

Governance

Corporate Governance

TS TECH's philosophy is to be "A company sincerely appreciated by all," including key stakeholders, ranging from shareholders and investors to customers, business partners, local communities, and employees. Under our corporate philosophy, we are working hard to enhance corporate governance as an important step toward fulfilling our social responsibility and achieving continuous business growth and increasing corporate value over the medium to long term.

Basic Policies

(1) Securing the Rights and Equal Treatment of Shareholders

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

(2) Appropriate Cooperation with Stakeholders

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

(3) Ensuring Appropriate Information Disclosure and Transparency

We shall actively disclose information in order to be a company sincerely welcomed by all of our stakeholders, and we shall manage our business with transparency and good faith.

(4) Responsibilities of the Board

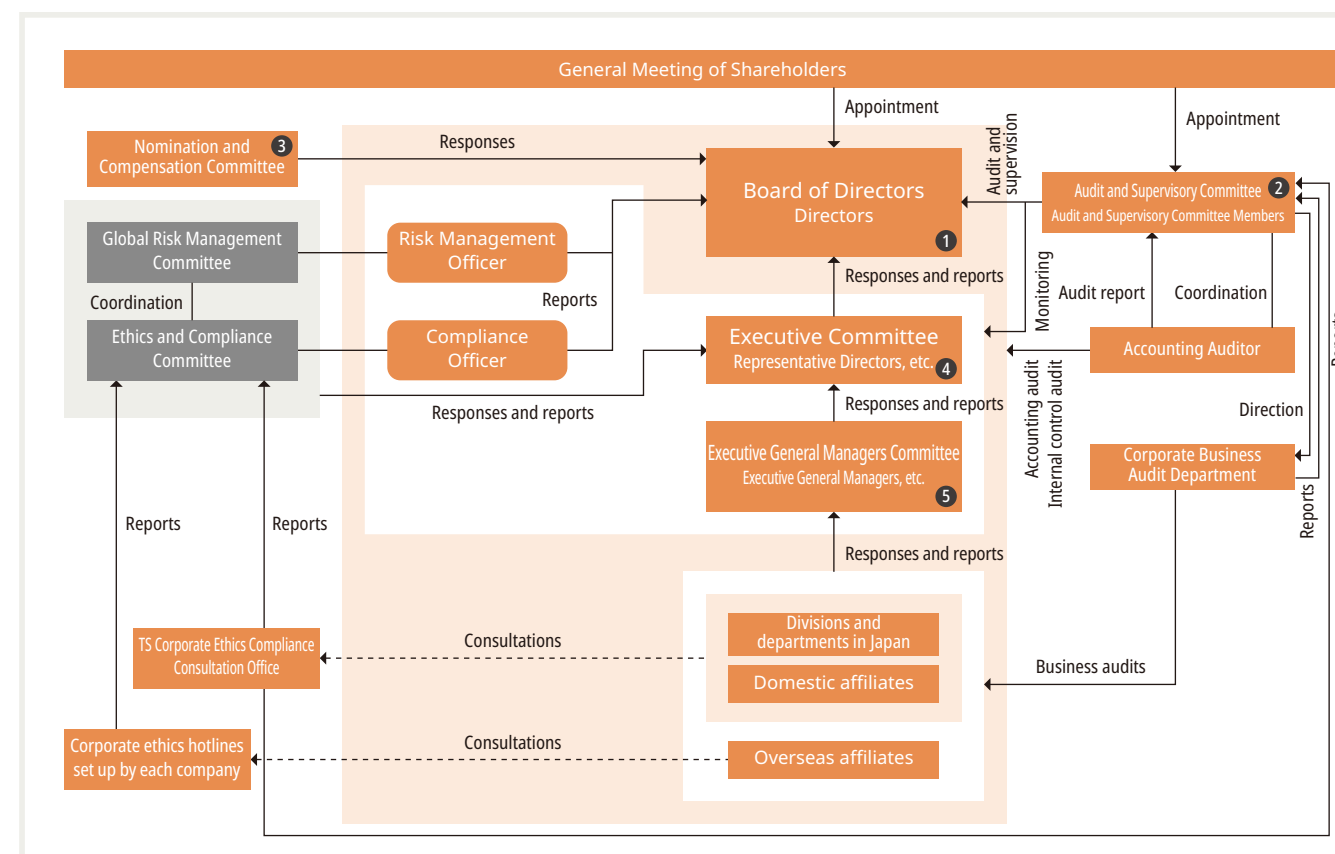
The Board shall take appropriate responsibility for the establishment of mid- to long-term management policies and oversight of directors, and it shall work to build systems to enable transparent, fair, and resolute decision-making.

