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Securities Code: 6482
June 4, 2020

Dear Shareholders,

Notice of Convocation for the 47th Ordinary General Meeting of Shareholders

We would like to express our deepest condolences.

Notice is hereby given that the 47th Ordinary General Meeting of Shareholders of YUSHIN PRECISION EQUIPMENT CO., LTD. will be held as set out below:

If you do not expect to attend the meeting in person, you may exercise your voting rights in writing or via electromagnetic means (the Internet and others). Please refer to the enclosed Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5 p.m. on Tuesday, June 23, 2020 at the latest.

Please confirm the “Information on Exercise of Voting Rights via the Internet and others” on page 2 and 3 when voting via electromagnetic means.

Details

- 1. Date and Time:** Wednesday, June 24, 2020 at 10 a.m.
- 2. Place:** Conference Room on the 6th Floor,
Head Office of YUSHIN PRECISION EQUIPMENT CO., LTD.
555 Kuzetonoshiro-cho, Minami-ku, Kyoto
- 3. Objectives of the Meeting:
Matters to be reported:**
 - a) Business Report and Consolidated Financial Statements for the 47th Fiscal Year (from April 1, 2019 to March 31, 2020) as well as the audit reports from the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements
 - b) Report on the Non-Consolidated Financial Statements for the 47th Fiscal Year (from April 1, 2019 to March 31, 2020)

Agenda for resolution:

- Proposal 1:** Election of Ten (10) Directors
Proposal 2: Election of Two (2) Corporate Auditors

Sincerely Yours,

Mayumi Kotani
President and Representative Director
YUSHIN PRECISION EQUIPMENT CO., LTD.
555 Kuzetonoshiro-cho, Minami-ku,
Kyoto, Japan

Notes:

You are kindly requested to present the enclosed “Form for Exercising Voting Rights” to the receptionist upon your arrival at the Meeting.

If any changes have been made to the matters appearing in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements or Consolidated Financial Statements, such changes will be posted on the Company’s website: (<https://www.ype.co.jp>)

Of the documents required to be appended to this Notice of Convocation as attachments, “Consolidated Statements of Changes in Net Assets”, “Basis of Preparing Consolidated Financial Statements and other Notes”, “Statements of Changes in Net Assets” and “Significant Accounting Policies and other notes”, have been posted on the Company’s website (<https://www.ype.co.jp>) in accordance with laws and regulations and article of association, and are therefore not included in the attached documents.

Besides, “Consolidated Statements of Changes in Net Assets”, “Basis of Preparing Consolidated Financial Statements and other Notes”, “Statements of Changes in Net Assets” and “Significant Accounting Policies and other notes” were audited by the Accounting Auditor and the Corporate Auditor as part of the Consolidated Financial Statements and the Non-consolidated Financial Statements in preparing the Audit Report.

<Information on Exercise of Voting Rights via the Internet and others>

Shareholders exercising voting rights via the Internet are asked to kindly note the following matters. Exercising the voting rights by post or via the Internet is unnecessary if you attend the meeting in person.

1. About the voting rights exercise site

- (1) Shareholders can exercise their voting rights only by accessing on the voting rights exercise site designated by the Company (<https://www.evotetr.mufg.jp/>) via PC, smartphone or mobile phone. (However, please note that you cannot exercise your voting rights via the Internet on the designated website between the hours of 2:00 a.m. and 5:00 a.m.)
- (2) Please note that you may not be able to exercise your voting rights via PC or smartphone depending on the Internet settings configured on your PC or smartphone, such as firewalls, etc. that are in place to regulate your Internet connections, anti-virus software that has been installed on your PC or smartphone, the use of a proxy server or not designating TLS.
- (3) When exercising voting rights via mobile phone, for security reasons, you cannot vote using mobile handsets that cannot send TLS encrypted information or that cannot send information of the mobile phone used.
- (4) A voting deadline is 5:00 p.m. on Tuesday, June 23, 2020. Shareholders are cordially requested to exercise their voting rights as early as possible. Please call Help Desk as mentioned below with any inquiries.

