 86,419	¥ 121,931	¥65,015	¥ 31,894	¥ 224	¥ 305,483

	Thousands of U.S. Dollars					
	2013					
	Japan	Americas	China	Asia/Europe	Other	Total
	$734,037	**$1,830,390**	**$720,351**	**$532,981**	**$2,881**	**$3,820,640**

Note: Sales are classified in countries or regions based on location of customers.

(2) Property, Plant, and Equipment

	Millions of Yen				
	2013				
	Japan	Americas	China	Asia/Europe	Total
	¥21,802	**¥15,063**	**¥3,870**	**¥8,135**	**¥48,870**

	Millions of Yen				
	2012				
	Japan	Americas	China	Asia/Europe	Total
	¥ 19,941	¥ 13,466	¥ 3,696	¥ 5,891	¥ 42,994

	Thousands of U.S. Dollars				
	2013				
	Japan	Americas	China	Asia/Europe	Total
	$231,812	**$160,160**	**$41,146**	**$86,496**	**$519,614**

3. Information about major customers

	Millions of Yen	
	2013	
Name of customers	Sales	Related segment name
Honda of America Mfg., Inc.	**¥62,734**	Americas
Honda Motor Co., Ltd.	**44,420**	Japan
Dongfeng Honda Automobile Co., Ltd.	**36,366**	China

	Millions of Yen	
	2012	
Name of customers	Sales	Related segment name
Honda of America Mfg., Inc.	¥ 48,278	Americas
Honda Motor Co., Ltd.	62,052	Japan
Dongfeng Honda Automobile Co., Ltd.	29,292	China

	Thousands of U.S. Dollars	
	2013	
Name of customers	Sales	Related segment name
Honda of America Mfg., Inc.	**$667,026**	Americas
Honda Motor Co., Ltd.	**472,307**	Japan
Dongfeng Honda Automobile Co., Ltd.	**386,670**	China

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

	Millions of Yen						
	2013						
	Japan	Americas	China	Asia/Europe	Other	Elimination/ Corporate	Total
Impairment losses of assets	**¥251**	**¥75**					**¥326**

	Millions of Yen						
	2012						
	Japan	Americas	China	Asia/Europe	Other	Elimination/ Corporate	Total
Impairment losses of assets		¥ 6					¥ 6

	Thousands of U.S. Dollars						
	2013						
	Japan	Americas	China	Asia/Europe	Other	Elimination/ Corporate	Total
Impairment losses of assets	**$2,665**	**$796**					**$3,461**

5. Information about goodwill by reportable segment

Due to immateriality, details are not presented.

6. Information about bargain purchase gain

There was no bargain purchase gain for the year ended March 31, 2012.

The bargain purchase gain for the year ended March 31, 2013 is as follows:

	Millions of Yen						
	2013						
	Japan	Americas	China	Asia/Europe	Other	Elimination/ Corporate	Total
Bargain purchase gain				**¥10**			**¥10**

	Thousands of U.S. Dollars						
	2013						
	Japan	Americas	China	Asia/Europe	Other	Elimination/ Corporate	Total
Bargain purchase gain				**$103**			**$103**

The above bargain purchase gain was incurred due to additional investment in TS TECH SUN RAJASTHAN PVT. LTD., on December 5, 2012.

19. INFORMATION ABOUT LOSS ON DISASTER

Due to severe floods in Thailand in October 2011, the Group's recognized losses for the year ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Loss on disposal of property, plant, and equipment		¥364	
Loss on disposal of inventories		229	**$ 2**
Fixed cost during shutdown	**¥ 84**	145	**890**
Repair costs of machines, tools, and plants	**273**	135	**2,903**
Other	**63**	103	**673**
Total	**¥420**	¥976	**$4,468**

Deloitte.

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Japan

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Fax:+81 (3) 3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of TS TECH Co., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TS TECH Co., Ltd. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC
June 21, 2013

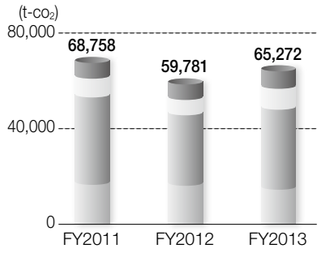
Member of
Deloitte Touche Tohmatsu Limited

Main Environmental Data

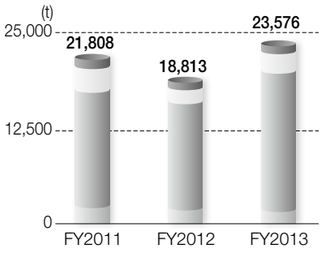
Environmental Data for the TS TECH Group