(5) Dialogue with Shareholders

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

November 2015, Resolution of the Board of Directors

Governance System Diagram



Operation of Internal Control System

The Board of Directors passed a resolution on the basic policies of TS TECH's internal control system to meet the requirement to formulate regulations on internal controls stipulated in the amendment to Japan's Companies Act in 2006. Since then, the Board of Directors has reviewed the implementation of this system each fiscal year and passed resolutions on changes to these policies as necessary at Board of Directors' meetings. Additionally, in accordance with Japan's Financial Instruments and Exchange Act, the TS TECH Group has established an internal control system to ensure the reliability of its financial reporting. The effectiveness of this system is maintained and internal control is enhanced through regular evaluations of improvements and operations and corrective actions as needed.

Group Governance Structure

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

Important management issues at affiliated companies must be reported to and approved by TS TECH in advance

based on the standards stipulated by TS TECH. Affiliated companies must also regularly report business plans, sales results, and financial status.

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

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

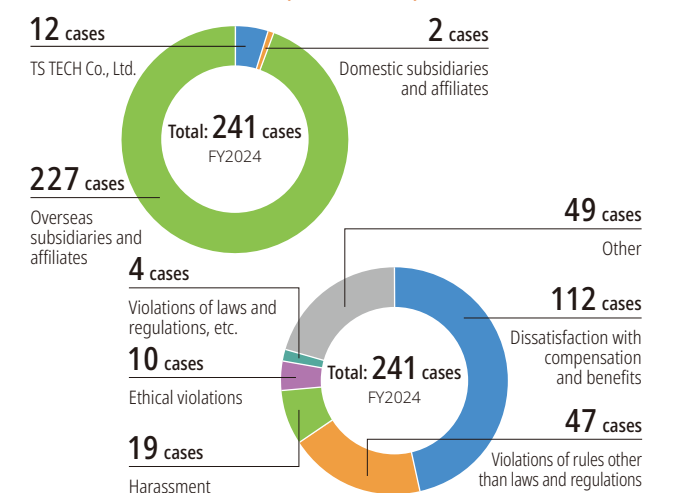
Compliance Framework

Based on the TS TECH Philosophy, the Group established the TS Standards for Conduct (TS TECH's norms and ideals as an organization) and TS Guidelines for Conduct (expectations for day-to-day conduct for individual executives, officers, and employees). Regular education is provided to ensure the entire Group is familiar with these concepts.

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

We have established a whistleblower hotline called the TS Corporate Ethics Compliance Consultation Office, which enables employees to bring issues before compliance officers, who respond with rapid, effective investigations and corrective guidance in the event of a problem. Including affiliates in and outside Japan, the Group received a total of 241 ethics and compliance cases in fiscal 2024, which includes consultations and other cases handled by the hotline. Continuous operation of this framework promotes internal self-improvement.

Ethics and compliance cases Number of cases recorded (consolidated)



* Investigations into each case found no violations of laws or regulations that would have a significant impact on our business activities.

Risk Management Framework

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

In addition, a Risk Management Officer is appointed from among the directors and placed in charge of risk management. The Global Risk Management Committee, comprising directors and other officers, has been established to deliberate regularly on the results of TSCG self-verifications and discuss responses to serious risks affecting management that have been identified, ensuring that efforts are continually made to mitigate potential risks.

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

Global Risk Management Committee

The Global Risk Management Committee was established as an advisory committee to the Executive Committee to help ensure appropriate identification and control of the various risks affecting global business activities in the 13 countries around the world where TS TECH does business, and to solidify the sustainability and stability of the business.

In addition, by forming regional risk management committees in each region, risks specific to those geographic segments are identified and risk mitigation measures are promptly advanced. TS TECH has also worked to conduct emergency response training that anticipates a range of risks, such as the most frequently occurring natural disasters in each geographic region, or the outbreak of an infectious disease.

In fiscal 2024, TS TECH identified four major risks and pursued the appropriate corresponding risk mitigation measures.

Acquisition of TISAX certification

To mitigate the risk of information leaks, the TS TECH Group strives to maintain internal rules and regulations, carry out thorough employee training, and enhance security and network monitoring systems. It also implements comprehensive information management through means such as maintaining environments that reflect the security requirements of individual customers and earning Trusted Information Security Assessment Exchange (TISAX) certification* at six of our 38 consolidated subsidiaries (as of July 2024).