2. Methods of exercising of voting rights via the Internet

(1) PC, mobile phone method

- On the voting rights exercise site designated by the Company (<https://www.evotetr.mufg.jp/>), please enter the “login ID” and “temporary password” indicated on the enclosed Voting Rights Exercise Form and enter your approval or disapproval of each of the proposals in accordance with instructions on the screen.
- Please note that, in order to prevent unauthorized access to the designated website by individuals other than shareholders (persons impersonating shareholders) and to prevent the alteration of votes, we request that you change your "temporary password" to a permanent password on the designated website for the exercise of voting rights, when you exercise your voting rights via the Internet.
- New “login ID” and “temporary password” will be advised for each notice of convocation for Ordinary General Meeting of Shareholders.

(2) Smartphone method

- Please scan the QR code located on the Voting Rights Exercise Form. You can simply login to the website for exercising voting rights without entering your voting code and password.
- Note that your voting rights can be exercised only once by using the QR code method for security reason. Please enter “login ID” and “temporary password” when you use QR code for second and subsequent times.
- Depending on the model of your smartphone, you may not be able to log in with the QR code. If you cannot do login with the QR code, please exercise your voting rights by 2. (1) PC, mobile phone method.

*“QR code” is a registered trademark of DENSO WAVE INCORPORATED.

3. Treatment when you exercise your voting rights more than one time

- (1) If you exercise your voting rights both by post and via the Internet, the voting via the Internet shall be deemed valid.
- (2) If you exercise your voting rights more than once via Internet, the last exercise of voting rights shall be deemed valid. If you exercise your voting rights redundantly via PC, smartphone and mobile phone, the last exercise of voting rights shall be deemed valid.

4. Costs associated with accessing the website for the exercise of voting rights

All costs associated with accessing the website for the exercise of voting rights (cost of Internet connections etc.) are to be borne by the shareholder. Also, when voting via mobile phone etc. all packet communication fees and other costs incurred in the use of a smartphone or a mobile phone are also to be borne by the shareholder.

Inquiries about the system

Mitsubishi UFJ Trust and Banking Corporation
Transfer Agent Department (Help Desk)

Phone: 0120-173-027 (9:00 a.m. to 9:00 p.m. (Japan Time); toll free only within Japan)

<For Institutional Investors>

Institutional investors may use “The Platform for Electronic Exercise of Votes for Institutional Investors” of ICJ Ltd.as another way of exercising voting rights.

Business Report

(from April 1, 2019 to March 31, 2020)

1. Current Business Conditions

(1) Progress and achievements

Regarding the global economy during this fiscal year under review, due to uncertainties about the future, including trade friction between the U.S. and China, the willingness of companies to make capital investments has been declining globally. Furthermore, since the beginning of 2020, the spread of COVID-19 worldwide has slowed down the economic activities of each country. As a result, concerns over the global economic slowdown have intensified, and the environment surrounding us has become even more severe.

Under these circumstances, the YUSHIN Group has continued to develop new customer base on global scale. However, orders received during this fiscal year have remained lower compared to the previous fiscal year. Regarding the outcome for this fiscal year under review, sales of Custom-ordered equipment increased significantly, especially in the medical field overseas. On the other hand, sales of Take-out robots did not grow from the beginning of the period in Asia due to the restraint of capital investment, and the sales in Japan also slowed down from the second half. As a result, the consolidated net sales decreased by 8.3% year on year to 20,011 million yen. Operating profit decreased 16.3% year-on-year to 2,309 million yen, although expenses were suppressed due to cost reductions by streamlining operations and reductions in depreciation expenses. Ordinary profit decreased 21.0% year on year to 2,205 million yen due to foreign exchange losses, and Profit attributable to owners of parent decreased 19.5% year on year to 1,532 million yen.

