



Takeshi Ogita
Independent Outside Director
(Chairperson of the Board of Directors)

Apr. 1980 Joined Sankyo Co., Ltd.
 July 2004 Corporate Officer, Head of New Drug Development Division, Sankyo Co., Ltd.
 Apr. 2007 Executive Officer, Head of Pharmaceutical Technology Division, Daiichi Sankyo Co., Ltd.
 June 2009 Member of the Board, Senior Executive Officer, Daiichi Sankyo Co., Ltd.
 Apr. 2014 Member of the Board, Senior Executive Officer, Head of Vaccine Business Intelligence Division, Daiichi Sankyo Co., Ltd.
 Representative Director and President, Kitasato Daiichi Sankyo Vaccine Co., Ltd.
 Apr. 2017 Guest Professor, Graduate School of Creative Science and Engineering, Waseda University
 June 2018 Outside Director, Japan Hades Co., Ltd. (current)
 June 2020 Director, TS TECH (current)
 June 2022 Chairperson of the Board of Directors, TS TECH (current)

Increasing the effectiveness of the Board of Directors to achieve our 2030 Vision

Since being appointed as chairperson of the Board of Directors in June 2022, I have been fortunate to benefit from the diverse range of experience and knowledge possessed by my fellow Board members. Our active discussions have enabled decision-making that contributes to the enhancement of corporate value. The move to appoint an outside director as chairperson of the Board of Directors took place in 2020. The following year, we transitioned to “a company with an Audit and Supervisory Committee” structure and established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors. By taking steps like these, we have continued to move toward our aim: constructing a highly objective and transparent corporate governance system. At the same time, appropriate authority is delegated to executive officers, making for a system that enables prompt decision-making by the Board of Directors and serves to deepen discussions on agenda items.

For example, the Board receives monthly reports on consolidated results and business segments. However, these meetings are not just a reporting exercise; they also involve discussions on issues related to deviations from formulated plans and how to respond to those issues. Board decisions on how various matters should be handled are then conveyed to the executive team. Similarly, the Board also receives a monthly report on product quality, with information on the status of delivery defects at each business site shared with directors. Continuously providing high-quality products is one of our strengths, and indeed, the lifeline on which our business depends. Although the work of quality control is not something that may be immediately apparent, for a manufacturer like us, it is a critical cornerstone for protecting our business. It is therefore of the utmost importance to make it clear to people at all worksites that the Board of Directors is constantly appraised of the situation in a regular reporting process. To those who may think this approach is micro-management, I would suggest that “God is in

the details.” I very much appreciate the Board’s commitment to getting involved in the minutiae of business operations.

The 14th Medium-Term Management Plan concluded at the end of March 2023. During the past three years, the Group’s operations have been severely impacted by unprecedented changes in the external environment, including the COVID-19 pandemic and global semiconductor supply shortages. In the face of such circumstances, I believe that the company deserves praise for being able to secure a certain level of revenue and profit. This is truly thanks to the efforts of all employees, who helped us deliver stable product supply through strengthened cooperation both inside and outside the Group, implement new work styles, and make thorough cost reductions. In addition, we have made progress on various measures preparing for future business growth, including growing sales in new business areas and announcing our next-generation automotive cabin, “XR Cabin.” In the area of ESG performance, we made significant progress by identifying material issues and setting out medium- to long-term targets for these. The 15th Medium-Term Management Plan is formulated with a view to driving even further progress, and it reflects management’s determination to achieve our 2030 Vision. A plan is only meaningful, however, if it is duly implemented. The Board of Directors will carefully monitor progress on the achievement of the medium- to long-term targets and provide guidance as necessary.

Three years have passed since I was appointed an outside director, and my abiding sense is that TS TECH is a “diligent company grounded in technology.” Looking ahead, it is likely that the pace of change will continue to quicken. I hope that everyone in the company, from young employees to management, will continue to work together to face all challenges, so that we can deliver our advanced technologies to the world, while firmly maintaining the technologies and culture we have built so far.

Diverse human resources as the dynamo for innovation

The year 2022 will be remembered as a time of struggle that was fraught with unforeseen social situations and great challenges, ranging from delayed market recovery following the COVID-19 pandemic to semiconductor supply shortages, and the impact of the conflict in Ukraine. Under these circumstances, the TS TECH Group pressed forward with various initiatives, seeking not only to survive but to achieve further growth, based on our vision statement of being “A company dedicated to realizing people’s potential” and “A company sincerely appreciated by all.”

First, with regard to “A company dedicated to realizing people’s potential,” in Japan, where companies are facing labor shortages due to an aging society and falling birthrate, it is people who are the most important management asset for a company’s efforts to remain sustainable. Sustainability is underpinned by diversity and inclusion (D&I), and the strength of management commitment is the decisive factor in this area. The TS TECH Group positions fostering D&I as an important management challenge. We aim to build a corporate culture that is accepting of the individual characteristics and background of every employee, including gender, age, nationality, religion, culture, and background, and empowers each individual to make the most of his or her abilities. To achieve this aim, we are following a dual approach of reforming awareness across all organizations and implementing specific measures to respond to challenges that minorities face. Although it will take time for these initiatives to bear tangible results, we have made a solid start in fostering the kind of corporate culture we aspire to.