* TISAX: The information security standard for the automotive industry, it is a system for screening by a certification agency based on the German automobile industry association Verband der Automobilindustrie (VDA)'s information security assessment (ISA) standards.

Tax Policy

The TS TECH Group follows the TS TECH Group Tax Policy based on the TS TECH Philosophy, seeking to minimize tax risks while maintaining transparency and to fulfill appropriate tax obligations and social responsibilities, and in so doing, to contribute to the development of the communities in which the Group operates.

Intellectual Property Management

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

in the signing of license agreements. Through actions such as these, the Group works to maximize intellectual property value and minimize loss.

Policy and Action against Antisocial Forces

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

Disclosure Policy

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

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

Information disclosed at meetings with our investors shall be limited to information that has already been disclosed in earnings announcements and other public statements, as well as facts that are already in the public domain,

and no undisclosed important facts shall be mentioned in meetings. Furthermore, in order to prevent the leakage of financial information, we shall designate the period from the end of each fiscal period up to announcement of financial results as the "IR restraint period," during which no comments shall be made or questions responded to about the financial information in question.

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

Cross-shareholdings

To further enhance corporate value, the company shall own cross-shareholdings if deemed necessary from the perspective of strengthening relations with business partners, maintaining smooth business operations, and the like. Each responsible department examines the rationale behind cross-shareholdings and assesses whether or not to hold each individual cross-shareholding from perspectives such as the objective behind the cross-shareholding and returns, the financial risks, and the economic rationale. It then submits the results of said examination to the Board of Directors, which deliberates on whether the purpose is appropriate. This examination and deliberation are conducted annually for all cross-shareholdings, and the company will promptly reduce any cross-shareholdings which are not considered to be useful. The significant cross-shareholdings currently held by the company were judged necessary following the aforementioned deliberation by the Board of Directors.

Four Major Risks

1. Crisis Management in Emergencies

[Target]
Communicable & infectious diseases/virus/wind or flood damage/ earthquake/conflict/riots or terrorism
[Main measures]
• Continuous implementation of natural disaster response training
• Validation of the effectiveness of the initial response task list in the event of an emergency

2. IT Security

[Target]
Leakage or loss of information and cyberterrorism
[Main measures]
• Ongoing implementation of security education
• Cybersecurity countermeasures
(Enhanced monitoring systems, strengthening initial response)

3. Stoppage of Production and Parts Supply

[Target]
Raw material supply shortages/production capacity shortages/ supplier bankruptcy/machinery and equipment failure/trade-related, import-export issues
[Main measures]
• Strengthen supply chain management to ensure stable procurement of components
• Enhance monitoring of supplier-side financial risks
• Strengthen production equipment management system

4. Fires

[Target]
Fire sources:
Welding/electric leakage or current surge/hazardous materials
[Main measures]
• Inspection based on Group-wide integrated items and crosscutting management by the department responsible
• Expert validation and implementation of on-site education

TS TECH Group Tax Policy

1. Tax Governance

The Group values strengthening tax governance and views it as one of the most important management issues. The Policy was approved by TS TECH's Board of Directors, who are ultimately responsible for tax governance.

2. Compliance

By committing to instill and establish awareness of compliance amongst its employees, the Group complies with and strives to always form the correct understanding on both spirit and the letter of tax laws and regulations in each country and region in which it operates to appropriately address its tax declaration and tax obligations.

3. Tax Planning and Tax Havens

The Group will determine investment and business activities according to its business objectives and economic rationality. The Group does not use business entities without commercial substance and tax havens to engage in tax avoidance or carry out activities such as profit shifting to low-tax countries for the sole purpose of avoiding tax.

4. Transfer Pricing

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

5. Minimal Tax Risk

The Group conducts appropriate accounting and tax measures in accordance with the respective tax systems and tax administrations of each country and region in which it operates. When complex, unclear tax matters arise, the Group minimizes tax risks by consulting with external experts and tax authorities in advance.

6. Relationship with Tax Authorities

The Group sincerely responds to provide timely and accurate information to tax authorities of each country and region in which it operates to mitigate tax risks and to maintain sound relationships built on trust and cooperation.