For the purpose of expanding sales channels and expanding the service system in the European market, we established a wholly owned subsidiary YUSHIN EUROPE GMBH in Germany and started operations in June 2019. We are accelerating the construction of sales channels by exhibiting at the K exhibition, which is the world's largest trade fair for plastics and rubber held in Germany in October 2019.

Consolidated net sales by product category

(Thousands of yen)

Years ended March 31,	2019		2020		Change
Product	Amount	%	Amount	%	%
Take-out robots	15,512,592	71.0	12,770,127	63.8	(17.7)
Custom-ordered equipment	2,880,736	13.2	4,056,072	20.3	40.8
Parts and maintenance service	3,440,070	15.8	3,185,499	15.9	(7.4)
Total	21,833,399	100.0	20,011,700	100.0	(8.3)

(2) Capital investment

The total amount of capital investment for the YUSHIN Group effectuated over the course of the period under review was 198 million yen mainly for the development of Technical center equipment construction at 38 million yen.

(3) Financing activities

No material items to report.

(4) Assets and operating results 2017 - 2020

Years ended March 31,	2017	2018	2019	2020
Net sales (thousands of yen)	19,346,399	20,878,651	21,833,399	20,011,700
Ordinary profit (thousands of yen)	2,058,192	2,432,690	2,791,364	2,205,033
Profit attributable to owners of parent (thousands of yen)	1,380,273	1,626,768	1,903,435	1,532,851
Earnings per share (yen)	78.93	46.51 (Note 2)	54.54	45.01
Total assets (thousands of yen)	30,761,736	32,572,888	33,197,260	31,933,368
Net assets (thousands of yen)	25,451,718	26,472,034	27,117,484	27,471,961
Book value per share (yen)	1,444.38	750.37 (Note 2)	783.03	800.04

Notes:

- Earnings per share is calculated based on the average number of issued shares during the fiscal year and Book value per share are calculated based on the number of issued shares at the end of the fiscal year.
- The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Accordingly, Earnings per share and Book value per share has been calculated presuming that this stock split was carried out at the start of the consolidated fiscal year ended on March 31, 2018.

(5) Issues to be addressed

As for the business environment surrounding the YUSHIN Group, The prolongation of U.S.-China trade friction and the spread of COVID-19 worldwide have raised concerns about the impact on domestic and overseas economic activities. In this way, the global economy has uncertainties, and the outlook is likely to remain uncertain. Depending on the future spread of COVID-19, there is concern that it may have a negative impact on corporate activities over a long period of time, such as disruption of the supply chain and restrictions on various business activities. Under these circumstances, the YUSHIN Group will continue to swiftly grasp changes in the business environment and aim to develop itself further as a leading company across the board in the Take-out robot industry with the YUSHIN Group philosophy “Through the ongoing creation of innovative technology, we make a far-reaching contribution to society on a global scale”.

As for issues to be addressed, in the Take-out robot, we will expand sales of Take-out robots which is differentiated by strengthening product power and strengthen our sales capabilities worldwide. In the new business area, the YUSHIN Group must develop and bring new products to the market in the business area where the YUSHIN Group can manifest technological and/or sales synergies in order to establish multiple core businesses. In addition to these efforts, we will strengthen organizational development and human resource development, and strive for sustainable growth.

Specific effort for the 48th (FY2021), we place the highest priority on the safety of customers, business partners and employees, paying close attention to COVID-19. We will also develop and sell Take-out robots that are adapted to each region of global market, and promote the enhancement of services that utilizing IoT and AI.

For Custom-ordered equipment, we will continue working to expand sales and to cultivate new businesses in order to respond to the increasing automation needs in Japan and overseas.

To strengthen our organizational strength, we will improve productivity by strengthening collaboration between departments, improving the efficiency of work styles, and improving the quality, efficiency, and speed of operations.