Japan Americas Asia and Europe China

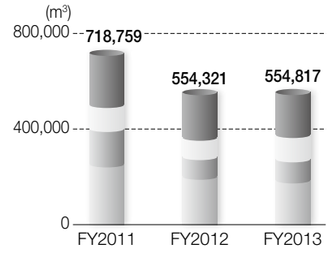
Total CO_2 Emissions



Total Waste Output



Total Water Usage

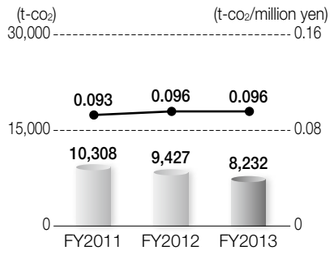


Note: FY2013 figures include data for one additional site in the Americas (TST NA Trim).

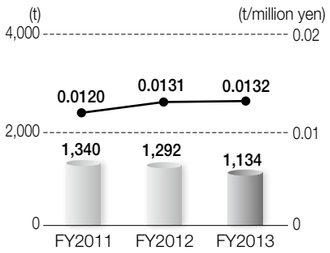
Environmental Data for TS TECH

Note: Line graph values are per unit of production (right scales).

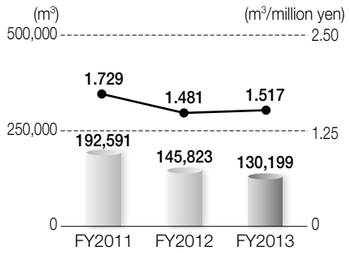
Total CO_2 Emissions



Total Waste Output



Total Water Usage



Material Flow

Input

- **Energy input** 208,640 GJ
- **Material input**
  - Amount of iron material purchased 5,515 t
  - Amount of non-ferrous material purchased 3,986 t
  - PRTR substances input volume 16.0 t
- **Water resources input** 130,199 m^3

Operations

Product development → Procurement → Production → Management → Distribution

Output

- **Greenhouse gas emissions**
  - Emissions from business sites 8,232 t-CO_2
- **PRTR chemical substances emissions**
  - Emissions to air 13.6 t
  - Off-site emissions 2.4 t
- **Waste generation**
  - Total amount of waste generated 1,134 t

Countermeasures Implemented against Soil Pollution

Between 2005 and 2006, soil gas and soil boring investigations were performed on Class 1 Specific Hazardous Substances specified by the law. These soil and groundwater investigations revealed that the pollution level exceeded the standard value at the seat parts assembly shop (former paint shop), where volatile solvents were used in the past, and since then we have been monitoring pollution dispersion to date. As of now, no specific hazardous substances are used in this plant.
For details of the voluntary investigations and the causes of pollution, see
http://www.tstech.co.jp/information/info-archive-detail/2013/info-detail-post-74.html

Water Pollution Control Act/Sewerage Act

The TS TECH Group periodically monitors the release of water discharged to public water areas and drainage that soaks into the ground from each business site to confirm that the Group is in compliance with effluent standards.

Item	Unit	Head Office		Technical Center		Saitama Plant (Gyoda)		Saitama Plant (Sayama)		Hamamatsu Plant		Suzuka Plant	
		Regulatory standards	Results	Regulatory standards	Results	Regulatory standards	Results	Regulatory standards	Results	Regulatory standards	Results	Regulatory standards	Results
Hydrogen ion concentration	PH	5.0–9.0	8.3	6.0–8.4	7.0	5.8–8.6	7.5	5.0–9.0	7.2	5.8–8.6	8.2	5.8–8.6	6.6
Biochemical oxygen demand (BOD)	mg/l	(600)*	322	10	6.1	25	4.0	(600)*	90	160	1.7	25	8.6
Suspended solids (SS)	mg/l	(600)*	392	25	4.0	60	Less than 5.0	(600)*	56	200	6.8	90	19

* The regulation values are self-imposed.

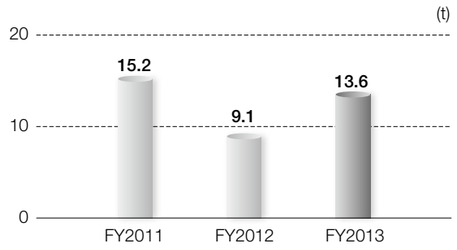
PRTR Act (The Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof)

The TS TECH Group reports annually the amount of chemical substances emitted into the air. There have been no incidents or problems to date.

