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June 5, 2026

## Other Matters Provided Electronically (Matters Excluded from Documents Delivered to Shareholders) for the Notice of the 74th Annual General Meeting of Shareholders

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In accordance with laws and regulations and Article 14 of the Articles of Incorporation of the Company, the above matters are excluded from the documents delivered to shareholders who have made a request for the delivery of paper documents (paper-based documents describing the items to be provided electronically), and are provided to shareholders by posting them on the Company's website ([https://www.tachi-s.co.jp/ir/stock\\_information/meeting.html](https://www.tachi-s.co.jp/ir/stock_information/meeting.html)), the website for publication of materials for the General Meeting of Shareholders, and the TSE website (Company Announcements Service).

# TACHI-S CO., LTD.

## System for Ensuring Appropriateness of Business and Outline of Operational Status

### (1) System for Ensuring Appropriateness of Business

At the Board of Directors meeting held on May 16, 2006, the Company resolved the basic policy on the development of the internal control system, and has been developing a system based on the basic policy. In light of the revision of the Companies Act, etc., a partial revision was resolved at the Board of Directors meeting held on April 24, 2015, and the resolution was as follows.

#### The TACHI-S Group's Basic Policy on the Internal Control System

The Basic Policy on the Internal Control System outlines our basic approach to internal controls within the TACHI-S Group and is as follows.

Each group company shall arrange for its Board of Directors to pass a resolution adopting this policy as one of its basic policies and ensure that directors and all employees fully understand it.

- ① A system for ensuring that directors and employees execute their duties in compliance with laws, ordinances, and Articles of Incorporation, and a system for ensuring appropriate business operations are conducted by the TACHI-S Group
  - 1) The officers and employees of the TACHI-S Group shall act in accordance with the TACHI-S Group's Charter of Corporate Behavior and the TACHI-S Group's Code of Conduct
  - 2) TACHI-S shall establish Compliance Committee in accordance with the Compliance Operational Rules.
  - 3) Each TACHI-S Group company shall have an appropriate number of compliance promoters, establish an internal reporting system, and regularly report to TACHI-S on the status of operations.
  - 4) TACHI-S shall regularly confirm the maintenance status of the internal control system of each TACHI-S Group company, identify issues and challenges, and make improvements.
  - 5) The Management Audit Office shall regularly audit each TACHI-S Group company to ensure appropriate business operations.
  - 6) The TACHI-S Group shall eliminate any relationships with antisocial forces.

- ② A system for maintaining and managing information pertaining to the execution of duties by directors
  - 1) Information pertaining to the execution of duties by directors shall be recorded and retained in documents in accordance with laws, ordinances, and internal rules. Directors and corporate auditors may inspect such documents at any time.
  - 2) Trade secrets and personal information shall be managed appropriately pursuant to the Information Security Policy and Personal Information Protection Rules.
  
- ③ Rules concerning risk management within the TACHI-S Group and other systems
  - 1) TACHI-S shall establish Risk Management Rules that prescribe matters concerning risk management of the TACHI-S Group.
  - 2) TACHI-S shall establish the Risk Management Committee as the organization responsible for risk management, prioritize risks to be addressed, and discuss issues and challenges relating to risk management within the TACHI-S Group.
  - 3) Each TACHI-S Group company shall develop countermeasures against risks taking into account the characteristics of each company based on the abovementioned issues and challenges and keep officers and employees informed of them.
  
- ④ A system for ensuring efficient execution of duties by directors of the TACHI-S Group
  - 1) TACHI-S shall execute its business in a flexible manner through the executive officer system.
  - 2) TACHI-S shall develop the TACHI-S Group mid-term management plan, and each TACHI-S Group company shall develop an annual business plan to execute the management plan. TACHI-S shall manage the progress of these plans through meetings of the Executive Committee or any other meetings.
  - 3) Each TACHI-S Group company shall establish standards concerning division of duties, authority and decision-making, and other standards concerning the organization.
  
- ⑤ A system for reporting to TACHI-S on matters concerning the execution of duties by directors, etc. of subsidiaries of TACHI-S
  - 1) TACHI-S shall keep all TACHI-S Group companies informed of the Affiliate Management Rules established by TACHI-S and impose upon them the obligation of reporting to and obtaining the approval of TACHI-S.
  - 2) Each TACHI-S Group company shall report to TACHI-S on the progress of the business plan and challenges at a monthly meeting on financial reports and semiannual meeting on business reports.

- ⑥ Matters concerning employees who assist corporate auditors in their duties and matters concerning the independence of such employees from directors
  - 1) The corporate auditors may request that employees be appointed as necessary to assist with the duties of the corporate auditors.
  - 2) If employees are appointed to assist the corporate auditors in their duties, then personnel transfers, personnel evaluations, and disciplinary actions of the employees shall be subject to the approval of the Board of Corporate Auditors.
  - 3) The corporate auditors shall conduct an efficient audit in cooperation with the Management Audit Office.
  
- ⑦ A system for directors and employees of the TACHI-S Group to report to corporate auditors
  - 1) If a director or employee of the TACHI-S Group finds any fact that is likely to significantly damage TACHI-S, he or she shall immediately report such a fact to the Board of Corporate Auditors.
  - 2) The directors and employees of the TACHI-S Group shall regularly and from time to time, at the request of the corporate auditors, report to the corporate auditors on matters concerning the execution of business.
  
- ⑧ A system for ensuring that a person who makes a report to the corporate auditors is not treated in an adverse manner
  - 1) Each TACHI-S Group company shall protect directors and employees who inform corporate auditors of alleged wrongdoing from unfair treatment and have all directors and employees across the Group recognize such policy.
  - 2) TACHI-S shall prescribe in provisions concerning the internal reporting system of each TACHI-S Group company that no one shall be dismissed or otherwise treated in an adverse manner for making such a report.
  
- ⑨ Matters regarding the policy on procedures for advance payments and recovery of expenses incurred with respect to executing the duties of corporate auditors and handling other expenses or obligations incurred with respect to executing such duties
  - 1) If a corporate auditor requests that TACHI-S pay expenses in advance with respect to his or her execution of duties pursuant to Article 388 of the Companies Act or makes other requests, the responsible department shall promptly handle such expenses or obligations after examining the request.
  
- ⑩ Other systems for ensuring efficient execution of an audit by corporate auditors
  - 1) The directors shall actively encourage corporate auditors to attend important meetings, inspect important documents, and conduct on-site audits of factories and subsidiaries to ensure the efficient execution of an audit by corporate auditors.
  - 2) The directors shall ensure a system under which corporate auditors regularly exchange opinions with the representative director, executive officers, and accounting auditors.

(2) Outline of Operational Status of System for Ensuring Appropriateness of Business

The outline of the operational status of the system for ensuring the appropriateness of business for the fiscal year under review is as follows.

① Compliance Matters

- The Compliance Committee, chaired by the officer responsible for compliance, meets annually in accordance with the Compliance Management Regulations to supervise and assess the compliance promotion system and provide instructions on improving it and to approve the compliance promotion activity plan for the current fiscal year and address material compliance issues.
- The TACHI-S Group's Charter of Corporate Conduct, the TACHI-S Group's Code of Conduct, etc., have been established and distributed to the officers and employees of the TACHI-S Group, and they are educated on the above at the on-boarding training program, rank-specific training programs, etc.
- We conduct investigations and analysis on the status of the development and operations of internal control systems at each group company.