Furthermore, we will work to improve the corporate brand value by instilling the corporate identity (CI), which was compiled to clarify the attitude necessary to open up a new era, while inheriting the strengths and advantages of the YUSHIN group.

Regarding crisis management, we will thoroughly prevent COVID-19, strengthen our internal system including disaster prevention, and strive to maintain the provision of products and services to our customers.

(6) Status of major subsidiaries

Name	Location	Capital stock	Percentage of shareholding	Major operations
YUSHIN KOREA CO., LTD.	Siheung-Shi, South Korea	KRW350 million	100%	Sales and maintenance & repair of the Company products. Manufacturing, sales and maintenance & repair of Custom-ordered equipment
YUSHIN PRECISION EQUIPMENT TRADING (SHANGHAI) CO., LTD.	Shanghai, China	US\$200,000	100%	Sales and maintenance & repair of the Company products
YUSHIN PRECISION EQUIPMENT TRADING (SHENZHEN) CO., LTD.	Shenzhen, Guangdong, China	US\$400,000	100%	Sales and maintenance & repair of the Company products
YUSHIN PRECISION EQUIPMENT (TAIWAN) CO., LTD.	Taipei City, Taiwan (R.O.C.)	NT\$5 million	100%	Sales and maintenance & repair of the Company products
PT. YUSHIN PRECISION EQUIPMENT INDONESIA	Bekasi, Indonesia	IDR2,841 million	99%	Sales and maintenance & repair of the Company products
YUSHIN PRECISION EQUIPMENT (VIETNAM) CO., LTD.	Hanoi, Vietnam	US\$300,000	100%	Sales and maintenance & repair of the Company products
YUSHIN PRECISION EQUIPMENT SDN. BHD.	Selangor, Malaysia	MYR1 million	100%	Sales and maintenance & repair of the Company products
YUSHIN PRECISION EQUIPMENT (THAILAND) CO., LTD.	Bangkok, Thailand	THB8 million	49%	Sales and maintenance & repair of the Company products. Manufacturing, sales and maintenance & repair of Custom-ordered equipment
YUSHIN PRECISION EQUIPMENT (INDIA) PVT. LTD.	Chennai, India	INR7.4 million	95%	Sales and maintenance & repair of the Company products
YUSHIN EUROPE GMBH	Bayern, Germany	EUR25,000	100%	Sales and maintenance & repair of the Company products
YUSHIN AUTOMATION LTD.	Worcestershire, U.K.	GBP150,000	95.6%	Sales and maintenance & repair of the Company products
YUSHIN AMERICA, INC.	Rhode Island, U.S.A.	US\$8,000	100%	Sales and maintenance & repair of the Company products. Manufacturing, sales and maintenance & repair of Custom-ordered equipment
GUANGZHOU YUSHIN PRECISION EQUIPMENT CO., LTD.	Guangzhou, Guangdong, China	RMB13.742 million	100%	Manufacturing of the Company products

Notes: YUSHIN EUROPE GMBH was established in June 2019 as a subsidiary of the Company and has been included in the scope of consolidation since the current consolidated fiscal year.

(7) Major operations (as of March 31, 2020)

The YUSHIN Group is mainly engaged in the development, manufacture and sale of Take-out robots for plastic injection molding products and stock systems as well as factory automation systems for molding plants.

(8) Main sales offices and factories (as of March 31, 2020)