One of the immediate challenges we face is women’s under-representation in management and executive positions. The low proportion of women in the automotive industry’s workforce has been a perennial challenge. TS TECH is in a position similar to the rest of the industry, in that there are fewer women than men who have built a career track record. That situation

notwithstanding, seeing how women working on our front lines truly shine in their jobs, I believe that in the not-so-distant future the many measures we are implementing now will bear fruit and we will see female executives who were employees.

Next, with regard to being “A company sincerely appreciated by all,” in a period of dizzying change for the automotive industry, if we are to continue to provide value that pleases our stakeholders, we must continue to create innovation. The TS TECH Group is actively engaged in various initiatives to boost competitiveness, including focused efforts on digital transformation, such as automation of production processes and AI-enabled data analysis. What is more, in the period of the 15th Medium-Term Management Plan, with an eye on the next generation of vehicles, we are stepping up our efforts to develop new technologies in line with our growth strategy of “securing cabin coordination capacity.” In order to continue to provide new value in the future as technological innovation accelerates, it is vitally important that we build strategic alliances with companies that possess technologies that can be applied anywhere in the world, at home or overseas. The key will be whether we can conclude future-oriented technological alliances. In addition, our corporate culture, which values both the diverse ideas that young talent brings in and vigorous discussion, is a true asset for the company. Providing mutual reinforcement by engaging in exchanges with other companies via technological partnerships, coupled with the development of the younger people in our workforce, should ultimately help to further accelerate innovation.

While the period of transformation the automotive industry is currently facing brings with it the risk of major market shifts, it could also provide our company with significant opportunities. As an outside director, I will continue to take part in management discussions with an objective perspective and contribute to promotion of the 15th Medium-Term Management Plan.



Kaori Matsushita
Independent Outside Director

Apr. 1982 Joined FUJITSU LIMITED
 Apr. 2007 General Manager of Project Management Department, Alliance Management Division, Global Strategy Headquarters of FUJITSU LIMITED
 Sep. 2013 Diversity Mentor of FUJITSU LIMITED
 Apr. 2016 Senior Director, Global Marketing Headquarters of FUJITSU LIMITED
 May 2019 CEO of K&L Consulting LLC (current)
 June 2020 Outside Director and Audit & Supervisory Committee Member of Taisei Oncho Co., Ltd. (current)
 May 2022 Outside Director of Belc CO., LTD. (current)
 June 2022 Director, TS TECH (current)



Hajime Hayashi
Independent Outside Director, Audit and Supervisory Committee Member
(Chairperson of the Nomination and Compensation Committee)
Apr. 1983 Joined Mie Labor Management Center
Apr. 1986 Registered as an attorney
Joined Owaki & Sumi Law Office
Apr. 1989 Joined Meiwa Law Office
May 1996 Representative, Sazanka Law Office (current)
June 2020 Auditor, TS TECH
June 2021 Director, TS TECH (Audit and Supervisory Committee Member) (current)
June 2023 Chairperson of the Nomination and Compensation Committee (current)

Management-led efforts to reform awareness will lead to enhanced corporate value

In June 2021, the company established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors. I have been a member of the committee since its inception. In June 2023, I was appointed chairperson, and in that role I am working to ensure that the committee's activities serve to enhance corporate value by strengthening governance of the nomination and compensation processes.

The primary role of the Nomination and Compensation Committee is to report to the Board of Directors on matters relating to the selection, dismissal, and compensation of directors and executive officers. In order to ensure objective and transparent decision-making, of the five members of the committee, three are outside directors, to ensure that deliberations benefit from external perspectives.

The criteria for the selection of candidates are stipulated in the regulations of the Board of Directors, and the selection of persons is made in accordance with these criteria. For executive officers, it is necessary to select people who possess the foresight and decision-making abilities necessary to lead an organization, who are bright and open-minded and capable of embodying the Group's vision statement of being "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all." As an outside director, I engage in impartial deliberations to determine whether the identified candidates are suitably qualified for the position. As for internal candidates, it is important to take steps such as spending more

time with them in order to discern their qualities and personalities in greater depth, not relying only on the written information that is submitted.

With an eye on the next generation, another important agenda item for deliberation is succession planning. While executive officers are required to have general management skills, in order to win in a fast-changing automotive industry, the TS TECH Group needs talent capable of spearheading change and reform. Working together with other committee members and the personnel division, I will focus on leveraging our collective knowledge and taking an out-of-the-box perspective in selecting and developing successors.

Current officer compensation* is comprised of base compensation (60%), performance-linked compensation (25%), and stock-based compensation (15%), although there is room to debate whether this weighting is ideal for further enhancing management awareness. Also, regarding performance-linked compensation, it is necessary to consider indicators linked to the materiality KPIs as part of management's responsibility to ensure sustainability. Without being bound by convention and with the aim of taking the next step forward, I aim to contribute to further enhancement of corporate value by engaging in active discussions in the Nomination and Compensation Committee and other bodies.