② Risk Management Matters

- Based on the Risk Management Regulations that stipulate risk management at the TACHI-S Group, the Risk Management Committee identifies risks and conducts surveys and assessments of risk responses by each group company. The details of the activities of the Risk Management Committee are regularly reported to the Board of Directors for information sharing.
- We monitor the quality and production status of each group company and take measures as necessary.

③ Matters Concerning Directors' Execution of Duties

- The Board of Executive Officers meetings are held twice a month in principle to deliberate and decide on important matters other than those that should be resolved by the Board of Directors. Matters that should be resolved by the Board of Directors are deliberated in advance at a meeting of the Board of Executive Officers and presented to the Board of Directors. During the fiscal year under review, the Board of Directors met 14 times.

④ Subsidiary Management Matters

- In accordance with the Regulations on Management of Affiliated Companies established by the Company, we receive reports on important matters from group companies, and report them to the Board of Directors of the Company as appropriate.
- Management status, etc., of each group company are reported monthly at a meeting of the Board of Executive Officers.
- We receive reports on the progress and issues of each group company's business plan at our performance review meetings held every six months.

- ⑤ Matters Concerning Audit & Supervisory Board Members
- The Audit & Supervisory Board Members hold a meeting of the Audit & Supervisory Board Members Liaison Committee once a month to share information with the Management Audit Office.
  - The Audit & Supervisory Board Members attend important meetings and view important documents related to business execution in order to collect information.
  - The Audit & Supervisory Board Members regularly exchange opinions with the Representative Directors, Outside Directors, and Executive Officers.
  - The Audit & Supervisory Board Members exchange information with the accounting auditor at accounting audit results report sessions held on a quarterly basis, tripartite meetings held four times a year, etc.

## Basic Policy on Control of the Company

### (1) Basic Policy

The Company believes that it is necessary for the persons who control decisions on the Company's financial and business policies to understand the Company's corporate philosophy and sources of corporate value and to enable the Company's corporate value and the common benefit of the shareholders to be continuously and sustainably secured and improved. In addition, the Company believes that decisions on acquisition proposals involving the transfer of control of the Company should ultimately be made based on the will of the Company's shareholders as a whole.

The Company understands that a large-scale purchase of the Company's shares, etc., should not be denied if it contributes to the improvement of the corporate value of the Company and the common benefit of the shareholders. However, some large-scale purchases may cause damage to the corporate value of the Company and the common benefit of the shareholders, such as those whose purpose may clearly infringe the corporate value of the Company and the common benefit of the shareholders, those which may effectively compel shareholders of the Company to sell their shares, and those which may not give enough time or information to the Board of Directors or shareholders of the Company to consider proposals, alternatives, etc., pertaining to the relevant large-scale purchase.

The Company believes that those who make a large-scale purchase that does not contribute to the corporate value or common benefit of the shareholders are inappropriate as persons who control decisions on the financial and business policies of the Company, and that it is essential to secure the corporate value of the Company and the common benefit of the shareholders by taking necessary and reasonable measures against such persons' large-scale purchase.

### (2) Special Initiatives that Contribute to Implementation of Basic Policy

Since our establishment, the Company has had business dealings with many automobile manufacturers as a specialized manufacturer of automotive seats. We have maintained and developed our business to this day by taking advantage of this business.

The automotive industry, in which we are involved, is becoming more mature, and we are in a severe situation where we cannot expect to see an increase in domestic production in the future. In such environment, the automobile manufacturers that are our clients are promoting their activities globally with a new medium to long-term growth strategy for survival. We recognize that the trend of this new strategy, particularly taking on the challenge of business expansion mainly in emerging countries, forms a critical moment for our survival as well.

Under these circumstances, the Group is working to strengthen our structure to achieve competitive costs, to propose entire sheets to meet the needs of our clients, and to become a "company of choice" as a "global sheet system creator" capable of global production.

In order to strengthen corporate governance, the term of office of directors has been reduced to one year and an Executive Managing Officer system has been introduced with the aim of clarifying management responsibilities and improving management efficiency. In addition, four Outside Directors (1 attorney-at-law, 1 certified public accountant, 2 business owners) and two Outside Audit & Supervisory Board Members (1 attorney-at-law, 1 certified public accountant), who are not biased toward the interests of the management or specific stakeholders, are appointed to monitor management from an objective and professional perspective.

(3) Outline of Specific Measures to Prevent the Company's Decisions on Financial and Business Policies from Being Controlled by Inappropriate Persons in Light of Basic Policy

The Company will take appropriate measures within the scope permitted by relevant laws and regulations against persons who intend to make a large-scale purchase of the Company's shares, such as requiring such persons to provide necessary and enough information for shareholders to make accurate judgments on the appropriateness of the large-scale purchase, disclosing the opinions of the Board of Directors of the Company, etc., and ensuring time for shareholders' consideration.

(4) Judgment and Reasons of the Board of Directors of the Company for Measures

The measures stated in paragraphs (2) and (3) are in line with the basic policy in paragraph (1) and aimed at protecting the Company's corporate value and the common benefit of the shareholders, not intended to maintain the position of the Company's Executive Officers.

# Consolidated Statements of Changes in Equity

(From April 1, 2025  
to March 31, 2026)

(Unit: Million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2025	9,040	7,907	61,185	(1,366)	76,767
Changes during the period					
Dividends of surplus			(3,592)		(3,592)
Net income attributable to owners of parent			9,297		9,297
Disposal of treasury shares				61	61
Net changes in items other than shareholders' equity					
Total changes during the period	-	-	5,704	61	5,766
Balance as of March 31, 2026	9,040	7,907	66,890	(1,305)	82,533

(Unit: Million yen)

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of April 1, 2025	592	18,763	150	19,506	6	1,905	98,185
Changes during the period							
Dividends of surplus							(3,592)
Net income attributable to owners of parent							9,297
Disposal of treasury shares							61
Net changes in items other than shareholders' equity	292	2,304	243	2,840	-	(887)	1,952
Total changes during the period	292	2,304	243	2,840	-	(887)	7,718
Balance as of March 31, 2026	884	21,068	394	22,347	6	1,017	105,904

# Notes to Consolidated Financial Statements

## Important Matters, etc., as the Basis for Preparation of Consolidated Financial Statements

### 1. Scope of Consolidation

#### (1) Number of Consolidated Subsidiaries 22

Company names : TF-METAL Co., Ltd., Nui Tec Corporation, TACHI-S H&P Co., Ltd., TF-METAL Iwata Co., Ltd., TF-METAL Kyushu Co., Ltd., TF-METAL Higashi Mikawa Co., Ltd., TACHI-S Engineering U.S.A., Inc., TF-METAL Americas Corporation, SETEX, Inc., TACHI-S Automotive Seating U.S.A., LLC, TACHI-S Engineering Latin America, S.A. de C.V., Industria de Asiento Superior, S.A. de C.V., SETEX Automotive Mexico, S.A. de C.V., TF-METAL Mexico, S.A. de C.V., TACHI-S Brasil Industria de Assentos Automotivos Ltda., TACHI-S China Co., Ltd., Wuhan Dongfeng Tachi-S Yanfeng Automotive Seating Co., Ltd., Hunan TACHI-S Automotive Seating Co., Ltd., TACHI-S Trim Guangzhou Co., Ltd., TACHI-S Trim Wuhan Co., Ltd., TF-METAL Zhejiang Co., Ltd., TACHI-S Automotive Seating (Thailand) Co., Ltd.

