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## Corporate Governance Report

CORPORATE GOVERNANCE

TS TECH CO., LTD.

**Last Update: Mar 31, 2023**

**TS TECH CO., LTD.**

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Securities code: 7313

<https://www.tstech.co.jp/english/>

The corporate governance of TS TECH CO., LTD. (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

The Company'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 sustainable 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 shareholders, 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 Shareholders

We shall cooperate appropriately with all shareholders 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 shareholders, 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.

## Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company implements all aspects of every principle of the Corporate Governance Code.

## Disclosure Based on the Principles of the Corporate Governance Code

#### [Principle 1.4: 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.

-With respect to the exercise of voting rights on cross-shareholdings, the Company shall exercise voting rights appropriately from a medium- to long-term perspective, taking into consideration factors such as the purpose of the cross-shareholding and the impact if a given resolution is passed. Voting rights shall be exercised following an internal approval process that culminates with the president's approval.

[Principle 1.7: Related Party Transactions]

-If a director conducts any transaction in competition with the Company or transactions involving a conflict of interest with the Company, the Board of Directors will pass a resolution in accordance with the Board of Directors' regulations.

-When engaging in related party transactions, the Company determines the terms and conditions of individual transactions by considering general transaction prices, conducting price negotiations based on received written estimates, and following the provisions of in-house administrative authority regulations. The Company discloses details of related party transactions in its annual securities report (Japanese only).

<https://www.tstech.co.jp/ir/material/>

[Supplementary Principle 2.4: Ensuring Diversity, Including Active Participation of Women]

■ Supplementary Principle 2.4 (1)

-With "a company dedicated to realizing people's potential" as part of its corporate philosophy, the Company believes that "people are the decisive factor in a company." To facilitate more active participation by diverse human resources, the Company is working in the medium term to develop employment/work environments and HR development systems to ensure that career advancement is not impeded by differences in terms of gender, nationality, career background, etc. while aiming in the long term to roll such practices out globally in line with local culture and characteristics.

-The Company has set the proportion of diverse talent (women, foreign nationals, mid-career hires, persons with disabilities, etc.) in managerial roles as a KPI and aims to increase this proportion to 35% by 2030.

Further details are disclosed on the Company's website.

<https://www.tstech.co.jp/english/csr/materiality.html>

-With a view to enhancing corporate value in the medium and long term, the Company restructured its in-house training system in 2020 in order to develop managerial candidates and further increase the motivation and skills of all employees.

In addition, the Company also discloses details of initiatives to realize work styles that promote diversity, such as a flextime system, a work-from-home system, and extension of the mandatory retirement age, in its integrated report and on its website.

<https://www.tstech.co.jp/english/csr/>

<https://www.tstech.co.jp/english/csr/report.html>

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]

-To ensure appropriate investment of corporate pension funds, the Company has established a Pension Deliberation Council and exercises management to prevent conflicts of interest arising between corporate pension recipients and the Company.

-The Company endeavors to manage corporate pension funds responsibly and reasonably as asset owners, through means such as the appointment of human resources with suitable knowledge from administrative divisions and objective advice from outside specialist organizations, and it discloses details in its annual securities report (Japanese only).

<https://www.tstech.co.jp/ir/material/>

[Principle 3.1: Full Disclosure]

■ Company objectives (e.g., business principles), business strategies, and business plans

-The Company's corporate philosophy is included in the TS Philosophy page of the Company's website.

<https://www.tstech.co.jp/english/company/philosophy.html>

-The Company's management strategies are included in the annual securities report (Japanese only) published on the Company's website.

<https://www.tstech.co.jp/ir/material/>

-The Company establishes and announces medium-term (three-year) management plans.

<https://www.tstech.co.jp/english/ir/communication.html>

■ Basic views and guidelines on corporate governance

-The Company's basic views and guidelines on corporate governance are as stated in 1. Basic Views.

■ Board policies and procedures in determining the remuneration of senior management and directors

-Board policies and procedures for determining the remuneration of senior management and directors are as stated in "1. Organizational Composition and Operation, [Director Remuneration]" of "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management."