Handling of PRTR Substances in FY2013 (t)

	Saitama Plant (Gyoda)	Hamamatsu Plant	Suzuka Plant
Amount handled	6.5	8.5	1.0
Amount emitted into air	4.0	8.5	1.0
Amount transferred	2.4	0.0	0.0

Amount Emitted into Air



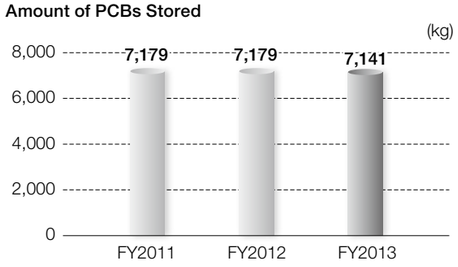
PCB Act (Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes)

TS TECH business sites are storing polychlorinated biphenyls (PCBs) contained in power receiving equipment (transformers and capacitors) for waste treatment, as indicated in the table on the right. The Company will continue to safely store and manage PCB waste.

PCB Storage in FY2013

Business site	Weight (kg)
Head Office	514
Technical Center	1,755
Saitama Plant	2,479
Suzuka Plant	2,315
Hamamatsu Plant	78
Total	7,141

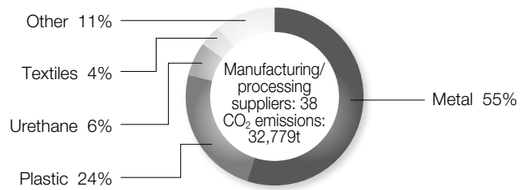
Amount of PCBs Stored



Survey of Suppliers' CO_2 Emissions

TS TECH started a CO_2 emissions survey targeted at its main manufacturing and processing suppliers in fiscal 2011. (Suppliers' emission reduction targets are set for fiscal 2014 onward.)

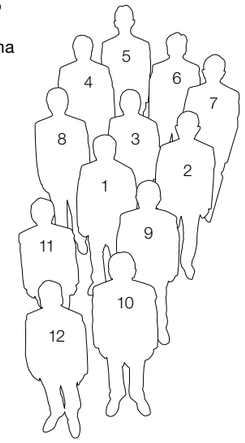
FY2013 Supplier CO_2 Emissions Survey
(CO_2 emissions by industries of manufacturing/processing suppliers)



Directors and Auditors (as of June 22, 2013)

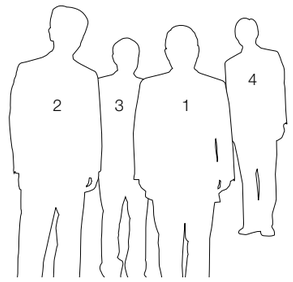
Directors

1. Michio Inoue
   President (Representative Director)
2. Toyohide Ishii
   Executive Vice President (Representative Director)
3. Kazuhisa Saito
   Senior Managing Director (Representative Director)
4. Takuo Arai
   Senior Managing Director
5. Kazuhiko Hikida
   Managing Director
6. Tatsuo Wada
   Managing Director
7. Yoshiaki Yui
   Managing Director
8. Toshio Komeji
   Director, Senior Advisor
9. Minoru Maeda
   Director
10. Masanari Yasuda
    Director
11. Katsuyuki Kusano
    Director
12. Yoshitaka Nakajima
    Director



Auditors

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



Global Network

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

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


Americas: TS TRIM INDUSTRIES INC.


China: GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.


Asia: PT. TS TECH INDONESIA


UK: TS TECH UK LTD.


HEAD OFFICE


SAITAMA PLANT (GYODA)


TECHNICAL CENTER


SUZUKA PLANT

Overseas business sites

- Number of countries: 13
- Number of corporations: 40
- Number of business sites: 69 locations
- Number of production sites: 49 locations

* The above numbers represent data as of May 2013 and include a new company (Guangzhou TS Tech Automotive Interior Research & Development Co., Ltd.) to be established in August 2013.