#### (Matters Concerning Changes in Scope of Consolidation)

During the fiscal year under review, the Company transferred part of its equity interests in TACLE Guangzhou Automotive Seat Co., Ltd. and Lear Dongshi TACHI-S Automotive Seating (Xiangyang) Co., Ltd. As a result, these companies were reclassified from consolidated subsidiaries to entities accounted for using the equity method.

#### (2) Names, etc., of Major Non-consolidated Subsidiaries

Company names : TACHI-S Service Co., Ltd., TACHI-S Engineering Zhengzhou Co., Ltd., TACHI-S Engineering Vietnam Co., Ltd., APM TACHI-S Seating Systems Vietnam Co., Ltd.

#### (Reasons for Exclusion from Scope of Consolidation)

These non-consolidated subsidiaries are excluded from the scope of consolidation because they are small in size with their total assets, net sales, net profit or loss (amount proportionate to the equity share), retained earnings (amount proportionate to the equity share), etc., taken into consideration, and have no material impact on the consolidated financial statements as a whole.

## 2. Matters Concerning Application of the Equity Method

### (1) Number of Non-consolidated Subsidiaries Accounted for by the Equity Method : 1

Company names : TACHI-S Engineering Zhengzhou Co., Ltd.

### (2) Number of Affiliated Companies Accounted for by the Equity Method : 5

Company names : Kinryo Kogyo Co., Ltd., TACLE Guangzhou Automotive Seat Co., Ltd., Lear Dongshi TACHI-S Automotive Seating (Xiangyang) Co., Ltd., Zhengzhou Taixin Interior Co., Ltd., Lear Dongshi TACHI-S Automotive Seating (Dalian) Co., Ltd.

#### (Change in Matters Concerning Application of the Equity Method)

During the fiscal year under review, the Company transferred part of its equity interests in TACLE Guangzhou Automotive Seat Co., Ltd. and Lear Dongshi TACHI-S Automotive Seating (Xiangyang) Co., Ltd. As a result, these companies were reclassified from consolidated subsidiaries to entities accounted for using the equity method.

### (3) Names, etc., of Major Non-Consolidated Subsidiaries and Affiliated Companies

Not Accounted for by the Equity Method

Non-consolidated subsidiaries

Company names : TACHI-S Service Co., Ltd., TACHI-S Engineering Vietnam Co., Ltd., APM TACHI-S Seating Systems Vietnam Co., Ltd.

Affiliated companies

Company names : Lear Dongshi TACHI-S Automotive Seating (Wuhan) Co., Ltd., APM TACHI-S Seating Systems Sdn.Bhd., Uno Minda TACHI-S Seating Private Limited

#### (Reasons for Not Applying the Equity Method)

These companies are not accounted for by the equity method because they have little effect on net profit or loss, retained earnings, etc., and their effects as a whole are immaterial.

### (4) Matters Concerning Fiscal Year, etc., of Companies Accounted for by the Equity Method

Of the companies accounted for by the equity method, Kinryo Kogyo Co., Ltd. has a closing date of September 30. In preparing the consolidated financial statements, the financial statements based on the provisional settlement of accounts as of the consolidated closing date are used. The closing date of TACHI-S Engineering Zhengzhou Co., Ltd., TACLE Guangzhou Automotive Seat Co., Ltd., Lear Dongshi TACHI-S Automotive Seating (Xiangyang) Co., Ltd., Zhengzhou Taixin Interior Co., Ltd., and Lear Dongshi TACHI-S Automotive Seating (Dalian) Co., Ltd. is December 31, and the financial statements as of that date are used in preparing the consolidated financial statements.

## 3. Matters Concerning Fiscal Year, etc., of Consolidated Subsidiaries

Of the consolidated subsidiaries, TACHI-S Automotive Seating U.S.A., LLC, TACHI-S Engineering Latin America, S.A. de C.V., Industria de Asiento Superior, S.A. de C.V., SETEX Automotive Mexico, S.A. de C.V., TF-METAL Mexico, S.A. de C.V., TACHI-S Brasil Industria de Assentos Automotivos Ltda., TACHI-S China Co., Ltd., Wuhan Dongfeng Tachi-S Yanfeng Automotive Seating Co., Ltd., Hunan TACHI-S Automotive Seating Co., Ltd., TACHI-S Trim Guangzhou Co., Ltd., TACHI-S Trim Wuhan Co., Ltd., TF-METAL Zhejiang Co., Ltd., and TACHI-S Automotive Seating (Thailand) Co., Ltd. have a closing date of December 31. In preparing the consolidated financial statements, the financial statements as of that date are used, and necessary adjustments are made to reflect material transactions that occurred between their closing date and the consolidated closing date for consolidation.

The closing date of other consolidated subsidiaries is the same as the consolidated closing date.

#### 4. Matters Concerning Accounting Policies

##### (1) Standards and Methods for Valuation of Material Assets

###### ① Securities

###### Other securities

Those other shares without market price, etc. Fair value method  
(The entire amount of valuation differences are inserted directly into net assets, and the cost of sale is calculated using the weighted-average method.)

Shares without market price, etc. Cost method based primarily on the weighted-average method

###### ② Inventories

Finished goods, work in process (mass-produced products), and raw materials Cost method based primarily on the weighted-average method  
(Amount shown on balance sheet is calculated by writing down based on declines in profitability)

Other products and work in process Cost method based primarily on the specific identification method  
(Amount shown on balance sheet is calculated by writing down based on declines in profitability)

##### (2) Depreciation Method for Important Depreciable Assets

###### ① Tangible Fixed Assets

The declining-balance method is principally applied to the tangible fixed assets of the Company and its domestic consolidated subsidiaries (however, the straight-line method is applied to the buildings (excluding facilities) acquired on or after April 1, 1998, and to the facilities attached to buildings and the structures acquired on or after April 1, 2016). The straight-line method is principally applied to the tangible fixed assets of the Company's overseas consolidated subsidiaries.

###### ② Intangible Fixed Assets

Straight-line method

The straight-line method based on the internal use period (5 years) is applied to software (for internal use).

###### ③ Long-term Prepaid Expenses

Straight-line method

(3) Standards for Recognition of Material Allowances

① Allowance for Doubtful Accounts

To record an estimated unrecoverable amount from possible losses on unrecoverable receivables, the historical default rate is mainly used for general receivables, and the possibility of collection for each individual account is examined for specific receivables with concerns of recoverability.

② Provision for Bonuses for Officers

To prepare for the bonuses to be paid to officers subject to approval at the annual general meeting of shareholders, the amount based on the estimated amount to be paid as of the fiscal year under review is recorded.

③ Provision for Share Payment

To prepare for the provision of shares based on the performance-linked stock compensation plan, the amount based on the estimated share payment obligations as of the end of the fiscal year under review is recorded.

④ Provision for Loss on Litigation

To prepare for losses arising from pending litigation, the estimated amount of future losses is recorded.

(4) Standards for Recognition of Revenue and Expenses

The details of the major obligations of the Company and its consolidated subsidiaries in their principal business with respect to revenue arising from their contracts with customers, and the ordinary point in time at which such obligations are satisfied (the ordinary point in time at which revenue is recognized) are as follows.