- Board policies and procedures in the appointment/dismissal of the senior management and the nomination 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. The regulations for candidates for outside director positions stipulate that candidates should, in addition to the aforementioned, understand the Company's business and have the capacity to oversee the Company's management and business execution from an objective perspective.
    - Regarding the appointment procedure, first, the Executive Committee composed of representative directors shall select candidates and then consult the Nomination and Compensation Committee. Upon consultation, the Nomination and Compensation Committee will hold deliberations that take into account factors such as the selection criteria, the skill matrix, and the diversity of the Board of Directors, and report the results of said deliberations to the Audit and Supervisory Committee and the Board of Directors. Based on the information contained in the report by the Nomination and Compensation Committee and the opinions of the Audit and Supervisory Committee, the Board of Directors will deliberate and select candidates.
    - If a director violates a law or regulation or the Articles of Incorporation or in the occurrence of any other event deemed as making it difficult for a director to properly perform his or her duties, the Board of Directors shall, following deliberations by the Nomination and Compensation Committee and the Audit and Supervisory Committee, deliberate on and determine whether to submit a proposal for the dismissal of said director to the General Meeting of Shareholders.
  - Explanations with respect to the individual appointments/dismissals and nominations
    - The Company includes the career histories of individual directors up for appointment or nomination as well as the reasons for appointment of individual directors in the Notice of the Annual General Meeting of Shareholders. <https://www.tstech.co.jp/english/ir/other.html>
    - In the event of the dismissal of a representative director, the Company shall provide an explanation via timely disclosure in accordance with laws, regulations, and rules, and in the event of the dismissal of an officer other than a representative director, the Company shall judge whether to make a disclosure based on the materiality of the information.
  - Supplementary Principle 3.1 (3)
    - The Company formulates management plans based on an analysis of internal and external environments surrounding its seat and interior component businesses. Recognizing that sustainability is closely connected with the Group's business activities and that sustainability initiatives are essential for the realization of sustainable growth, the Company conducts activities to identify material issues (materiality) and incorporate them into its management plans. The Company is actively focusing on the fundamentals of the Group's value creation, including "providing attractive, innovative new products and technologies that exceed society's expectations," reducing environmental impact through the supply of these products and business activities, respecting human rights across the entire supply chain, and creating a framework for utilizing the diversity and skills of individual employees, who drive the Company's innovation and competitiveness.
    - Regarding investment in human capital, the Company endeavors to actively ensure diversity and to develop HR development systems as stated in Supplementary Principle 2.4 (1).
    - With respect to investment in intellectual property, the Company utilizes an "offensive" patent strategy, actively focusing on research and development and effectively using the new technologies produced as a result. As a result of such initiatives, the Company is highly rated in terms of its comprehensive patent strength as measured by Patent Result Co., Ltd. In addition, the Company has set the percentage of development costs spent on the development of innovative technologies as a KPI to promote the development of more attractive, innovative technologies, and aims to increase this proportion by 10% compared to the 2021 level by 2030.
    - As an automotive manufacturer, the Company recognizes action on climate change as urgent issue and has decided to commit to information disclosure based on the recommendations of the TCFD. In addition, the Company has established the Sustainability Committee to more vigorously promote both the Group's business growth and the resolution of social issues, and based on specific scenarios of greater, more rapid climate change in the future, the Company will conduct assessments and analyses of the implications with respect to business risks and opportunities, financial impact, and business continuity, and will endeavor to enhance said climate-related information disclosure. The Company discloses details of these sustainability initiatives through means such as its annual securities report (Japanese only) and its website. <https://www.tstech.co.jp/english/csr/>  
<https://www.tstech.co.jp/ir/material>
- [Principle 4.1 Roles and Responsibilities of the Board]
- Supplementary Principle 4.1 (1)
    - The Board of Directors makes resolutions on matters stipulated in laws and regulations, the Articles of Incorporation, and the Board of Directors' regulations as well as other important management-related matters. When making resolutions, the Board of Directors obtains the opinion of lawyers and other experts where necessary.
    - The Board of Directors delegates authority to the Executive Committee (composed of representative directors), the heads of

the various functional divisions, and the heads of geographical segments in accordance with the administrative authority regulations, based on thresholds in terms of monetary amount and materiality.

-Senior management reports to the Board of Directors as appropriate on matters stipulated in laws and regulations and the Company's Board of Directors' regulations and other matters deemed necessary by the Board of Directors.

[Principle 4.9: Independence Standards and Qualification for Independent Directors]

-The Company selects independent outside directors in accordance with the requirements for outside directors stipulated in the Companies Act and the independence criteria stipulated by the Tokyo Stock Exchange as well as the Company's own independence standards, attaching importance to extensive experience and deep insight in corporate management.

Taking their independence into consideration, in principle, outside directors may not serve longer than six years.

[Supplementary Principle 4.10 Use of Optional Approach]

■ Supplementary Principle 4.10 (1)

-The Company has established a Nomination and Compensation Committee as an advisory body to the Board of Directors. The committee consists of a majority of independent outside directors and is chaired by an outside director.

The Company discloses details such as the composition of the committee through means such as its annual securities report (Japanese only) and its website.

<https://www.tstech.co.jp/english/csr/governance.html>

<https://www.tstech.co.jp/ir/material/>

-The Nomination and Compensation Committee deliberates on matters related to the appointment and dismissal of directors and executive officers, the skill matrix for directors, compensation, the development of senior management candidates, etc. with the involvement and advice of outside directors based on their extensive experience and objective perspectives, and reports the results of these deliberations to the Board of Directors.

The Company discloses details of the process to determine nominations and compensation through means such as its annual securities report (Japanese only) and its website.

<https://www.tstech.co.jp/english/csr/governance.html>

<https://www.tstech.co.jp/ir/material/>

[Principle 4.11 Preconditions for Board and Kansayaku Board Effectiveness]

■ Supplementary Principle 4.11 (1)

-The Board of Directors strives for a balanced structure in terms of diversity, such as knowledge, experience, gender, and nationality.

The Articles of Incorporation stipulate that the Board of Directors will be composed of no more than 12 directors (excluding directors who are Audit and Supervisory Committee members) and no more than five directors who are Audit and Supervisory Committee members for a total of no more than 17 members, thereby endeavoring to ensure appropriate, rapid decision-making and effective oversight.

-The Company specifies in the form of a so-called skill matrix the skills that its directors need to have in light of the Group's management strategies and business characteristics and discloses this alongside policies and procedures for the appointment of directors on the Company's website.

<https://www.tstech.co.jp/english/csr/governance.html>

-When appointing independent outside directors, the Company stipulates additional requirements, such as the ability to oversee the Company's management and business execution from an objective perspective. The reasons for appointing the incumbent outside directors are explained on the Company's website.

<https://www.tstech.co.jp/english/csr/governance.html>

■ Supplementary Principle 4.11 (2)

-The Company has two directors who concurrently serve as the officers of listed companies and judges that this will not prevent said directors from fulfilling the role and responsibilities of a director of the Company.

