

Supply Chain Initiatives

Supply Chain Management Policy

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

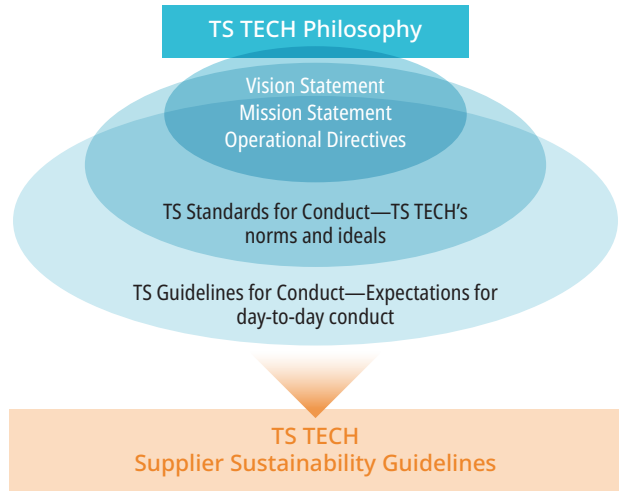
Based on the TS TECH Philosophy, the Group aims to realize a sustainable society by promoting initiatives that consider the environment, safety, human rights, compliance, and social responsibility not only independently but throughout its supply chain.

Application of TS TECH Supplier Sustainability Guidelines

We established the TS TECH Supplier Sustainability Guidelines to share and promote our views on sustainability with our business partners. We ask all business partners to comply with these guidelines in the following six categories: (1) Safety and Quality, (2) Human Rights and Labor, (3) The Environment, (4) Responsible Mineral Sourcing, (5) Compliance, and (6) Information Disclosure. In August 2023, we revised the guidelines, mainly enhancing the two areas of “Human Rights and Labor” and “The Environment” in response to social changes.



The guidelines are posted on the company's website and shared with all suppliers in and outside Japan. We also use a survey to verify compliance with these guidelines by our business partners in Japan. We surveyed a total of 121 partners in fiscal 2023. As a result, we were able to confirm that all partner companies maintain the same understanding of these guidelines as the TS TECH Group. The Group recognizes these initiatives as part of its materiality (key material issues), continues them annually, and since fiscal 2024 will work to roll them out to suppliers outside Japan as part of efforts to build a sustainable supply chain.



| Category | Content |
|---------------------------------|--|
| 1. Safety and Quality | <ul style="list-style-type: none"> • Provide products and services that meet consumer and customer needs • Provide appropriate information about products and services • Enforce governance over safety and quality of products and services • Guarantee safety and quality of products and services |
| 2. Human Rights and Labor | <ul style="list-style-type: none"> • No discrimination and respect and acceptance toward diversity • Respect of human rights and no harassment • No child labor • No forced labor • Compliance with laws and regulations regarding wages • Compliance with laws and regulations regarding working hours • Respect to freedom of association and collective bargaining rights • Adherence to occupational health and safety • Respect to the rights of local residents and indigenous people |
| 3. The Environment | <ul style="list-style-type: none"> • Environmental management • Reduce greenhouse gas emissions • Environmental preservation of air, water, soil, etc. • Efficient use of resources • Chemical substance management • Conservation of biodiversity |
| 4. Responsible Mineral Sourcing | <ul style="list-style-type: none"> • Conflict minerals |
| 5. Compliance | <ul style="list-style-type: none"> • Compliance with laws and regulations • Compliance with competition laws • Prevention of corruption • Prohibition of conflicts of interest • Confidential information controls and safeguards • Whistleblower protection • Export trade • Intellectual property protection • Exclusion of antisocial forces |
| 5. Information Disclosure | <ul style="list-style-type: none"> • Disclosure of information to stakeholders |