Number of employees by region (As of March 2013)

Japan:	2,150
The Americas:	6,850
China:	3,250
Asia and Europe:	2,817
Total:	15,067

Locations in Japan

1 **HEAD OFFICE**

2 **TECHNICAL CENTER**
Research and development, sales, procurement, and quality management

3 **SAITAMA PLANT**
Manufacture of seats for automobiles, door trim, roof trim, and steering wheels

4 **HAMAMATSU PLANT**
Manufacture of seats for automobiles, motorcycles, door trim and seats for construction equipment and jet skis

5 **SUZUKA PLANT**
Manufacture of seats for automobiles and door trim

1 **KYUSYU TS CO., LTD.**
Manufacture of seats for motorcycles and resin-based products

2 **SUN CHEMICAL INDUSTRY CO., LTD.**
Rubber parts and resin-based products

3 **TS LOGISTICS CO., LTD.**
Logistics

4 **SOWA SANGYO CO., LTD.**
Manufacture of wire frames for seats and resin-based products

Locations Overseas

1 **TRI-CON INDUSTRIES, LTD.**
Manufacture of seats for motorcycle, ATV and seat parts for automobiles

2 **TS TRIM INDUSTRIES INC.**
Manufacture of door trim and roof trim

3 **TS TECH USA CORPORATION**
Manufacture of seats for automobiles

4 **TS TECH AMERICAS, INC.**
Head office and research and development of North America Group

5 **TS TECH ALABAMA, LLC.**
Manufacture of seats for automobiles

6 **TriMold LLC**
Manufacture of resin-based products for automobiles

7 **TS TECH INDIANA, LLC**
Manufacture of seats for automobiles

8 **TST NA TRIM, LLC.**
Trim cover production control

9 **TS TECH CANADA INC.**
Manufacture of seats for automobiles

10 **TRIMONT MFG. INC.**
Manufacture of door trim and roof trim

11 **TST MANUFACTURING DE MEXICO S. DE R.L. DE C.V.**
Manufacture of seat components for automobiles

12 **INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.**
Manufacture of trim covers

13 **TS TECH DO BRASIL LTDA.**
Manufacture of seats for automobiles and door trim

14 **GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.**
Manufacture of seats for automobiles

15 **GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO., LTD.**
Manufacture of trim covers

16 **GUANGZHOU TS TECH AUTOMOTIVE INTERIOR RESEARCH & DEVELOPMENT CO., LTD.**
Research and development activities for group companies in China (scheduled to be established in 2013)

17 **GUANGZHOU TSK AUTO PARTS CO., LTD.**
Manufacture of door trim

18 **NINGBO FTZ TS TRIMONT AUTOMOTIVE INTERIOR INC.**
Manufacture of trim covers

19 **NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC.**
Manufacture of trim covers

20 **WUHAN TS-GSK AUTO PARTS CO., LTD.**
Manufacture of seats for automobiles and door trim

21 **TS TECH (HONG KONG) CO., LTD.**
Trade administration for China Group

22 **TS TECH TRIM PHILIPPINES, INC.**
Manufacture of seats for automobiles, door trim, and trim covers

23 **PT. TS TECH INDONESIA**
Manufacture of seats for automobiles, door trim, and trim covers

24 **TS TECH (THAILAND) CO., LTD.**
Manufacture of seats for automobiles and door trim

25 **TS TECH ASIAN CO., LTD.**
Management, administration, development and support of businesses in Asian and European regions

26 **TS TECH SUN (INDIA) LIMITED**
Manufacture of seats for automobiles, door trim and seats for motorcycles

27 **TS TECH SUN RAJASTHAN PVT. LTD**
Manufacture of seats for automobiles

28 **TS TECH UK LTD.**
Manufacture of seats for automobiles

29 **TS TECH DEUTSCHLAND GmbH**
Sales, development and related activities and others in Europe

30 **TS TECH HUNGARY KFT**
Manufacture and sale of seats for automobiles and other products

To Make Significant Advances as a Global Company

Mitsuo Ogawa

Representative Director
Craig Consulting Co., Ltd.

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

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

Among his recent books is "How ISO 26000 Will Change Management" (Nikkei Publishing Inc.).

Automobile seats are an interface between people and cars, something with which people are regularly in contact, and TS TECH in its 50-year history of manufacturing these seats has always been required to give careful thought to the safety, comfort and functionality of seats. This know-how extends beyond automobile seats even to the cultural and ergonomic aspects of "seating," with research results publicly presented to general stakeholders through the Za Forum. The company's commitment to the interests of shareholders in publicly disclosing at the Za Forum information has been well-received and, as Mr. Inoue noted in the "Dialogue with the President," I believe it is also tied to the fundamental philosophy underlying the company's development of wanting stakeholders to appreciate the company's existence. In addition, the opportunities afforded to young researchers to compete at Za-Lab and disseminate new technology concepts to stakeholders certainly boosts their professional pride and job satisfaction, helping employees, too, become appreciative of the company's presence. Generally speaking, the reason a company undertakes CSR efforts is a simple one that nonetheless requires deep deliberation, and neglecting this will result in a steady divergence between CSR and corporate management. TS TECH's CSR appears to lie in carefully reflecting on the company's philosophy of "becoming a company welcomed with joy by stakeholders."