Kaori Matsushita, Director

Concurrently serving as 1) a director and audit & supervisory committee member at Taisei Oncho Co., Ltd. and 2) an outside director at Belc Co., Ltd.

Tatsuya Motoda, Director, Audit and Supervisory Committee Member

Concurrently serving as 1) a director and audit & supervisory committee member at Global Information, Inc. and 2) a director and audit & supervisory committee member at Mitsui High-tec, Inc.

-For details of significant concurrent positions held by directors, please refer to the Notice of the Annual General Meeting of Shareholders (Reference Materials and Business Report) published on the Company's website.

<https://www.tstech.co.jp/english/ir/other.html>

■ Supplementary Principle 4.11 (3)

-To evaluate the effectiveness of the Board of Directors as a whole, the Company conducts an anonymous evaluation of effectiveness annually, surveying all the directors.

When preparing the evaluation questionnaire and aggregating and analyzing the results, the Company uses an independent third-party organization to ensure transparency and objectivity.

-Evaluations are conducted mainly from the perspectives of the “composition of the Board of Directors,” “matters deliberated and resolved,” and the “operation of the Board of Directors.” As a result of the evaluations, the Company finds that the effectiveness of the Board of Directors is largely ensured.

-The results of the last two evaluations confirmed that officers recognize “officer training,” the “composition of the Board of Directors,” the “process for determining nomination and compensation,” the “long-term incentive system,” and “matters submitted to the Board of Directors” as issues, and this has led to improvements via discussions at the Executive Committee and Board of Directors.

-With regard to “officer training,” the Company implemented seminars for directors, which are held three times a year on themes related to legal affairs, finance, and management, to increase the knowledge and insight of directors.

■ Supplementary Principle 4.14 (2)

-The Company provides opportunities for newly appointed directors to attend external specialized seminars.

The Company also holds seminars for all officers including operating officers three times a year on themes related to legal affairs, finance, and management to increase the knowledge and insight of officers.

-The Company also provides serving directors with opportunities to attend external training to increase their own knowledge and offers directors who are Audit and Supervisory Committee Members opportunities to further their understanding of the Company's business through means such as onsite visits to assess each division and each company and their management status.

[Principle 5.1: Policy for Constructive Dialogue with Shareholders]

-The Company shall make accurate, prompt, and fair information disclosures to shareholders and investors to achieve sustainable growth and improvement of corporate value over the mid- to long-term.

-The Company shall make information disclosures and engage in constructive dialogue with shareholders and investors using the following systems.

- 1) The Public Relations Section of the Corporate Communication Division and the officer in charge of public relations shall be responsible for dialogue with shareholders and investors.
- 2) The finance, general affairs, corporate planning, and other relevant divisions shall provide appropriate information to the Public Relations Section of the Corporate Communication Division for the purpose of providing appropriate information to shareholders and investors and engaging in two-way constructive dialogue with them.
- 3) Opinions and other feedback obtained through dialogue, etc. shall be provided to senior management as appropriate.
- 4) The Company shall actively disclose information deemed useful and appropriate for shareholders and investors even if such information is not stipulated in the Financial Instruments and Exchange Act or the Timely Disclosure Rules.
- 5) Information shall be disclosed through the Timely Disclosure Network (TDnet) operated by the Tokyo Stock Exchange, and press releases, etc. shall also be published on the Company's website as appropriate.
- 6) Insider information (non-public material facts) shall not be mentioned in dialogue with shareholders and investors, and the Company shall treat the period from the end of each quarter until the announcement of financial results as a quiet period when it will refrain from commenting on or answering questions about financial information.  
The Company shall also provide employees and officers responsible for engaging in dialogue with shareholders and investors with training on insider information as appropriate.

## 2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
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### Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
Honda Motor Co., Ltd.	30,720,000	23.09
The Master Trust Bank of Japan, Ltd. (Trust account)	13,802,300	10.37
Custody Bank of Japan, Ltd. (Trust account)	5,074,300	3.81
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust Account)	4,398,000	3.31
SUMITOMO LIFE INSURANCE COMPANY	3,880,000	2.92
Taiyo Life Insurance Company	2,800,000	2.10
OKAMOTO INDUSTRIES, INC.	2,752,000	2.07
Mitsubishi UFJ Trust and Banking Corporation	2,720,000	2.04
MUFG Bank, Ltd.	2,638,800	1.98
Nippon Life Insurance Company	2,580,400	1.94

Name of Controlling Shareholder, if applicable (excluding Parent Company)

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Name of Parent Company, if applicable

None

Supplementary Explanation

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## 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Business Sector	Transportation Equipment
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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## 5. Other Special Circumstances which May have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Corporate Governance System      Company with Supervisory Committee

#### Directors

Number of Directors Stipulated in Articles of Incorporation	17
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	15
Election of Outside Directors	Elected
Number of Outside Directors	5
Number of Independent Directors	5

#### Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Takeshi Ogita	From another company												
Kaori Matsushita	From another company												
Tatsuya Motoda	Tax Accountant												
Hajime Hayashi	Lawyer												
Tomoko Nakada	Lawyer												

\*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

#### Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Takeshi Ogita		○	—	Mr. Ogita has provided valuable opinions and advice related to the Company's management practices as an outside director based on his abundant experience and broad insight as a corporate manager of a pharmaceutical company. The Company selected him to serve as an outside director in the expectation that he will continue helping to ensure the