The principal business of the Company and its consolidated subsidiaries is the automotive seat business. In this business, we mainly manufacture and sell automotive seats, and recognize revenue from such sales when they are delivered to or accepted by our customers. Provided, however, that for domestic sales we recognize revenue at the time of shipment. The Group processes parts and raw materials purchased from clients (“Paid Supplies”), and sells finished goods to such clients at a price with the processing costs, etc., added to the purchase price (“Paid Supply Transaction”). In a case where the supplier of the Paid Supplies is substantially obligated to repurchase the same, the net processing costs, etc., of such transaction are recognized as revenue.

(5) Other Important Matters for Preparation of Consolidated Financial Statements

Accounting for retirement benefits

To make allowances for the payment of retirement benefits to employees and executive officers, the amount obtained by deducting the amount of pension assets from retirement benefit obligations is recorded, mainly based on the estimated amount as of the end of the fiscal year under review. In calculating retirement benefit obligations, the benefit calculation standard is used for attributing the estimated retirement benefit amount to the period up to the end of the fiscal year under review.

Past service costs are recorded as expenses mainly with the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time such costs are incurred.

Actuarial gains and losses are, in principle, treated as expenses in the fiscal year following the one in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time the differences emerge each fiscal year.

Unrecognized actuarial gains and losses and unrecognized past service costs are recorded in the remeasurements of defined benefit plans of the accumulated other comprehensive income, in the net assets section, after adjusting for tax effects.

## Changes in Accounting Policies

None.

## Notes on Accounting Estimates

Information on judgments made in the application of accounting policies that have a material impact on the amounts recognized in the consolidated financial statements is included in “4. Matters Concerning Accounting Policies” in “Important Matters, etc. as the Basis for Preparation of Consolidated Financial Statements.” The items below involve assumptions that may cause significant changes in the following fiscal year, and require significant management decisions.

### 1. Item Name Representing Details of Accounting Estimate

Recoverability of deferred tax assets

### 2. Amounts Recorded in Consolidated Financial Statements for Fiscal Year under Review

Deferred tax assets recorded in the consolidated financial statements	¥6,278 million
Deferred tax liabilities recorded in the consolidated financial statements	¥2,086 million

### 3. Other Information on Estimates

The Group records deferred tax assets for deductible temporary differences that it determines are likely to be able to subtract future taxable income based on a reasonable estimate of future taxable income.

In recording deferred tax assets, the Company estimates the timing of future taxable income generated and its amount based on the business plan. The estimate of future taxable income is based on future business plans, and the main assumption with regard to the net sales projections in such business plans is the expected number of orders received. In calculating the expected number of orders received, a certain degree of uncertainty is factored in, based on the status of orders received from each automotive company and future market forecasts. With regard to consolidated subsidiaries, the Company also determines recoverability based on the future business plans of each company.

As a potential risk, if the number of orders received is significantly reduced due to unforeseen circumstances, such as a change in the sales strategy or production structure of each automobile manufacturer, the timing of actual taxable income generated and the expected amount of taxable income may differ from the estimates due to a decline in profitability. As a result, this may have a material impact on the amount of deferred tax assets recognized in the consolidated financial statements for the following fiscal year and beyond.

## Notes to Consolidated Balance Sheet

### 1. Pledged Assets and Collateral-related Liabilities

#### Pledged Assets

Land	¥1,047 million
Buildings and structures	¥1,585 million
Machinery, equipment and vehicles	¥0 million
<u>Total</u>	<u>¥2,632 million</u>

At the end of the fiscal year under review, there were no collateral-related liabilities.

2. Accumulated Depreciation of Property, Plant and Equipment	¥86,906 million
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### 3. Commitment Line Agreement

The Company has entered into a commitment line agreement with our financing bank to secure the stability of our financial base and to procure working capital flexibly. The unborrowed balance, etc., under the commitment line agreement as of the end of the fiscal year under review are as follows.

Total amount under the commitment line agreement (yen)	¥1,500 million
Borrowing balance	¥ - million
<u>Net amount</u>	<u>¥1,500 million</u>

Total amount under the commitment line agreement (USD)	\$60,000 thousand
Borrowing balance	\$ - thousand
<u>Net amount</u>	<u>\$60,000 thousand</u>

### 4. Contingent Liabilities

As the Group continues to operate in various countries around the world, it has been responding to tax audits by tax authorities in each country. At present, some of them involve a certain possibility of future losses. However, as it is difficult to reasonably estimate the amount of future losses, we do not recognize provisions for such losses.

Industria de Asiento Superior, S.A. de C.V. ("this company"), a Mexican subsidiary of TACHI-S CO., LTD., received a notice of reassessment from the Mexican tax authority (dated October 26, 2023) ordering the payment of 371 million Mexican pesos in connection with transactions related to the outsourcing of development to a group company in FY2016.

As we believe this tax is unreasonable and contrary to Mexican tax law and tax treaties, we filed an appeal contesting the reassessment with the authority, which is currently under review.

## Notes to Consolidated Statement of Income

1. Gain on sale of non-current assets
 

Machinery, equipment and vehicles	¥39 million
Other	¥9 million
Total	¥49 million
2. Gain on sale of investment securities
  - Gain on sale of investment securities due to sale of domestically listed shares.
3. Business Structure Improvement Cost
  - This is mainly extra retirement payments.

## Notes to Consolidated Statements of Changes in Equity

### 1. Matters Concerning Total Number of Issued Shares

(Unit: shares)

Type of shares	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common shares	35,242,846	-	-	35,242,846

### 2. Matters Concerning Dividends of Surplus

#### (1) Matters Concerning Dividends of Surplus During Fiscal Year under Review

Resolution	Type of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Board of Directors meeting on May 14, 2025	Common shares	¥1,796 million	¥51.9	March 31, 2025	June 5, 2025
Board of Directors meeting on November 14, 2025	Common shares	¥1,796 million	¥51.9	September 30, 2025	December 2, 2025

- (Notes) 1. The total amount of dividends resolved at the Board of Directors meeting held on May 14, 2025, includes dividends of 17 million yen on the Company's shares held by the Director Stock Ownership Plan Trust and the Employee Stock Ownership Plan Trust.
2. The total amount of dividends as a result of the resolution of the Board of Directors meeting held on November 14, 2025, includes dividends of 15 million yen on the Company's shares held by the Director Stock Ownership Plan Trust and the Employee Stock Ownership Plan Trust.

#### (2) Of Dividends with Record Date Falling within Fiscal Year under Review, Those with Effective Date Scheduled for Following Fiscal Year

At the meeting of the Board of Directors on May 15, 2026, matters concerning a dividend on common shares are to be discussed as follows.

- |                             |                |
|-----------------------------|----------------|
| ① Total amount of dividends | ¥1,837 million |
| ② Dividend per share        | ¥53.1          |
| ③ Record Date               | March 31, 2026 |
| ④ Effective Date            | June 8, 2026   |

The Company plans to use retained earnings as the source of dividends. Such total amount of dividends includes dividends of 15 million yen on the Company's shares held by the Director Stock Ownership Plan Trust and the Employee Stock Ownership Plan Trust.

## Notes on Financial Instruments

### 1. Matters Concerning Status of Financial Instruments

The Group invests funds in highly secure financial assets. The Group procures funds mainly through borrowings from banks.