August 2023, Resolution of the Board of Directors (Revised)

Board of Directors



REPRESENTATIVE DIRECTOR, PRESIDENT
Masanari Yasuda
Director in Charge of Quality Assurance, Development, Manufacturing, and Business Administration
Number of shares of the company held: 83,837 shares
Meetings of the Board of Directors attended: 100% (15/15 times)



REPRESENTATIVE DIRECTOR, SENIOR MANAGING OFFICER
Eiji Toba
Director in Charge of New Business, Sales, Purchasing, and Administration, Corporate Development and Engineering Division
Executive General Manager, Compliance Officer
Number of shares of the company held: 17,299 shares
Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR, SENIOR MANAGING OFFICER
Akihiko Hayashi
Americas Segment Executive General Manager, President of TS TECH AMERICAS, INC.
Number of shares of the company held: 16,265 shares
Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR, MANAGING OFFICER
Yasushi Suzuki
Corporate Manufacturing Division Executive General Manager, Risk Management Officer
Number of shares of the company held: 14,796 shares
Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR, OPERATING OFFICER
Hiroshi Naito
Corporate Business Administration Division Executive General Manager
Number of shares of the company held: —shares
Meetings of the Board of Directors attended: —%



DIRECTOR (Outside Director)
Takeshi Ogita
Chairperson of the Board of Directors
Number of shares of the company held: 2,278 shares
Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR (Outside Director)
Kaori Matsushita
Representative Director, President of K&L Consulting Co., Ltd., Outside Director and Audit & Supervisory Committee Member, Taisei Oncho Co., Ltd., Outside Director, Belc CO., LTD.
Number of shares of the company held: 1,152 shares
Meetings of the Board of Directors attended: 100% (15/15 times)



DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER
Tatsuo Sekine
Number of shares of the company held: 15,220 shares
Meetings of the Board of Directors attended: 100% (15/15 times)
Meetings of the Audit and Supervisory Committee attended: 100% (15/15 times)



DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Hajime Hayashi
Chairperson of the Nomination and Compensation Committee, TS TECH Representative of Sazanka Law Office
Number of shares of the company held: 1,369 shares
Meetings of the Board of Directors attended: 100% (15/15 times)
Meetings of the Audit and Supervisory Committee attended: 100% (15/15 times)

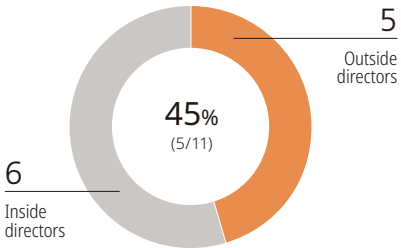


DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Tomoko Nakada
Representative of Tokyo Heritage Law Firm, Outside Director and Audit & Supervisory Committee Member of ADVANTEST CORPORATION
Number of shares of the company held: 1,775 shares
Meetings of the Board of Directors attended: 100% (15/15 times)
Meetings of the Audit and Supervisory Committee attended: 100% (15/15 times)

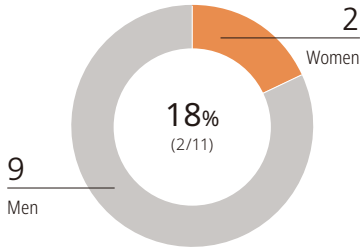


DIRECTOR, AUDIT AND SUPERVISORY COMMITTEE MEMBER (Outside Director)
Kenichi Naito
Number of shares of the company held: 179 shares
Meetings of the Board of Directors attended: 100% (13/13 times)
Meetings of the Audit and Supervisory Committee attended: 100% (13/13 times)

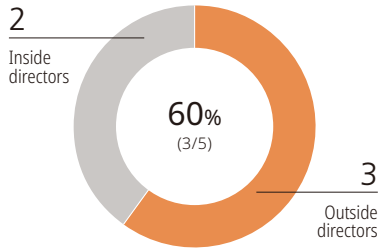
Percentage of Outside Directors on the Board of Directors



Percentage of women on the Board of Directors



Percentage of Outside Directors on the Nomination and Compensation Committee



Name	Experience and expertise									
	Management strategy	Corporate management	Knowledge about international business and overseas conditions	Financial accounting	Technology development	Manufacturing and quality	Environment	Sales and procurement	HR development and diversity	Legal issues and risk management
Masanari Yasuda Representative Director, President	●	●	●		●	●				
Eiji Toba Representative Director, Senior Managing Officer	●	●	●		●	●		●		
Akihiko Hayashi Director, Senior Managing Officer		●	●			●		●	●	
Yasushi Suzuki Director, Managing Officer		●	●			●	●			
Hiroshi Naito Director, Operating Officer		●	●	●			●			
Takeshi Ogita Director		●			●					
Kaori Matsushita Director		●	●						●	
Tatsuo Sekine Director, Audit and Supervisory Committee Member			●	●						●
Hajime Hayashi Director, Audit and Supervisory Committee Member										●
Tomoko Nakada Director, Audit and Supervisory Committee Member			●						●	●
Kenichi Naito Director, Audit and Supervisory Committee Member		●	●	●						●