* Compensation for Directors and Operating Officers, excluding Outside Directors and Directors who are members of the Audit and Supervisory Committee.

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.

For performance-linked compensation, from the perspective of value sharing with shareholders and employees, average percentages for the past three years for consolidated revenue and consolidated operating income, together with the rate of change over the previous fiscal year in dividend amount and the number of months of employee bonuses have been selected as performance indicators for the index.

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.

$$\text{Performance-linked compensation coefficient} = \left(\frac{\text{Average percentage for the past three terms for consolidated revenue}}{\text{Average percentage for the past three terms for consolidated operating income}} + \frac{\text{Rate of change in dividend amount}}{\text{Rate of change in number of months of employee bonuses}} \right) \div 4$$

* Each performance indicator is equally weighted. 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 2023 is detailed below.

- Average percentage for the past three terms for consolidated revenue: 132.5%
- Average percentage for the past three terms for consolidated operating income: 20.3%
- Rate of change in dividend amount: 133.3%
- Rate of change in number of months of employee bonuses: 100.0%

Tomoko Nakada

Independent Outside Director, Audit and Supervisory Committee Member
Apr. 1997 Appointed as an Assistant Judge (Tokyo District Court)
June 2000 Registered as an attorney (affiliated with Dai-ni Tokyo Bar Association)
Aug. 2002 Admitted to the New York State Bar Association
Mar. 2015 Elected as an International Fellow of the American College of Trust and Estate Counsel (current)
Apr. 2017 Elected as an Academician of the International Academy of Estate and Trust Law (current)
Dec. 2020 Representative, Tokyo Heritage Law Firm (current)
June 2021 Director, TS TECH (Audit and Supervisory Committee Member) (current)



Solid governance and being a great place to work are our strengths

In recent years, TS TECH has strengthened its corporate governance framework, including transitioning to "a company with an Audit and Supervisory Committee" structure, as well as increasing the number of outside directors. The Board of Directors is chaired by Takeshi Ogita, an outside director, who ensures that proceedings are conducted appropriately from an objective and independent standpoint. The other outside directors are Kaori Matsushita, a woman who brings her experience and expertise in D&I and computer systems to the Board, and Hajime Hayashi and myself, who bring legal-related knowledge as attorneys. All outside directors engage actively in making recommendations. When I previously raised legal-related questions in response to a report about the initiation of business transaction with a new customer, TS TECH staff responded by engaging in negotiations with the customer and later reported to the Board of Directors that, "We were able to reduce future risks by taking actions in line with your observations." This is just one small example to illustrate how the views of outside directors are thoroughly reflected in management and business execution, and how the various experience and knowledge that outside directors possess is helping to strengthen the effectiveness of the Board of Directors.

One outstanding governance-related challenge is the aspiration to appoint a non-Japanese director. There are many issues that need to be considered for such an appointment, and it may take some time for this to occur. However, in order to ensure that the Group can make further progress as a global company, the appointment of a non-Japanese director who understands and can put the TS TECH Philosophy into practice would be a significant decision.

One of the material issues identified by the company is to "offer rewarding working environments in which each and every employee makes the most of their diverse talents," and this will be key to enhancing corporate value, going forward. One young man, who has been able to fully utilize flextime work with no core hours, coupled with paid leave, to balance work and child-rearing, said with a smile, "No other company is so easy to work for." Looking across the company it is evident that the number of women in management positions is being steadily addressed. Through efforts to date, I feel that we have all become more accepting of each other's diversity, and that a foundation has been laid that will empower us all to work with enthusiasm. I look forward to seeing efforts continue to enable a diverse group of talented people to give their best in management positions and eventually as executive officers.

Greeting from new outside director

I have built my career to date at the UBE Group, a chemical and machinery manufacturer. With a uniquely manufacturing-oriented mindset that shares similarities with that at TS TECH, yet equipped with insights from a different industry, I believe that it is my responsibility to engage in discussions that contribute to the enhancement of corporate value. In addition, based on my financial and legal knowledge and the knowledge I acquired as a corporate auditor in a previous position, I will work actively to make proposals as a member of the Audit and Supervisory Committee, in order to uphold the soundness and appropriateness of corporate management.

Improving corporate governance is synonymous with making appropriate use of all management resources and increasing corporate value, and it will help the company to embody its vision statement of being "A company dedicated to realizing people's potential" and "A company sincerely appreciated by all." I am committed to do my part in implementing richly diverse and transparent management, and building a solid corporate foundation.

Kenichi Naito

Independent Outside Director, Audit and Supervisory Committee Member
Apr. 1982 Joined Ube Industries, Ltd. (currently UBE Corporation)
May 2002 General Manager of Administration Dept., Ube Techno Eng Co., Ltd. (currently UBE MACHINERY CORPORATION, Ltd.)
June 2008 Director, General Manager of Administration Center, Ube Techno Eng Co., Ltd.
June 2014 Managing Director, Executive General Manager of Administration Dept., T&U ELECTRONICS CO., LTD.
June 2017 Auditor, UBE EYSYMO CO., LTD.
June 2023 Director, TS TECH (Audit and Supervisory Committee Member) (current)