				<p>soundness of the Company's management by reflecting this abundant experience and insight in the Company's management.</p> <p>There exists no special interest between Mr. Ogita and the Company, and the Company appointed him as an independent officer having judged that there is no risk of a conflict of interest arising between Mr. Ogita and general shareholders.</p>
Kaori Matsushita		○	—	<p>Ms. Matsushita has abundant experience and insight through her work in the global planning and promotion of new business and corporate partnership strategies at a comprehensive IT vendor, and diversity management support at a consulting firm. The Company selected her to serve as an outside director in the expectation that she will help to ensure greater diversity at the Company and the soundness of the Company's management.</p> <p>There exists no special interest between Ms. Matsushita and the Company, and the Company appointed her as an independent officer having judged that there is no risk of a conflict of interest arising between Ms. Matsushita and general shareholders.</p>
Tatsuya Motoda	○	○	—	<p>Mr. Motoda has specialized knowledge and abundant experience and insight as a tax accountant and has provided appropriate auditing, including sound advice regarding the Company's management.</p> <p>The Company selected him to serve as an outside director (Audit and Supervisory Committee Member) in the expectation that he will continue helping to ensure the soundness of the Company's management and contribute to auditing and supervision.</p> <p>There exists no special interest between Mr. Motoda and the Company, and the Company appointed him as an independent officer having judged that there is no risk of a conflict of interest arising between Mr. Motoda and general shareholders.</p>
Hajime Hayashi	○	○	—	<p>Mr. Hayashi has broad knowledge and abundant experience as an attorney-at-law and has provided appropriate auditing, including sound advice regarding the Company's management.</p> <p>The Company selected him to serve as an outside director (Audit and Supervisory Committee Member) in the expectation that he will continue helping to ensure the soundness of the Company's management and contributing to auditing and supervision.</p> <p>There exists no special interest between Mr. Hayashi and the Company, and the Company appointed him as an independent officer having judged that there is no risk of a conflict of interest arising between Mr. Hayashi and general shareholders.</p>



Tomoko Nakada	○	○	—	<p>Ms. Nakada has extensive experience overseas and broad insight as a lawyer. She has provided appropriate auditing, including sound advice regarding the Company's management, from both a global and female perspective.</p> <p>The Company selected her to serve as an outside director (Audit and Supervisory Committee Member) in the expectation that she will continue helping to ensure the soundness of the Company's management and contributing to auditing and supervision.</p> <p>There exists no special interest between Ms. Nakada and the Company, and the Company appointed her as an independent officer having judged that there is no risk of a conflict of interest arising between Ms. Nakada and general shareholders.</p>
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## Supervisory Committee

### Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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### Matters Concerning Independence of Said Directors and/or Employees from Executive Officers

The Company has established an internal audit division under the direct control of the Audit and Supervisory Committee and assigns employees to assist the Audit and Supervisory Committee in the performance of its duties. The personnel affairs of the internal audit division are determined through consultation between directors and the Audit and Supervisory Committee, and any personnel evaluations and transfers and disciplinary action shall require the consent of the Audit and Supervisory Committee. Said employees shall not be prevented from concurrently holding another office but they shall not be under the command of directors when engaged in operations based on the instructions or orders of the Audit and Supervisory Committee.

### Status of Coordination between Supervisory Committee, Accounting Auditor, and Internal Audit Department

The outside directors who are Audit and Supervisory Committee Members implement audit operations based on cooperation, sharing information about audits with the internal audit division, which is directly controlled by the Audit and Supervisory Committee, through regular meetings, and also attending the accounting auditor's audit results report meetings. Meanwhile, information from across the Group that is necessary for audits is reported in a timely, appropriate manner by internal audit divisions and divisions in charge of finance and accounting in accordance with Audit and Supervisory Committee reporting standards established by the Company. Divisions in charge of legal affairs also share information about material matters such as compliance, risk management, and whistleblower reports.

## Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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### Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	5	0	2	3	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Compensation Committee	5	0	2	3	0	0	Outside Director

#### Supplementary Explanation

The Company has established a Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors to ensure objectivity, transparency, and fairness in procedures for nominating directors and determining director compensation and to further strengthen the Company's corporate governance system.

The Nomination and Compensation Committee is composed of directors selected by resolution of the Board of Directors and shall have at least three members including at least one director who is an Audit and Supervisory Committee member. The Committee shall consist of a majority of outside directors, in principle.

[Structure for FY2022]

Chairperson: Tatsuya Motoda, (Outside) Director and Audit and Supervisory Committee Member

Member: Hajime Hayashi, (Outside) Director and Audit and Supervisory Committee Member

Member: Takeshi Ogita, (Outside) Director

Member: Masanari Yasuda, Representative Director and President

Member: Yoshitaka Nakajima, Representative Director and Vice President

## Matters Concerning Independent Directors

Number of Independent Directors 5

#### Other Matters Concerning Independent Directors

The Company selects independent outside directors in accordance with the requirements for outside directors stipulated in the Companies Act and the independence criteria stipulated by the Tokyo Stock Exchange as well as the Company's own independence standards, attaching importance to extensive experience and deep insight in corporate management.

Taking their independence into consideration, in principle, outside directors may not serve longer than six years.

## Incentives

Implementation Status of Measures related to Incentives Granted to Directors Introduction of Performance-linked Remuneration Scheme, Other

#### Supplementary Explanation for Applicable Items

The supplementary explanation for this item is as stated in Director Remuneration.

#### Persons Eligible for Stock Options

#### Supplementary Explanation for Applicable Items

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## Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

No Disclosure for any Directors

### Supplementary Explanation for Applicable Items

Remuneration that directors, directors who are Audit and Supervisory Committee Members, and auditors received in FY2022 is as follows.