Name	Location
Head Office	Minami-ku, Kyoto-city
Fushimi Factory	Fushimi-ku, Kyoto-city
Technical Center	Minami-ku, Kyoto-city
Higashi-Nihon General Sales Office	Kita-ku, Saitama-city
Nishi-Kanto Sales Office	Atsugi-city, Kanagawa
Nagano Sales Office	Shiojiri-city, Nagano
Tohoku Sales Office	Fukushima-city, Fukushima
Tsukuba Sales Office	Tsukuba-city, Ibaraki
Chubu General Sales Office	Toyokawa-city, Aichi
Shizuoka Sales Office	Suruga-ku, Shizuoka-city
Nagoya-Nishi Sales Office	Kuwana-city, Mie
Nishi-Nihon General Sales Office	Minami-ku, Kyoto-city
Toyama Sales Office	Toyama-city, Toyama
Hiroshima Sales Office	Asaminami-ku, Hiroshima-city
Fukuoka Sales Office	Hakata-ku, Fukuoka-city
Philippines Representative Office	Makati City, Philippines

(9) Employees (as of March 31, 2020)

Number of employees	Increase from the end of previous FY
689 (61)	6

Note: The number of employees represents full-timers only (including seconded employees to the Company). Part-timers and other irregular employees are represented separately as their average annual number indicated in parentheses ().

(10) Major creditors (as of March 31, 2020)

No items to report.

(11) Other important matters pertaining to the status

No items to report.

2. Matters Pertaining to the Shares of the Company (as of March 31, 2020)

- (1) **Number of shares authorized:** 80,000,000
(2) **Total number of issued shares:** 35,638,066
(3) **Number of shareholders:** 4,348
(4) **Major shareholders:**

Name	Number of shares held (thousand)	Percentage of shares held (%)
Yushin Industry Co., Ltd.	11,992	35.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,703	7.9
Miki Murata	1,847	5.4
Takayo Oda	1,846	5.4
Japan Trustee Service Bank, Ltd. (Trust Account)	1,251	3.7
The Kyoto Chuo Shinkin Bank, Ltd.	1,088	3.2
Mayumi Kotani	1,040	3.1
The Bank of Mitsubishi UFJ, Ltd.	849	2.5
The Bank of Kyoto, Ltd.	704	2.1
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement benefit Trust Account)	684	2.0

Note:

1. The company holds 1,602,454 shares of treasury shares but is excluded from this number.
2. Shareholding ratio is calculated by deducting treasury shares.

3. Matters Pertaining to Officers of the Company
(1) Directors and Corporate Auditors (as of March 31, 2020)

Position	Name	Responsibilities and representation of other organization
President and Representative Director	Mayumi Kotani	
Executive Managing Director	Satoshi Kimura	General Manager of Purchase Division
Executive Managing Director	Yasushi Kitagawa	General Manager of Manufacturing Division and Quality Assurance Department
Director	Tomohiro Inano	General Manager of Sales Division
Director	Yasuo Nishiguchi	Outside Director of YAMADA Consulting Group Co., Ltd.
Director	Hiroshi Matsuhisa	Professor emeritus of Kyoto University
Director	Reiko Nakayama	Director of LUCKLAND CO.,LTD (Audits Committee) Outside Director of Mandom Corporation
Full-time Corporate Auditor	Yoshihisa Nakanishi	
Corporate Auditor	Hiroho Kamakura	Certified Public Accountant Outside Corporate Auditor of Trusco Nakayama Corporation Outside Corporate Auditor of FUJIO FOOD SYSTEM CO., LTD. Outside Corporate Auditor of SymEnergy Inc.
Corporate Auditor	Michitoshi Morimoto	

Notes:

- Directors, Yasuo Nishiguchi, Hiroshi Matsuhisa and Reiko Nakayama are Outside Directors stipulated in Item 15, Article 2 of the Companies Act.
- Corporate Auditors, Hiroho Kamakura and Michitoshi Morimoto are Outside Corporate Auditors stipulated in Item 16, Article 2 of the Companies Act.
- Corporate Auditor, Hiroho Kamakura is a Certified Public Accountant and has specialist knowledge in finance and accounting.
- The Company has designated Director, Hiroshi Matsuhisa, Director, Reiko Nakayama, Corporate Auditor, Hiroho Kamakura and Corporate Auditor, Michitoshi Morimoto as Independent Officers as prescribed by the Tokyo Stock Exchange and submitted notices to this effect to the exchange.
- Change of Directors and Corporate Auditors during the period under review