I would like to point out several issues this company should address to make further advances as a global company.

The first is the CSR promotion system. This company has a robust corporate risk screening organization called TS TECH Corporate Governance (TSCG) in which top management participates. Global CSR is changing at an accelerating pace today, and an increasing number of cases call for rapid decision-making by top management confronting CSR issues. A system for promoting CSR is needed in which an organization equivalent to TSCG and the management team participate to face these issues head-on.

The second is that this company prepares ISO 26000-based CSR check sheets and conducts self-checks. This is an effective means of comprehensively discovering problems, but companies need to keep their antennae up at all times to detect trends in the global community, set priorities, and respond. In recent years, for instance, steps have been taken to strengthen laws such as the Foreign Corrupt Practices Act in the US and the Bribery Act in the UK that govern the prevention of corruption, making their scope of applicability broader than Japan's and their penalties harsher. To protect employees working globally, CSR organizations are assigned the mission of carefully monitoring developments globally and putting out alerts within the company.

The third is extending the company's CSR standards throughout the value chain. The need for such efforts in the supply chain is particularly urgent and, as also pointed out by Ms. Kuroda in the "Dialogue with the President," it is more likely for misconduct to take place in the supply chain than within the company itself. ISO 26000 uses the phrase "scope of influence" in defining the scope of approaches within the supply chain. Perhaps this definition should be used to devise practical guidelines. The very nature of the automobile industry makes it easy for joint efforts with the supply chain to become rooted as a corporate culture. I expect that mutually beneficial relations in the supply chain would help further enhance TS TECH's competitiveness.

Corporate Data (as of March 31, 2013)

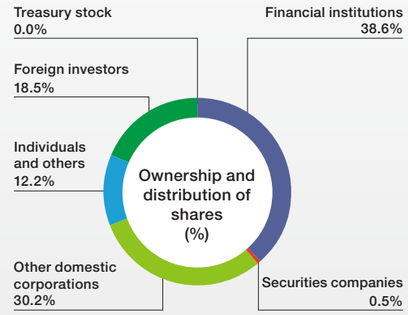
Company Name	TS TECH Co., Ltd.
Establishment	December 5, 1960
Head Office	3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan
Common Stock	¥4,700,000,000
Corporate Representative	President, Michio Inoue
Lines of Business	Manufacturing and sales of seats for automobiles; interior trim and interior components for automobiles; motorcycle seats; and motorcycle parts and accessories
Number of Employees	15,067 (consolidated) 1,729 (non-consolidated)
Closing of Accounts	March 31
Securities Traded	Tokyo Stock Exchange (First Section)
Main Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. / Sumitomo Mitsui Banking Corporation / Saitama Resona Bank, Limited
Main Customers	Honda Motor Co., Ltd. / Honda R&D Co., Ltd. / Honda Trading Corporation / Honda Access Corp. / Suzuki Motor Corporation / Yamaha Motor Co., Ltd. / Kawasaki Heavy Industries, Ltd. / PARAMOUNT BED CO., LTD.

Stock Information (as of March 31, 2013)

Total Number of Shares Authorized to Be Issued	272,000,000
Total Number of Shares Outstanding	68,000,000
Number of Shareholders	11,359

Major Shareholders (as of March 31, 2013)

	Equity participation	
	Number of shares held (thousands)	Voting stake (%)
Honda Motor Co., Ltd.	15,360	22.6
Japan Trustee Services Bank, Ltd. (Trust Account)	4,508	6.6
Mitsui Sumitomo Insurance Company, Limited	2,451	3.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,219	3.3
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Trust Bank, Limited Retrust Portion, 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
Bridgestone Corporation	1,536	2.3
Nippon Life Insurance Company	1,424	2.1
Taiyo Life Insurance Company	1,400	2.1



TS TECH Co.,Ltd.

3-7-27 Sakae-cho, Asaka-shi, Saitama 351-0012, Japan
URL: http://www.tstech.co.jp

July 2013
Printed in Japan