1) Directors (excluding Audit and Supervisory Committee Members and Outside Directors)

Total remuneration of 367 million yen (fixed compensation of 244 million yen, performance-linked compensation of 88 million yen, and non-monetary compensation of 35 million yen)

Number of recipient officers: 9

2) Audit and Supervisory Committee Members (excluding Outside Directors)

Total remuneration of 21 million yen (fixed compensation only)

Number of recipient officers: 1

3) Auditors (excluding Outside Auditors)

Total remuneration of 14 million yen (fixed compensation only)

Number of recipient officers: 2

4) Outside Directors

Total remuneration of 37 million yen (fixed compensation only)

Number of recipient officers: 5

- (Notes)
1. Following the 75<sup>th</sup> Annual General Meeting of Shareholders held on June 25, 2021, the Company transitioned from a “company with a Board of Auditors” to a “company with an Audit and Supervisory Committee” structure.
  2. Performance-linked compensation is the amount of provision for directors' bonuses in FY2022.
  3. The total amount of bonus payments to directors in FY2021 was 109 million yen (number of recipient officers: 9), which was 6 million yen higher than the provision for directors' bonuses of 103 million yen disclosed in FY2021.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

### Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

1) Basic policy and determination method

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

The Company established the Nomination and Compensation Committee (established June 29, 2021), 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.

2) Structure of executive compensation

Officer compensation consists of basic fixed compensation, performance-linked compensation 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.

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.

3) 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, average percentages for the past three terms for consolidated revenue and consolidated income have been selected as performance indicators for indexation, with the aim of achieving corporate management that is conscious of further business growth through a comparison of results from the past three years, together with the rate of change in dividend amount and number of months of employee bonuses, in order to incorporate the perspective of value sharing with shareholders and employees.

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

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

\* Each performance indicator is equally weighted.

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

-Restricted stock compensation is used as the method for stock-based compensation, as resolved at the

75<sup>th</sup> Annual General Meeting of Shareholders. In principle, monetary compensation

is paid in the form of monetary compensation claims for the allotment of restricted stock to each eligible director, based on a resolution of the Company's Board of Directors each fiscal year. Shares of the Company's common stock are delivered through issuance or disposal by the Company, in return for contribution in kind of all of the said monetary compensation claims, and held by the recipient.

When the Company issues or disposes of shares of its common stock in this way, it concludes a restricted stock allotment agreement with the eligible directors. This agreement forbids the transfer, creation, or promise of creation of a security interest on, or disposal by other means of common shares of the Company delivered under this compensation scheme, from the date when the shares are delivered until the time of the director's retirement.

If any of the eligible directors and executive officers is a non-resident of Japan as of the meeting of the Board of Directors which determines the amount of monetary compensation claims and the number of shares to be allotted, said director or executive officer shall not be granted monetary compensation claims or allotted shares. Instead, said director or executive officer shall be provided with cash compensation linked to the Company's stock price, etc. which has the same economic value as the restricted stock (phantom stock).

#### 4) 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 representative directors. The advice of the Nomination and Compensation Committee is then sought regarding these amounts. (For performance-linked compensation, a compensation indexation coefficient is obtained using the aforementioned method, and compensation amounts are calculated.) 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.

#### 5) Compensation limits

The maximum amount of 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 75<sup>th</sup> 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 75<sup>th</sup> 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 75<sup>th</sup> Annual General Meeting of Shareholders held on June 25, 2021.

## Support System for Outside Directors

To ensure that outside directors effectively fulfill their functions and responsibilities at meetings of the Board of Directors, ahead of deliberations at Board meetings, officers in charge give them preliminary explanations of issues and exchange views with them, and divisions in charge of legal affairs also share with them material information about matters such as compliance, risk management, and whistleblower reports.

## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) Update

### 1) Board of Directors

The Board of Directors is composed of 11 directors (excluding directors who are Audit and Supervisory Committee members) and four directors who are Audit and Supervisory Committee members. The Board of Directors makes decisions regarding

management policies, important management issues, and matters mandated by laws and regulations. It also supervises the execution of business operations.

2) Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of four Audit and Supervisory Committee members (three of whom are outside directors). Based on the audit policy established by the Audit and Supervisory Committee, it audits the execution of duties by the directors.

3) Nomination and Compensation Committee

The Nomination and Compensation Committee is composed of two directors (excluding directors who are Audit and Supervisory Committee members) and three outside directors. It deliberates on matters related to the appointment and dismissal of directors and executive officers and their compensation.

4) Executive Committee

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

5) Executive General Managers Committee

The Executive General Managers Committee is made up of 11 executive general managers and regional general managers. This committee discusses policies, plans, and governance related to operations in each division to maintain efficient operations.

6) Status of internal audits

The Company's Corporate Business Audit Department (10 members) is dedicated to conducting internal audits. The department audits business execution by each organization under the direct command of the Audit and Supervisory Committee and in cooperation with the accounting auditor.

7) Status of accounting audits

In accounting audits, the Company's Board of Auditors and the internal audit division exchange information on a regular basis, and audits are conducted appropriately and effectively.

The Company's accounting auditor is KPMG AZSA LLC and the certified public accountants who conducted the audit and composition of assistants with audit operations is as follows.