■ Nomination and Compensation Committee ■ Outside directors ■ Independent directors

Note: Career and positions and number of shares of the company held: As of June 21, 2024 (As of the date of submission of the Annual Securities Report)
Attendance of each meeting: April 1, 2023–March 31, 2024

Selection of Directors

The regulations for candidates for director positions stipulate that candidates should have impressive leadership abilities, decision-making skills, vision and planning abilities, and should also have the personal qualities and insight fitting a director, among other qualities. Additionally, current directors who are up for reelection cannot have an attendance rate at Board of Directors’ meetings below 85% without a legitimate reason. In addition, when selected as a candidate, a specific skill matrix should be considered for those skills that directors should have, in light of the Group’s management strategies and business characteristics. The Board of Directors also strives for a balanced structure that reflects gender, global, cultural, and other types of diversity in order to facilitate appropriate, swift decision-making and promote supervisory functions.

Individuals meeting the requirements who have the skills and who qualify as candidates for director are proposed as official candidates to the Board of Directors after their eligibility and the overall balance of the Board of Directors, among other factors, have been discussed by the Nomination and Compensation Committee. The Board of Directors holds discussions on the candidates for director in light of these reports and the views of the Audit and Supervisory Committee and presents the candidate proposals at the General Meeting of Shareholders.

Appointments of Outside Directors

The company selects persons with extensive experience in corporate management or expertise in various fields as outside directors in order to provide advice and supervision on management from an independent standpoint, taking into account the characteristics of the company’s business.

When selecting outside directors, in addition to satisfying the criteria for independence set forth in the Companies

Act, the Ordinance for Enforcement of the Companies Act, and by Tokyo Stock Exchange, Inc., the company makes its decisions in accordance with its regulations for candidates for directors and Independence Standards for Outside Directors it has set forth. The regulations stipulate that directors may concurrently serve as officers for up to three listed companies including TS TECH.

Remuneration Policy

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

We established the Nomination and Compensation Committee, chaired by an outside director and composed of three outside directors and two internal directors, as an advisory body to the Board of Directors. When reviewing the level and calculation method of compensation in consideration of the basic policy and social conditions, revising the compensation structure, or determining the individual compensation for directors for each fiscal year, the Board of Directors makes resolutions based on consultations with the Nomination and Compensation Committee and the deliberations of the Audit and Supervisory Committee.

Officer compensation consists of basic fixed compensation, performance-linked remuneration as a short-term incentive, and non-monetary stock-based compensation as a medium- to long-term incentive to enhance the Group’s corporate value over the medium to long term and further share value with shareholders. The composition of annual compensation is approximately 60% base compensation, 25% performance-linked compensation, and 15% stock-based compensation.

Reasons for appointments of outside directors

Name	Reasons for appointment
Takeshi Ogita	Mr. Ogita was engaged in the management of a pharmaceuticals company for many years. Based on his extensive experience and broad insight as a corporate manager, he provides beneficial opinions and suggestions on the management of the Company as an Outside Director. We selected him as an Outside Director, in the expectation that he can continue to contribute to ensuring the soundness of management, by reflecting his extensive experience and insight in the management of the company. He has served as Chairman of the Board of Directors from June 2022.
Kaori Matsushita	Ms. Matsushita has extensive experience and insight gained through the planning and promotion of new business and corporate alliance strategy at a comprehensive IT vendor, and diversity management support at a consulting company. We selected her as an Outside Director, in the expectation that she will continue to contribute to enhancing diversity and ensuring the soundness of management of the company.
Hajime Hayashi	Mr. Hayashi has broad insight and extensive experience as an attorney. Since his appointment as an Outside Director of the company, he has appropriately performed audits, such as by giving advice on the management of the company as necessary. We selected him as an Outside Director who is an Audit and Supervisory Committee Member, in the expectation that he can continue to contribute to ensuring the soundness of management, and the audit and supervision of the company’s management.
Tomoko Nakada	Ms. Nakada has extensive overseas experience and broad insight as an attorney. Since her appointment as an Outside Director of the company, she has appropriately performed audits, such as by giving advice on the management of the company as necessary. We selected her as an Outside Director who is an Audit and Supervisory Committee Member, in the expectation that she can continue to contribute to ensuring the soundness of management, and the audit and supervision of the company’s management.
Kenichi Naito	Mr. Naito has extensive experience and insight through financial accounting, domestic and international sales, supervising sales of group companies, corporate management at a major general chemicals manufacturer as well as auditing duties as an auditor. We selected him as an Outside Director who is an Audit and Supervisory Committee Member, in the expectation that he can contribute to ensuring the soundness of management, and the audit and supervision of the company’s management.