Name	Before change	After change	Date of change
Yasuharu Odachi	Managing Director	Retired	June 21, 2019
Reiko Nakayama	-	Outside Director of Mandom Corporation	June 21, 2019
Yasuhiro Orita	Outside Corporate Auditor	Retired	June 21, 2019

(2) Total remuneration and other payments made to Directors and Corporate Auditors

Classification	Number of Directors/ Corporate Auditors	Total amount (Thousands of yen)
Directors	8	177,490
Corporate Auditors	4	22,200
Total	12	199,690

Notes:

1. The 43rd Ordinary General Meeting of Shareholders held on June 20, 2016 resolved total remuneration for all Directors within 500,000 thousand yen per year (including remuneration for Outside Directors within 100,000 thousand yen) and total remuneration for all Corporate Auditors within 100,000 thousand yen per year.
There are currently no Directors who have concurrent employment positions.
2. Total remuneration amounts provided above include the following amount in addition to fixed monthly compensation amounts.
- Provision for bonuses for directors: 23,410 thousand yen (23,410 thousand yen for 4 directors).
3. With respect to the provision for retirement benefits for Directors and Corporate Auditors, the plan for retirement benefits for Directors and Corporate Auditors was terminated at the 33rd Ordinary General Meeting of Shareholders held on June 29, 2006, and no additional provision has been recorded since then. Therefore, the balance as of year-end (66,780 thousand yen) is provided in proportion to the term that present Directors had been in their respective positions before June 2006.
4. The total amount of remuneration for the three (3) Outside Directors is 16,800 thousand yen.
5. The total amount of remuneration for the three (3) Outside Corporate Auditors is 10,200 thousand yen.

(3) Outside Directors and Outside Corporate Auditors

a. Important position at other organizations and the relationship between the company and other organizations.

- Yasuo Nishiguchi was the Outside Director of YAMADA Consulting Group Co., Ltd. until March, 2020. Since April 2020, he has been Chairman of the Board of the Company. There is no special relationship between the Company and YAMADA Consulting Group Co., Ltd.
- Hiroshi Matsuhisa is a professor emeritus of Kyoto University. There is no special relationship between the Company and Kyoto University.
- Reiko Nakayama is the Director of LUCKLAND CO., LTD (Audits Committee) and the Outside Director of Mandom Corporation. There is no special relationship between the Company and LUCKLAND CO., LTD. and Mandom Corporation.
- Hiroho Kamakura is the Outside Corporate Auditor of Trusco Nakayama Corporation, FUJIO FOOD SYSTEM CO., LTD. and SymEnergy Inc. There is no special relationship between the Company and Trusco Nakayama Corporation, FUJIO FOOD SYSTEM CO., LTD., and SymEnergy Inc.

b. The following describes the activities during the period under review.

Status and Name	Attendance and Remark
Director, Yasuo Nishiguchi	In the period under review, Yasuo Nishiguchi attended all of 13 Meetings of Board of Directors. Based on his wide knowledge and experience across the running a company which he had cultivated through holding prominent corporate positions such as President and Representative Director, and Chairman of the Board and Representative Director at Kyocera Corporation, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions.
Director, Hiroshi Matsuhisa	In the period under review, Hiroshi Matsuhisa attended all of 13 Meetings of Board of Directors. Based on the specialized knowledge by the person with academic standing in engineering of Kyoto University, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions.
Director, Reiko Nakayama	In the period under review, Reiko Nakayama attended all of 13 Meetings of Board of Directors. Based on her experience of securities company underwriter, and management executive officer and outside officers of operating companies, she asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions.
Corporate Auditor, Hiroho Kamakura	In the period under review, Hiroho Kamakura attended 12 of 13 Meetings of Board of Directors and all of 6 Meetings of the Board of Corporate Auditors. Based on the specialized knowledge as a Certified Public Accountant, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions. Additionally, he perused the reports of the internal auditing results, exchanged opinions concerning auditing, and participated in joint discussions on important matters. In addition to receiving the Accounting Auditor’s detailed report on regular basis, he also regularly exchanged opinions with top management.
Corporate Auditor, Michitoshi Morimoto	In the period under review, Michitoshi Morimoto attended all of 13 Meetings of Board of Directors and all of 6 Meetings of the Board of Corporate Auditors. Based on the specialized knowledge of corporate information technology/system strategy, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions. Additionally, he perused the reports of the internal auditing results, exchanged opinions concerning auditing, and participated in joint discussions on important matters. In addition to receiving the Accounting Auditor’s detailed report on regular basis, he also regularly exchanged opinions with top management.