For customer credit risk assessment for notes and accounts receivable, the sales division monitors the status of major customers on a regular basis, ascertains collections and balances for each customer, and promptly identifies concerns about collectability due to deterioration in their financial conditions, etc. As for securities, the risk is minimal because of investment in highly secure financial assets. Investment securities we hold are mainly shares of companies with which we have a business relationship, and we assess the fair value, financial conditions and other factors of issuers on a regular basis and report such fair value to the Board of Directors.

Of the borrowings, short-term borrowings are aimed mainly at financing business transactions.

Bonds payable are for the purpose of procuring funds to achieve the business strategy we aim for and bear no interest.

### 2. Matters Concerning Fair Value, etc., of Financial Instruments

The amount reported on the consolidated balance sheet, the fair value, and the difference between them as of March 31, 2026 (the consolidated closing date of the fiscal year under review) are as follows. Shares without market price, etc., are not included in the table below (see Note 2).

(Unit: Million yen)

	Amount reported on the consolidated balance sheet	Fair value	Difference
Investment securities			
Other securities	3,474	3,474	-
Total assets	3,474	3,474	-
Bonds payable	4,009	3,674	(334)
Total liabilities	4,009	3,674	(334)

(Note) 1. Method for calculating the fair value of financial instruments and matters concerning securities  
 “Cash and deposits,” “Notes receivable,” “Accounts receivable,” “Notes and accounts payable,” “Short-term borrowings,” and “Income taxes payables” are omitted because they are in cash and their fair values approximate their book values as they are settled in a short term.

(Note) 2. Shares without market price, etc., and investments in limited partnerships are not included in “Investment securities.” Shares without market price, etc., include unlisted shares, etc., and are not subject to fair value disclosure in accordance with paragraph 5 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (Guidance No. 19, revised as of March 31, 2020). Investments in limited partnerships are not subject to fair value disclosure in accordance with paragraphs 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (Guidance No. 31, revised as of June 17, 2021). The amounts of these financial instruments reported on the consolidated balance sheet are as follows. Note that unlisted shares include shares of subsidiaries and affiliates.

Category	Amount reported on the consolidated balance sheet (million yen)
Unlisted shares	421
Limited partnerships	62

3. Matters Concerning Breakdown of Fair Value of Financial Instruments by Level, etc.

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate the fair value.

Level 1 fair value: Fair value calculated based on quoted prices in active markets for identical assets or liabilities subject to such fair value calculations as one of the inputs to the calculation of observable fair value

Level 2 fair value: Fair value calculated using inputs to the calculation of observable fair value other than Level 1 inputs

Level 3 fair value: Fair value calculated using inputs to the calculation of unobservable fair value

When multiple inputs that have a significant impact on the fair value are used, the fair value is classified into the level of the lowest-priority input used in the calculation of fair value.

(1) Financial Assets and Liabilities Reported on Consolidated Balance Sheet at Fair Value

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	3,474	-	-	3,474
Total assets	3,474	-	-	3,474

(2) Financial Assets and Liabilities Not Reported on Consolidated Balance Sheet at Fair Value

Category	Fair value (million yen)			
	Level 1	Level 2	Level 3	Total
Bonds payable	-	3,674	-	3,674
Total liabilities	-	3,674	-	3,674

(Notes) Explanation of valuation techniques used in the calculation of fair value and inputs to the calculation of fair value

1. Securities and investment securities

Listed shares are valued at quoted prices. As listed stocks are traded in active markets, their fair value is classified as Level 1 fair value. Others are classified as Level 2 fair value as they are based on prices quoted by financial institutions, etc.

2. Bonds payable

Bonds payable issued by the Company are posted at the present value of the bonds and is equal to the total of principal and interests discounted by the remaining terms and interest rates adjusted for credit risk, and are classified as Level 2 fair value.

## Notes on Revenue Recognition

### 1. Breakdown of Revenue Arising from Contracts with Customers

(Unit: Million yen)

	Reportable segment					
	Japan	North America	Latin America	China	Southeast Asia	Total
Net sales						
Revenue from contracts with customers	108,559	41,449	103,744	8,999	6,256	269,009
Net sales to external customers	108,559	41,449	103,744	8,999	6,256	269,009

### 2. Information for Understanding Amount of Revenue For Fiscal Year under Review and Subsequent Fiscal Years

#### (1) Balance of Contract Assets and Contract Liabilities, etc.

(Unit: Million yen)

	Fiscal year under review
Receivables arising from contracts with customers (beginning balance)	44,366
Receivables arising from contracts with customers (ending balance)	46,331

#### (2) Transaction Price Allocated to Remaining Performance Obligations

Since there are no material transactions with an initially expected contract term of more than one year, we apply the practical expedient method and omit information on the remaining performance obligations.

## Notes on Rental Real Properties, etc.

### 1. Matters Concerning Status of Rental Real Properties, etc.

The Company owns commercial facilities (including land) for rent in Tokyo.

### 2. Matters Concerning Fair Value, etc., of Rental Real Properties

(Unit: Million yen)

Amount reported on the consolidated balance sheet	Fair value
117	804

(Note) 1. The amount reported on the consolidated balance sheet is the acquisition cost minus the accumulated depreciation.

(Note) 2. The fair value is the amount calculated mainly based on the fixed asset tax valuation.

## Notes on Per Share Information

Net assets per share	¥3,055.91
Net income per share	¥271.03

(Note) 1. The basis for calculating net income per share is as below.

Net income attributable to owners of parent	¥9,297 million
Amount not attributable to common shareholders	¥ - million
Net income attributable to owners of parent related to common shares	¥9,297 million
Average number of shares of common shares during the period	34,304,660 shares

(Note) 2. The Company has introduced a Director Stock Ownership Plan Trust and an Employee Stock Ownership Trust. Shares of the Company remaining in the trusts recorded as treasury stock in shareholders' equity are, in calculation of net income per share, included in treasury stock to be deducted in the calculation of the average number of shares during the period, and in calculation of net assets per share, included in the number of treasury stock shares to be deducted from the total number of outstanding shares at the end of the period. The average number of shares held in the trusts during the period and the number of shares held in the trusts at the end of the period for the fiscal year under review are as follows.

- Director Stock Ownership Plan Trust:			
The average number of shares during the period	58,569 shares	Number of shares at fiscal year-end	56,800 shares
- Employee Stock Ownership Plan Trust:			
The average number of shares during the period	249,898 shares	Number of shares at fiscal year-end	235,798 shares

## Notes on Significant Subsequent Events

### 1. Acquisition of shares resulting in change of subsidiary

At a meeting of the Board of Directors held on April 10, 2026, the Company resolved as follows to acquire shares in TACHI-S TOYO Group Holdings Co., Ltd. (the “New Company”) and make it a consolidated subsidiary (the “Share Acquisition”). The New Company will be established by TOYO H&I Co., Ltd. (“TOYO H&I”). Through an absorption-type company split, it will succeed to the shares and equity interests held by TOYO H&I in Toyo Seat Co., Ltd., Toyo Seat USA Corporation, TOYO SEAT Europe Autóalkatrész Gyártó és Kereskedelmi Korlátolt Felelősségű Társaság (English name: TOYO SEAT Europe Kft.), Toyo Seat Hong Kong Company Limited, Toyo Seat Philippines Corporation and NANJO Auto Interior Co., Ltd. (collectively, the “TOYO H&I Group”), as well as assets related to the TOYO H&I Group’s automotive seat and interior business.