Basic Policy on Procurement

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

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

Four Principles of TS Procurement

(1) Fair Trade

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

(2) Mutually Beneficial Transactions

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

(3) Environmental Responsibility

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

(4) Legal Compliance and Confidentiality

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

Other Major Initiatives for Supply Chain Management

Annual conference with major business partners

The TS TECH Group facilitates communication with business partners by providing opportunities to share information regarding purchasing strategies and policies. We hold an annual conference with major suppliers to explain our medium-term management plan and operating policies and to exchange information. After switching to video distribution due to the COVID-19 pandemic, in April 2023 we held an in-person meeting for the first time in four years, strengthening unity with each company to promote our 15th Medium-Term Management Plan by working together as one.



Annual conference with major business partners

Supply chain risk management

To address procurement risks, the TS TECH Group works to prevent all "events that impact production," including natural disasters, fires, and financial challenges affecting its business partners. After visualizing information from upstream to downstream in the supply chain, we identify procured parts concentrated on a single supplier as "high-risk parts." We implement initiatives in cooperation with suppliers to prepare for contingencies like natural disasters and secure alternative procurement sources. As an initiative to minimize risk, we are also working to consolidate and streamline supply chains that have become complex in terms of distribution channels and hierarchy.

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

Business partner assessments

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

Promoting environmental activities

CO₂ emissions from Category 1 "Purchased goods and services" in Scope 3 account for 88.3%* of the CO₂ emissions from the TS TECH Group's business activities including the supply chain. We therefore recognize the importance of reducing emissions at our suppliers. Starting in April 2023, we have presented CO₂ emissions reduction targets not only to suppliers in Japan but also to suppliers worldwide, promoting reduced emissions across our entire supply chain. To incorporate more specialized knowledge and increase effectiveness, we held an online Carbon Neutrality Seminar with an external lecturer and rolled out an effective emissions reduction process to our suppliers. In this manner, rather than unilaterally demanding reductions, we work together with suppliers to reduce CO₂ emissions across the entire supply chain.

* Percentage of total Group CO₂ emissions in fiscal 2023



Carbon Neutrality Seminar

We also examine components to ensure they do not contain chemicals prohibited by laws and regulations in each country and region. We do not permit the use of chemicals prohibited by laws and regulations, even in manufacturing processes within supplier companies. Additionally, we have established rules to monitor the emissions of specified chemical substances designated by laws and regulations, and to report any issues that may arise to the relevant government.

Comment

Building Robust Partnerships to Improve Corporate Value Together

As a global supplier to TS TECH, we have supplied products such as the high-precision fastening parts that are used in automobile seat frames for over 30 years.

In recent years, based on the TS TECH Supplier Sustainability Guidelines, we have worked together to improve overall QCDDM and ESG performance. We believe these activities have shifted our partnership toward even more robust cooperation, enabling us to achieve competitive pricing and quality while ensuring stable product supply even in uncertain conditions. We also believe being selected for the Supplier Award four years in a row testifies that these activities have been effective.

Moving forward, we will use our own technology and expertise to create new value, as we strive to balance the pursuit of economic value and the creation of social value via sound business activities emphasizing ESG performance. We will pursue sustainable growth while practicing TS TECH's vision statement of "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all."



Mamoru Shibasaki
President and CEO
Ohashi Technica, Inc.

Survey on conflict minerals

The TS TECH Group's procurement activities are founded on a basic policy of not using conflict minerals* in order to prevent the flow of funds to armed forces and situations that violate human rights. As part of this process, the Group checks whether conflict minerals originating in or near the Democratic Republic of the Congo, as designated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of the United States, are used in our products. In light of the recent increasing risk of social human rights infringement, we have also expanded our examination to include cobalt.

In this examination, we probe the origin of minerals, and if we identify a mineral of concern, we take appropriate measures in cooperation with the supplier.

* Refers to the four minerals: tin, tantalum, tungsten, and gold.

Compliance with the Antimonopoly Act and prohibition of corruption

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

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

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