-Continuing auditor  
1 year (from 2021)

-Certified public accountants who conducted the audit  
Shingo Iwamiya  
Yukio Kurihara

-Composition of audit operation assistants  
Certified Public Accountants 6  
Persons who have passed accountancy examinations, etc. 6  
Others 10

When appointing an accounting auditor, the Company's Audit and Supervisory Committee utilizes a comprehensive view that considers quality management structure, independence, expertise, audit structure, fraud risk, etc. and selects an accounting auditor that is deemed as being able to ensure that the Company's accounting audits will be conducted in an appropriate, valid manner. KPMG AZSA LLC was judged to have met these standards.

8) Selection of officer candidates

Candidates for directors (excluding directors who are Audit and Supervisory Committee members) are determined by resolution of the Board of Directors. Candidates for directors who are Audit and Supervisory Committee members are determined by resolution of the Board of Directors after the consent of the Audit and Supervisory Committee has been obtained.

9) Establishment of officers' remuneration

Determination of remuneration is as described in "Director Remuneration" of "1. Organizational Composition and Operation."

10) Outline of liability limitation agreements

The Company has executed an agreement with outside directors on the limitation of liability for damages as provided for under the provisions of Paragraph 1, Article 423 of the Companies Act according to the provisions of Paragraph 1, Article 427 thereof. The maximum liability for damages under the agreement is the minimum liability amount provided for in Article 425, Paragraph 1 of the Companies Act.

### **3. Reasons for Adoption of Current Corporate Governance System**

Following approval at the 75<sup>th</sup> Annual General Meeting of Shareholders held on June 25, 2021, the Company transitioned to a “company with an Audit and Supervisory Committee” structure in order to further enhance the supervisory function of the Board of Directors and the corporate governance system itself by appointing directors who are Audit and Supervisory Committee members with voting rights to the Board of Directors.

By increasing the ratio of independent outside directors on the Board of Directors to one-third and by establishing the Nomination and Compensation Committee, which consists of a majority of independent outside directors, as an advisory body of the Board of Directors, the Company aims to better reflect the objective opinions of outside officers in its management, improve management transparency and objectivity, and accelerate enhancement of corporate value.

Meanwhile, in addition to the executive officer system that was implemented previously, the Board of Directors will delegate decision-making on important matters of business execution to the directors to the extent legally permitted to ensure swift decision-making in the face of a rapidly changing business environment.

Furthermore, the newly established Audit and Supervisory Committee directly supervises the internal audit division in its auditing operations. This creates a system that enables efficient organizational auditing of the state of business execution for the entire Group.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	Notice of the Annual General Meeting of Shareholders is dispatched earlier than the legal deadline.
Scheduling of the General Shareholders Meeting During Non-Peak Days	When setting the date for the Annual General Meeting of Shareholders, the Company avoids dates when many annual general meetings are expected to be held.
Electronic Exercise of Voting Rights	Shareholders are able to exercise their voting rights online using a personal computer or a smartphone.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in an electronic voting platform for institutional investors operated by ICJ Corporation.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company posts an abridged English translation of the Notice of the Annual General Meeting of Shareholders on the website of the Tokyo Stock Exchange, the electronic voting platform, and the Company's website. ( <a href="https://www.tstech.co.jp/english/ir/other.html">https://www.tstech.co.jp/english/ir/other.html</a> )
Other	1) The Company provides presentations with slides to give shareholders a better understanding of business report explanations. 2) The Company posts the Notice of the Annual General Meeting of Shareholders on its website. ( <a href="https://www.tstech.co.jp/english/ir/other.html">https://www.tstech.co.jp/english/ir/other.html</a> )

#### 2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company posts a disclosure policy on its website. ( <a href="https://www.tstech.co.jp/english/csr/investors.html">https://www.tstech.co.jp/english/csr/investors.html</a> )	
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds full-year and first-half financial results briefings sessions.	Held
Online Disclosure of IR Information	The Company posts consolidated financial summaries (Japanese and English), IR presentation materials (Japanese and English), timely disclosure information, press releases, and other information on its website and also has a website for individual investors.	
Establishment of Department and/or Placement of a Manager in Charge of IR	Public Relations Section, Corporate Communication Department	

#### 3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company has enacted the TS Code of Conduct with the aim of being, through its business activities, "a company sincerely appreciated by all" whose presence is valued by all stakeholders, in accordance with its philosophy.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company positions CSR activities as initiatives for pursuing and realizing its philosophy of being "a company sincerely appreciated by all." In addition to the Company's main business of providing safe, comfortable products, the Company implements global initiatives across all divisions and sites to continuously and actively fulfill its social responsibilities in the course of its business activities. The Company is also actively involved in activities to protect the environment. Details of specific activities are included in integrated reports published annually. ( <a href="https://www.tstech.co.jp/english/csr/report.html">https://www.tstech.co.jp/english/csr/report.html</a> )
Formulation of Policies, etc. on Provision of Information to Stakeholders	The Company has established information disclosure regulations and works to earn trust as a highly transparent, open company in accordance with these regulations by not only disclosing information through statutory disclosures and timely disclosures but also actively disclosing information to increase understanding about the Company.

## IV. Matters Concerning the Internal Control System

### 1. Basic Views on Internal Control System and Status of Development

Update

The Company formulated a Basic Policy on the Establishment of an Internal Control System and works to maintain an internal control system in accordance with this policy.

#### 1. System Regarding Storage and Management of Information on Directors' Execution of Duties

Information relating to the execution of duties by the Company's directors is entered or recorded in the following documents in addition to the documents provided for in laws and regulations.

- 1) Materials and minutes from Executive Committee meetings
- 2) Materials and minutes from Executive General Managers Committee meetings
- 3) Requests for managerial approval

These documents are stored and managed in accordance with the Company's document management regulations.