(1) Reason for acquisition of shares

The Medium-Term Management Plan Transformative Value Evolution (TVE), which the Company has been promoting since FY2021, has established three “Shinkha” initiatives consisting of “deepening,” “innovating,” and “renewing” for transformation of the business portfolio. The Company aims to realize expansion and growth of its business portfolio by increasing profitability through “deepening” centered on the automotive seat business and the seat component business and investing revenue thus generated into the “innovating” and “renewing” initiatives.

This share acquisition contributes to the “deepening” strategy for business domain expansion set out in TVE Wave 2 2027 announced in May 2025 and is expected to generate synergies in four areas: (1) enhancing the customer portfolio, (2) promoting mutual utilization of products and maximum asset utilization, (3) optimizing development resources and creating technological innovation, and (4) expanding business domains. This will greatly help the Company achieve the goal of 400 billion yen in net sales in FY2030 under the growth strategy. Going forward, the Company seeks to constantly enhance corporate value as “a company that continues to be chosen” by offering high-value-added products and services to customers.

(2) Outline of the subsidiary to be transferred (TACHI-S TOYO Group Holdings Co., Ltd.)

(1) Name	TACHI-S TOYO Group Holdings Co., Ltd.	
(2) Address	5-14-7-704, Nishitenma, Kita-ku, Osaka City	
(3) Title and name of representative	Toru Yamaguchi, Representative Director	
(4) Business description	Automotive seats and interiors	
(5) Capital	¥1 million	
(6) Date of establishment	April 22, 2026	
(7) Major shareholder / ownership ratio	TOYO H&I Co., Ltd.: 100%	
(8) Relationship with the Company	Capital	None.
	Personnel	None.
	Business	None.
(9) Consolidated financial performance and position for the past three fiscal years		
No fiscal year has been closed for the new company because it is scheduled to be established after a share transfer agreement is concluded between the Company and TOYO H&I and Marks Gatherway Inc.		

## (3) Outline of the seller (as of December 31, 2025)

(1) Name	TOYO H&I Co., Ltd.	
(2) Address	5-14-7, Nishitenma, Kita-ku, Osaka City	
(3) Title and name of representative	Toru Yamaguchi, Representative Director	
(4) Business description	Automotive seats and interiors	
(5) Capital	¥100 million	
(6) Date of establishment	April 1, 2019	
(7) Net assets	¥29,587 million	
(8) Total assets	¥29,588 million	
(9) Major shareholder / ownership ratio	Marks Gatherway Inc.: 70%	
(10) Relationship with the Company	Capital	None.
	Personnel	None.
	Business	None.
	Related party relationship	None.

## (4) Number of shares to be acquired, acquisition costs, and shareholding before and after the acquisition

(1) Number of shares held before the change	0 shares	
	(Number of voting rights: 0)	
	(Percentage of voting rights: 0%)	
(2) Number of shares to be acquired	200 shares	
	(Number of voting rights: 200)	
(3) Acquisition costs	Common shares	¥21,200 million
	Advisory fees and other expenses (estimated):	¥600 million
	Total (estimated):	¥21,800 million
(4) Number of shares to be held after the change	200 shares	
	(Number of voting rights: 200)	
	(Percentage of voting rights: 100%)	

## (5) Schedule

(i) Resolution date of the Board of Directors	April 10, 2026
(ii) Date of conclusion of the agreement	April 10, 2026
(iii) Date of execution of the share transfer	August 3, 2026 (scheduled)

## 2. Transactions under Common Control. etc.

### (1) Outline of the transaction

(i) Name and business description of the combined companies

TACHI-S Automotive Seating U.S.A., LLC            Manufacture and sale of automotive seats in the U.S.

TACHI-S Engineering U.S.A., Inc.            Marketing, development operations, and business  
administration in the U.S.

(ii) Date of business combination

March 31, 2026

(iii) Legal form of business combination

Absorption-type merger with TACHI-S Automotive Seating U.S.A., LLC as the surviving company and  
TACHI-S Engineering U.S.A., Inc. as the absorbed company

(iv) Company name after the business combination

TACHI-S North America, LLC

(v) Other matters related to the outline of the transaction

The merger was conducted to consolidate management resources and improve the efficiency of business  
operations in the Group's North America business.

### (2) Outline of accounting treatment

The transaction was treated as a transaction under common control in accordance with Accounting Standard for  
Business Combinations and the Implementation Guidance on Accounting Standard for Business Combinations and  
Accounting Standard for Business Divestitures.

## Other Notes

### Introduction of Performance-linked Stock Compensation System

#### (1) Director Stock Ownership Plan Trust

The Company has introduced a stock compensation system for Directors (excluding Outside Directors and non-executive Directors; hereinafter the same) using the Company's shares based on the resolution of the 66th Annual General Meeting of Shareholders held on June 22, 2018 ("this system").

The accounting procedures for this system are in accordance with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts (PITF No. 30, revised as of March 26, 2015).

##### ① System Overview

This system is a stock compensation system in which a trust established by the Company through a monetary contribution ("this trust") acquires the Company's shares, and each Director is granted a number of the Company's shares through this trust equivalent to the number of points given to each Director in accordance with the Company's Regulations for the Delivery of Shares to Directors.

As a general rule, the timing at which Directors are granted the Company's shares shall be upon their leaving the position of Director.

##### ② Shares of the Company Remaining in Trust

Shares of the Company remaining in this trust are recorded as treasury stock in the net assets section at the book value in this trust (excluding the amount of incidental expenses). The book value and the number of shares of such treasury stock at the end of the fiscal year under review were 90 million yen and 56,800 shares.

#### (2) Employee Stock Ownership Plan Trust

The Company has introduced a stock compensation system for employees who meet certain requirements using the Company's shares based on the resolution of the Board of Directors on August 9, 2018 ("this system").

The accounting procedures for this system are in accordance with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts (PITF No. 30, revised as of March 26, 2015).

##### ① System Overview

This system is a stock compensation system in which a trust established by the Company through a monetary contribution ("this trust") acquires the Company's shares, and each employee is granted a number of the Company's shares through this trust equivalent to the number of points given to each employee in accordance with the Company's Regulations for the Delivery of Shares to Executive Officers, etc.

As a general rule, the timing at which employees are granted the Company's shares shall be upon their retirement.

##### ② Shares of the Company Remaining in Trust

Shares of the Company remaining in this trust are recorded as treasury stock in the net assets section at the book value in this trust (excluding the amount of incidental expenses). The book value and the number of shares of such treasury stock at the end of the fiscal year under review were 381 million yen and 235,798 shares.

\*Amounts less than 1 million yen are rounded down.