Outside directors and directors who are Audit and Supervisory Committee members are paid basic compensation only given that their role is to audit and supervise management from an independent perspective.

Overview of the compensation system

The company determines the amount of each form of compensation according to a compensation table, in accordance with rank, individual performance, and other factors.

Performance-linked compensation is linked to the indicators of average rates of growth in consolidated revenue and consolidated operating income over the past three terms and the rates of change in amounts of dividends and number of months’ salary paid as employee bonuses, to incorporate the perspective of value sharing with shareholders and employees.

Specifically, the company calculates the compensation amounts by multiplying a performance-linked compensation index coefficient calculated using the formula below by the amounts for each rank in the compensation table.

Method used to determine the amount of compensation

The company calculates individual compensation amounts and numbers of shares in accordance with each compensation table, based on individual evaluation by the Executive Committee, which is composed of all representative directors, and directors working in Japan (excluding directors who are Audit and Supervisory Committee members). The advice of the Nomination and Compensation Committee is then sought regarding these amounts. For performance-linked compensation, compensation amounts are calculated using the method above, and the advice of the Nomination and Compensation Committee is then sought regarding these amounts.

The Nomination and Compensation Committee deliberates on the appropriateness and suitability of the amounts of base compensation, performance-linked compensation, and stock compensation for each individual, reports the results to the Audit and Supervisory Committee, and reports back to the Board of Directors.

The final decision is made by the Board of Directors based on the content of the report by the Nomination and Compensation Committee and the results of deliberation by

the Audit and Supervisory Committee. The base compensation for directors who are Audit and Supervisory Committee Members is determined based on discussions among directors who are Audit and Supervisory Board Members.

Compensation limits

The maximum amount of compensation (not including stock compensation) for directors (excluding directors who are Audit and Supervisory Board Members) is 750 million yen per year (of which the maximum amount for outside directors is 30 million yen), as resolved at the 75th Annual General Meeting of Shareholders held on June 25, 2021.

The maximum amount of stock compensation for directors (excluding directors who are Audit and Supervisory Board Members) is 150 million yen per year, and the maximum number of shares is 50,000 shares, as resolved at the 75th Annual General Meeting of Shareholders held on June 25, 2021.

The maximum amount of compensation for directors who are Audit and Supervisory Board Members is 90 million yen per year, as resolved at the 75th Annual General Meeting of Shareholders held on June 25, 2021.

Development and Selection of Successors

The TS TECH Group has set out the qualities, skills, and experience we seek in the people who will take on responsibility for management as directors and executive officers. We offer selective training and other programs to develop the successors who will drive the company’s future success.

In our step-by-step selective training programs for managers and general managers, we aim to nurture human resources with advanced interpersonal skills, dignity, and management capabilities. We do this by enhancing the skills and knowledge required of managers, such as skills in management strategy and financial accounting, as well as broadening perspectives, using various curricula.

At the stage where we select our successors, the Nomination and Compensation Committee, chaired by an outside director, determines director and executive officer candidates’ suitability as next-generation management personnel, including their career background, areas of expertise, and personability. After a process of careful deliberation the final decision is made by the Board of Directors.

Overview of the compensation system

Performance-linked compensation coefficient

Average percentage for the past three terms for consolidated revenue

+

Average percentage for the past three terms for consolidated operating income

+

Rate of change in dividend amount

+

Rate of change in number of months of employee bonuses

/ 4

Notes: 1. Each performance indicator is equally weighted.

2. The performance-linked compensation index coefficient is limited to a maximum of 150%, and there is no minimum.

Reference: The performance-linked compensation index coefficient as determined for fiscal 2024 is detailed below.

Average percentage for the past three terms for consolidated revenue: 139.8%

Average percentage for the past three terms for consolidated operating income: 61.6%

Rate of change in dividend amount: 131.7%

Rate of change in number of months of employee bonuses: 103.6%