#### 2. Regulations Concerning Management of the Risk of Loss and Other Relevant Systems

The Company has adopted the following system as a risk management system.

- 1) A Risk Management Officer is appointed from among the representative directors and placed in charge of risk management.
- 2) In an effort to avoid business risks, the Company has a Global Risk Management Committee as an advisory body to the Executive Committee. The committee regularly reviews risks across all divisions, conducts safety and disaster prevention inspections at production plants, and makes improvements or takes corrective action to address any problems that arise or are expected to arise.
- 3) If the risk of loss arises, the Company takes urgent action in accordance with crisis management regulations and various manuals relating to specific risks.

#### 3. System to Ensure Efficient Execution of Duties by Directors

The Company has developed the following systems to ensure efficient execution of duties by directors.

- 1) In addition to systems provided for in laws, regulations, and the Articles of Incorporation, the Company has an Executive Committee composed of representative directors which deliberates on and resolves material matters relating to business execution in accordance with a basic policy of operation determined by the Board of Directors.
- 2) The Company uses the executive officer system in an attempt to speed up business execution in different geographical segments and at different sites.
- 3) At meetings of the Executive General Managers Committee is composed of directors and other executive general managers, discussions are held on policies, plans, governance, and other matters related to the operations of important matters and business of each functional divisions and each segment division.

#### 4. System to Ensure that Execution of Duties by Directors and Employees Conform to Laws, Regulations, and the Articles of Incorporation

The Company adopts the following supporting systems to promote and strengthen its compliance system.

- 1) The Company adopts the TS Code of Conduct as its code of conduct.
- 2) Under the guidance of the director in charge (executive general manager, segment executive general manager, etc.), each division endeavors to comply with laws and regulations, regularly verifies the status of compliance, maintains the compliance system on an ongoing basis, quickly detects compliance-related issues, and takes corrective action to address any anticipated issues.
- 3) The Company appoints the director in charge of promoting compliance-related initiatives as a Compliance Officer.
- 4) The Company has a whistleblower hotline called the TS Corporate Ethics Compliance Consultation Office, which gives users such as the employees of Group companies in Japan or their family members, or the employees of business partners in Japan, suggestions or advice on issues related to corporate ethics or compliance.
- 5) The Company has an Ethics and Compliance Committee which is chaired by the Compliance Officer and composed of several committee members. The committee deliberates on matters among suggestions or consultations that the TS Corporate Ethics Compliance Consultation Office has received and those which constitute material breaches of corporate ethics or compliance breaches in relation to management. The Committee also reports on matters addressed and formulates and deliberates on the Company's policies on compliance and corporate ethics.
- 6) The Company diligently avoids any type of relationship with antisocial groups that can threaten a safe, orderly, and civil society, and works together as an entire group to demonstrate uncompromising attitudes against such forces.

#### 5. System to Ensure Appropriateness of Operations in the Group

- 1) The Group shares information such as the TS Philosophy, including the Vision Statement and Mission Statement, its Policy on Corporate Governance, and important management goals for each business year, and it also endeavors to develop a full lineup of efficient, effective corporate governance systems according to the laws and regulations of each country and the business format of each company.
- 2) The Company mandates that subsidiaries and affiliates must report/seek the Company's prior approval on material matters related to management and report their business plans and operating/financial status to the Company on a regular basis.
- 3) The Group conducts activities to promote compliance and to mitigate risks, such as regularly reviewing risks and verifying compliance, and it seeks to minimize losses through cooperation in the event of a crisis.
- 4) The Group provides a system for detecting and tackling problems early through the establishment of a whistleblower hotline.
- 5) The Company's internal audit division conducts audits of major subsidiaries and affiliates in accordance the instructions of the Audit and Supervisory Committee and reports the results to the Audit and Supervisory Committee and the



President.

6. Matters for Ensuring the Effectiveness of the Instructions of the Audit and Supervisory Committee to Directors and/or Staff Appointed to Support the Duties of the Audit and Supervisory Committee and Matters Relating to the Directors and/or Staff Appointed to Support the Duties of the Audit and Supervisory Committee
  - 1) The Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee may attend meetings of the Board of Directors and other important meetings such as meetings of the Executive Committee or Executive General Manager Committee where necessary, view requests for managerial approval and other important documents relating to business execution, and demand explanations from directors (excluding directors who are Audit and Supervisory Committee Members) and employees. The Audit and Supervisory Committee seeks cooperation by exchanging opinions on a regular basis with each director (excluding directors who are Audit and Supervisory Committee Members), exchanging information with the Accounting Auditor and the internal audit division, and other means.
  - 2) The Company has established an internal audit division under the direct control of the Audit and Supervisory Committee and assigns employees to assist the Audit and Supervisory Committee in the performance of its duties. The personnel affairs of the internal audit division are determined through consultation between directors and the Audit and Supervisory Committee, and any personnel evaluations and transfers and disciplinary action shall require the consent of the Audit and Supervisory Committee. Said employees shall not be prevented from concurrently holding another post but they shall not be under the command of directors when engaged in operations based on the instructions or orders of the Audit and Supervisory Committee.
7. System for Reporting by Directors (Excluding Directors who are Audit and Supervisory Committee Members) and Employees to the Audit and Supervisory Committee and Other Systems Concerning Reporting to the Audit and Supervisory Committee, and Other Systems for Ensuring Effective Audits by the Audit and Supervisory Committee
  - 1) The Company develops Audit and Supervisory Committee reporting standards and also makes reports to the Audit and Supervisory Committee in an appropriate manner in accordance with these standards.
  - 2) The Company's internal audit division, the division which reviews and verifies compliance and risks, and each division involved in the whistleblower hotline report the current status of groupwide matters, such as internal audits, compliance, and risk management, to the Audit and Supervisory Committee in a timely, appropriate manner in accordance with the Audit and Supervisory Committee reporting standards.
  - 3) The Company maintains a system under which the Audit and Supervisory Committee can, where necessary, cooperate with the internal audit divisions of subsidiaries and auditors to audit the status of execution of duties by directors of subsidiaries and affiliates through the internal audit division.
  - 4) The Company strictly prohibits disadvantageous treatment on the basis of submission of a report to the Audit and Supervisory Committee.
8. Matters Regarding Policy on Handling Advance Payment or Repayment of Expenses Resulting from Execution of Duties by Audit and Supervisory Committee Members (only expenses related to the execution of duties of the Audit and Supervisory Committee) or Other Expenses or Debts Arising from Said Execution of Duties
  - 1) The Company budgets every business year for the payment of expenses arising from the execution of duties by Audit and Supervisory Committee Members.
  - 2) When an Audit and Supervisory Committee Member has requested the prepayment, etc. of expenses arising in relation to the execution of his or her duties (only expenses relating to the execution of the duties of the Audit and Supervisory Committee), said request shall be complied with promptly, except where expenses are deemed unnecessary for the execution of duties by said Audit and Supervisory Committee Member.
9. System to Ensure the Reliability of Financial Reporting