# Non-consolidated Statements of Changes in Equity

(From April 1, 2025  
to March 31, 2026)

(Unit: Million yen)

	Shareholders' equity								
	Capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward	
Balance as of April 1, 2025	9,040	8,592	12	8,604	480	19	15,000	31,055	46,555
Changes during the fiscal year									
Dividends of surplus								(3,592)	(3,592)
Net income								13,312	13,312
Reversal of reserve for tax purpose reduction entry						(0)		0	-
Disposal of treasury shares									
Net changes in items other than shareholders' equity									
Total changes during the fiscal year	-	-	-	-	-	(0)	-	9,719	9,719
Balance as of March 31, 2026	9,040	8,592	12	8,604	480	18	15,000	40,775	56,275

(Unit: Million yen)

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2025	(1,366)	62,834	591	591	6	63,432
Changes during the fiscal year						
Dividends of surplus		(3,592)				(3,592)
Net income		13,312				13,312
Reversal of reserve for tax purpose reduction entry		-				-
Disposal of treasury shares	61	61				61
Net changes in items other than shareholders' equity			293	293	-	293
Total changes during the fiscal year	61	9,780	293	293	-	10,073
Balance as of March 31, 2026	(1,305)	72,615	884	884	6	73,506

# Notes to Non-consolidated Financial Statements

## Notes on Matters Concerning Important Accounting Policies

### 1. Standards and Methods for Valuation of Assets

#### (1) Standards and Methods for Valuation of Securities

- ① Shares of subsidiaries and affiliated companies      Cost method based on the weighted-average method
- ② Other securities
  - Those other shares without market price, etc.      Fair value method  
(The entire amount of valuation differences are inserted directly into net assets, and the cost of sale is calculated using the weighted-average method.)
  - Shares without market price, etc.      Cost method based on the weighted-average method

#### (2) Standards and Methods for Valuation of Inventories

- ① Finished goods, work in process (mass-produced products), and raw materials      Cost method based on the weighted-average method  
(Amount shown on balance sheet is calculated by writing down based on declines in profitability)
- ② Other products and work in process      Cost method based on the specific identification method  
(Amount shown on balance sheet is calculated by writing down based on declines in profitability)

### 2. Depreciation Method for Non-current Assets

#### (1) Property, Plant and Equipment

##### Declining balance method

However, the straight-line method is applied to the buildings (excluding facilities) acquired on or after April 1, 1998, and to the facilities attached to buildings and the structures acquired on or after April 1, 2016.

#### (2) Intangible Assets

##### Straight-line method

The straight-line method based on the internal use period (5 years) is applied to software (for internal use).

#### (3) Long-term Prepaid Expenses

##### Straight-line method

### 3. Standards for Recognition of Allowances

#### (1) Allowance for Doubtful Accounts

To record an estimated unrecoverable amount from possible losses on unrecoverable receivables, the historical default rate is used for general receivables, and the possibility of collection for each individual account is examined for specific receivables with concerns of recoverability.

(2) Provision for Bonuses for Officers

To prepare for the bonuses to be paid to officers subject to approval at the annual general meeting of shareholders, the amount based on the estimated amount to be paid as of the fiscal year under review is recorded.

(3) Provision for Retirement Benefits (Prepaid Pension Expenses)

To make allowances for the payment of retirement benefits to employees and executive officers, provision for retirement benefits is recorded based on the estimated amount of retirement benefit obligations and that of pension assets as of the end of the fiscal year under review. In calculating retirement benefit obligations, the benefit calculation standard is used for attributing the estimated retirement benefit amount to the period up to the end of the fiscal year under review.

Past service costs are recorded as expenses with the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time such costs are incurred.

Actuarial gains and losses are treated as expenses in the fiscal year following the one in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time the differences emerge each fiscal year.

(4) Provision for Share Payment

To prepare for the provision of shares based on the performance-linked stock compensation plan, the amount based on the estimated share payment obligations as of the end of the fiscal year under review is recorded.

4. Standards for Recognition of Revenue and Expenses

The details of the major obligations of the Company in its principal business with respect to revenue arising from its contracts with customers, and the ordinary point in time at which such obligations are satisfied (the ordinary point in time at which revenue is recognized) are as follows.

The principal business of the Company is the automotive seat business. In this business, we mainly manufacture and sell automotive seats, and recognize revenue from such sales when they are delivered to or accepted by our customers. Provided, however, that for domestic sales we recognize revenue at the time of shipment. The Company processes parts and raw materials purchased from clients (“Paid Supplies”), and sells finished goods to such clients at a price with the processing costs, etc., added to the purchase price (“Paid Supply Transaction”). In a case where the supplier of the Paid Supplies is substantially obligated to repurchase the same, the net processing costs, etc., of such transaction are recognized as revenue.

5. Other Important Matters as the Basis for Preparation of Financial Statements

Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains and losses and unrecognized past service costs related to retirement benefits differs from the method used in the consolidated financial statements.

Changes in Accounting Policies

None

## Notes on Accounting Estimates

Information on judgments made in the application of accounting policies that have a material impact on the amounts recognized in the financial statements is included in “Notes on Matters Concerning Important Accounting Policies.” The items below involve assumptions that may cause significant changes in the following fiscal year, and require significant management decisions.

### 1. Item Name Representing Details of Accounting Estimate

Recoverability of deferred tax assets

### 2. Amounts Recorded in Financial Statements for Fiscal Year under Review

Deferred tax assets recorded in the financial statements	¥550 million
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### 3. Other Information on Estimates

The Company records deferred tax assets for deductible temporary differences that it determines are likely to be able to subtract future taxable income based on a reasonable estimate of future taxable income.

In recording deferred tax assets, the Company estimates the timing of future taxable income generated and its amount based on the business plan. The estimate of future taxable income is based on future business plans, and the main assumption with regard to the net sales projections in such business plans is the expected number of orders received. In calculating the expected number of orders received, a certain degree of uncertainty is factored in, based on the status of orders received from each automotive company and future market forecasts.

As a potential risk, if the number of orders received is significantly reduced due to unforeseen circumstances, such as a change in the sales strategy or production structure of each automobile manufacturer, the timing of actual taxable income generated and the expected amount of taxable income may differ from the estimates due to a decline in profitability. As a result, this may have a material impact on the amount of deferred tax assets recognized in the financial statements for the following fiscal year and beyond.

## Notes to Non-consolidated Balance Sheet

### 1. Pledged Assets and Collateral-related Liabilities

#### Pledged Assets

Land	¥1,047 million
Buildings	¥1,585 million
Structures	¥0 million
Machinery and equipment	¥0 million
Total	¥2,632 million

At the end of the fiscal year under review, there were no collateral-related liabilities.

2. Accumulated Depreciation of Property, Plant and Equipment	¥25,392 million
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### 3. Monetary Claims and Obligations to Affiliated Companies

Short-term monetary claims	¥8,611 million
Short-term monetary obligations	¥3,278 million

Items presented separately are excluded.

### 4. Commitment Line Agreement

The Company has entered into a commitment line agreement with our financing bank to secure the stability of our financial base and to procure working capital flexibly. The unborrowed balance, etc., under the commitment line agreement as of the end of the fiscal year under review are as follows.

Total amount under the commitment line agreement (yen)	¥1,500 million
Borrowing balance	¥ - million
Net amount	¥1,500 million

Total amount under the commitment line agreement (USD)	\$60,000 thousand
Borrowing balance	\$ - thousand
Net amount	\$60,000 thousand

## Notes to Non-consolidated Statement of Income

### 1. Transactions with Affiliated Companies

Net sales	¥3,328 million
Purchases	¥19,529 million
Other operating expenses	¥582 million
Non-operating transactions	¥8,449 million

### 2. Other Notes

Gain on sale of investment securities

Notes to this cost are omitted because the same information is stated in “Notes to Consolidated Statement of Income” in the Notes to Consolidated Financial Statements.

Business Structure Improvement Cost

Notes to this cost are omitted because the same information is stated in “Notes to Consolidated Statement of Income” in the Notes to Consolidated Financial Statements.

## Notes to Non-consolidated Statements of Changes in Equity

### 1. Matters Concerning Number of Treasury Shares

(Unit: shares)

Type of shares	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common shares	960,417	-	38,100	922,317

(Notes) 1. Breakdown of decrease in treasury shares

Sale and delivery through the Director Stock Ownership Plan Trust and the Employee Stock Ownership Plan Trust 38,100 shares

2. Of the treasury shares as of the end of the fiscal year under review, 292,598 shares are held by the Director Stock Ownership Plan Trust and the Employee Stock Ownership Plan Trust.

### 2. Matters Concerning Transactions to Deliver Shares of the Company to Employees, etc., Through Trust

① The number of shares of the Company held by the trusts that is included in the number of treasury shares at the beginning and end of the fiscal year under review

Beginning of the fiscal year under review 330,698 shares      End of the fiscal year under review 292,598 shares

② The number of shares of the Company acquired, sold or delivered by the trusts that is included in the increase or decrease in the number of treasury shares during the fiscal year under review

Increase - shares      Decrease 38,100 shares

③ The amount of dividends on the shares of the Company held by the trusts that is included in the total amount of dividends

¥32 million

## Notes on Tax Effect Accounting

### Breakdown of the main causes of deferred tax assets and deferred tax liabilities

#### Deferred tax assets

Accrued business tax payable, currently not deductible	¥84 million
Accrued bonus payable, currently not deductible	¥410 million
Loss on valuation of investments in capital of subsidiaries and affiliates, currently not deductible	¥2,167 million
Amount exceeding the maximum amount of provision of allowance for doubtful accounts	¥114 million
Impairment loss, currently not deductible	¥225 million yen
In-process research and development	¥170 million
Other	¥482 million
Subtotal of deferred tax assets	¥3,656 million
Valuation reserve	¥(2,451) million
Total deferred tax assets	¥1,205 million
Offset against deferred tax liabilities	¥(654) million
Net deferred tax assets	¥550 million

#### Deferred tax liabilities

Prepaid pension cost	¥221 million
Reserve for tax purpose reduction entry	¥8 million
Valuation difference on available-for-sale securities	¥403 million
Other	¥20 million
Total deferred tax liabilities	¥654 million
Offset against deferred tax assets	¥(654) million
Net deferred tax liabilities	¥ - million

## Notes on Transactions with Related Parties

### Subsidiaries

Type	Name of the company, etc.	Ownership (owned) ratio of voting rights, etc.	Relationship with related party	Transaction details	Transaction amount (million yen)	Account Name	Ending balance (million yen)
Subsidiaries	TF-METAL Co., Ltd.	Directly owned 100%	Officer concurrently serving as officer responsible for the production of parts for the Company's products, supply of parts, etc.	Purchase of parts	6,242	Electronically recorded obligations  Accounts payable - trade	878  486
	TF-METAL Mexico, S.A. de C.V.	Indirectly owned 100%	Supply of parts, technical support, loan of funds, etc.	Loan of funds (Note) 2	463	Loans receivable	5,093

Transaction Conditions, Policy for Determining Transaction Conditions, etc.

(Notes) 1. Transaction conditions and method for determining transaction conditions

- (1) For the purchase of parts, etc., the Company provides quotation conditions (specifications, etc.) and negotiates prices based on the quotation provided by each company.
- (2) Interest rates for fund management are determined reasonably by taking into account market interest rates.
2. Interest rates for loans to and borrowings from subsidiaries are determined reasonably by taking into account market interest rates.
3. Loans receivable from TF-METAL Mexico, S.A. de C.V. were recorded as allowance for doubtful accounts of 130 million yen in the fiscal year under review.

## Notes on Revenue Recognition

Notes on revenue recognition are omitted because the same information is stated in “Notes on Revenue Recognition” in the Notes to Consolidated Financial Statements.

## Notes on Per Share Information

Net assets per share	¥2,141.58
Net income per share	¥388.06

(Note) 1. The basis for calculating net income per share is as below.

Net income	¥13,312 million
Amount not attributable to common shareholders	¥ - million
Net income related to common shares	¥13,312 million
Average number of shares of common shares during the period	34,304,660 shares

(Note) 2. The Company has introduced a Director Stock Ownership Plan Trust and an Employee Stock Ownership Trust. Shares of the Company remaining in the trusts recorded as treasury stock in shareholders' equity are, in calculation of net income per share, included in treasury stock to be deducted in the calculation of the average number of shares during the period, and in calculation of net assets per share, included in the number of treasury stock shares to be deducted from the total number of outstanding shares at the end of the period. The average number of shares held in the trusts during the period and the number of shares held in the trusts at the end of the period for the fiscal year under review are as follows.

- Director Stock Ownership Plan Trust:			
The average number of shares during the period	58,569 shares	Number of shares at fiscal year-end	56,800 shares
- Employee Stock Ownership Plan Trust:			
The average number of shares during the period	249,898 shares	Number of shares at fiscal year-end	235,798 shares

## Notes on Significant Subsequent Events

### Acquisition of shares resulting in change of subsidiary

Notes are omitted because the same information is stated in “Notes on Significant Subsequent Events” in the Notes to Consolidated Financial Statements.

## Other Notes

### Introduction of Performance-linked Stock Compensation System

#### (1) Director Stock Ownership Plan Trust

The Company has introduced a stock compensation system for Directors (excluding Outside Directors and non-executive Directors; hereinafter the same) using the Company’s shares based on the resolution of the 66th Annual General Meeting of Shareholders held on June 22, 2018 (“this system”).

The accounting procedures for this system are in accordance with the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts (PITF No. 30, revised as of March 26, 2015).

##### [1] System Overview

This system is a stock compensation system in which a trust established by the Company through a monetary contribution (“this trust”) acquires the Company’s shares, and each Director is granted a number of the Company’s shares through this trust equivalent to the number of points given to each Director in accordance with the Company’s Regulations for the Delivery of Shares to Directors.

As a general rule, the timing at which Directors are granted the Company’s shares shall be upon their leaving the position of Director.

##### [2] Shares of the Company Remaining in Trust

Shares of the Company remaining in this trust are recorded as treasury stock in the net assets section at the book value in this trust (excluding the amount of incidental expenses). The book value and the number of shares of such treasury stock at the end of the fiscal year under review were 90 million yen and 56,800 shares.

#### (2) Employee Stock Ownership Plan Trust

The Company has introduced a stock compensation system for employees who meet certain requirements using the Company’s shares based on the resolution of the Board of Directors on August 9, 2018 (“this system”).

The accounting procedures for this system are in accordance with the Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts (PITF No. 30, revised as of March 26, 2015).

##### [1] System Overview

This system is a stock compensation system in which a trust established by the Company through a monetary contribution (“this trust”) acquires the Company’s shares, and each employee is granted a number of the Company’s shares through this trust equivalent to the number of points given to each employee in accordance with the Company’s Regulations for the Delivery of Shares to Executive Officers, etc.

As a general rule, the timing at which employees are granted the Company’s shares shall be upon their retirement.

##### [2] Shares of the Company Remaining in Trust

Shares of the Company remaining in this trust are recorded as treasury stock in the net assets section at the book value in this trust (excluding the amount of incidental expenses). The book value and the number of shares of such treasury stock at the end of the fiscal year under review were 381 million yen and 235,798 shares.

\*Amounts less than 1 million yen are rounded down.