The Company builds an effective, appropriate internal control system in accordance with the Financial Instruments and Exchange Act to ensure the reliability of the Group's financial reporting.

The Company also seeks to build an effective system by evaluating the status of maintenance and operation of this system on an ongoing basis and implementing necessary corrective measures.

## 2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Group's basic policy is 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. The Group regularly checks the status of system maintenance of each division and each affiliate through measures such as compliance self-inspections and business audits.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

#### Supplementary Explanation for Applicable Items

The Company currently has no plans to adopt anti-takeover measures but may consider protective measures against parties that might be harmful to corporate value or the common interests of shareholders in the future, taking the shareholder structure and liquidity of shares into consideration.

### 2. Other Matters Concerning the Corporate Governance System Update

#### Overview of Timely Disclosure System

The Company has established the Information Disclosure Regulations and, in accordance with these regulations, it endeavors to earn trust as a highly transparent, open company by disclosing material information in a timely, appropriate manner in accordance with the Financial Instruments and Exchange Act and rules on the timely disclosure of corporate information stipulated in the “Securities Listing Regulations” (Timely Disclosure Rules) mandated by the Tokyo Stock Exchange, and also by actively disclosing information which may impact investment decisions and information which will increase understanding about the Company.

#### 1. Information Disclosure System

##### 1) Division in Charge of Timely Disclosure

The division in charge of timely disclosure is the Public Relations Section of the Corporate Communication Department.

##### 2) Person Responsible for Timely Disclosure

The person responsible for timely disclosure is the officer in charge of public relations (person responsible for handling information).

##### 3) Disclosure Council

The Company has established a Disclosure Council for making disclosures in a timely, appropriate manner in accordance with the Timely Disclosure Rules and for considering the necessity of disclosure of company information which does not fall under timely disclosure as well as the information contained in disclosures. The Disclosure Council consists of a chair, a vice-chair, council members, and a secretariat. The chair is the officer in charge of overseeing administration and business administration, the vice-chair is a director appointed by the chair, the council members are the Corporate Administration Division Executive General Manager, the Corporate Business Administration Division Executive General Manager, the officer in charge of public relations, and the Corporate Communication Department General Manager, and the secretariat is the Public Relations Section of the Corporate Communication Department.

Directors who are standing Audit and Supervisory Committee Members attend council meetings and monitor the disclosure system.

##### 4) Information Managers

Information managers (manager and deputy manager) are appointed in each division and at each subsidiary to collect information stipulated in the Timely Disclosure Rules, information which might impact investment decisions, and information to increase understanding about the Company.

#### 2. Information disclosure procedures

The Company makes information disclosures as follows.

1) The information managers of each division and each subsidiary notify the Public Relations Section of the Corporate Communication Division if they hold any information which might correspond to information stipulated in the Timely Disclosure Rules. (The Affiliates Administration Department is the point of contact for information from each subsidiary while the Accounting Department is to be contacted by the accounting division of each subsidiary in connection with financial information.)

2) Upon receipt of such notification, the Public Relations Section of the Corporate Communication Department checks the Timely Disclosure Rules to determine whether they apply and reports the outcome to the officer in charge of public relations.

If the information falls under the Timely Disclosure Rules, a timely disclosure document is created.

3) Upon receipt of a report from the Public Relations Section of the Corporate Communication Department, the officer in charge of public relations checks it against the Timely Disclosure Rules again to decide whether they apply.

Where necessary, a request is made for the convocation of a meeting of the Disclosure Council to consider whether or not disclosure is necessary.

4) In the event that disclosure is judged necessary, the Disclosure Council carefully examines the information to be contained in the disclosure document, and the officer in charge of public relations reports the disclosure document to the disclosure decision-making body.

5) Following a resolution to disclose information, the Public Relations Section of the Corporate Communication Department makes the relevant information disclosure.

Even if information does not fall under the Timely Disclosure Rules, if the Company judges it to be information which may impact investment decisions or information which may increase understanding about the Company, information is disclosed in accordance with the same disclosure procedure described above.