Note:

In addition to the frequency of convening meetings of the Board of Directors described above, there were 5 times of written resolutions adopted, deeming that there have been resolutions of the Board of Directors Meetings pursuant to Article 370 of the Companies Act and Article 24 of the Articles of Association.

4. Matters Pertaining to Accounting Auditor

(1) **Name of Accounting Auditor:** Deloitte Touche Tohmatsu LLC

(2) **Amount of compensation and other payments for the Accounting Auditor**

The amount of compensation and other payments payable to the Accounting Auditor for the reporting year	33,800 thousand yen
Total amount of monetary and other property benefits payable by the Company and its subsidiaries	41,600 thousand yen

Notes1: In the audit contract between the Company and the Accounting Auditor, audit fees pursuant to the Companies Act and those pursuant to the Financial Instruments and Exchange Act are not clearly separated and this separation is practically impossible. Therefore, the amount of compensation and other payments to the Accounting Auditor is represented as the total payment.

2: Upon receipt of the necessary materials and reports from the Directors, in-house related departments and Accounting Auditor, the Board of Corporate Auditors acknowledged the details of the audit and status of the course of accounting duties by the Accounting Auditor, the grounds for calculation of the estimated remuneration for auditing, and reviews of the audit calculation. As a result, the Board of Corporate Auditors believes that the audit remuneration presented by the Accounting Auditor was appropriate and gave consent under Paragraph 1, Article 399 of the Companies Act.

(3) **Non-audit services**

Advice and guidance on international operations.

(4) **Policy for making decisions regarding the dismissal or non-reappointment of Accounting Auditor**

The Board of Corporate Auditors will determine the content of the proposals relating to the dismissal or non-reappointment of the Accounting Auditor, to be submitted to the General Meeting of Shareholders, should the execution of the Accounting Auditor's duties be impeded, is deemed necessary by the Board of Corporate Auditors,

The Board of Corporate Auditors will dismiss the Accounting Auditor should it determine that same corresponds to the provisions in each item of Paragraph 1, Article 340 of the Companies Act, with the agreement of all the members of the Board of Corporate Auditors. In such a case, a Corporate Auditor appointed by the Board of Corporate Auditors will report the fact of and the reason for the dismissal of the Accounting Auditor to the first General Meeting of Shareholders called after the dismissal.

5. Matters Pertaining to the Development of Systems to Ensure a Properness of Operations

The Company has established the basic policy of Internal Control System for the development of a system to ensure that the execution of duties by Directors conforms to laws and regulations, and the Articles of Association as well as other systems that ensure the properness of operations of the Company, as follows. (Board of Directors Resolution on June 12, 2015) The main points of the basic policy are as follows.

(1) System to ensure that business execution of Directors and employees complies with laws and regulations and the Articles of Association.

The Company raises the awareness for and holds training on legal compliance to increase awareness of compliance as well as establishes “Whistle-Blowing Regulations” providing the procedure for reporting violations.

(2) System for keeping and managing the information on business execution of the Company’s Directors.

Information is kept and managed according to laws and regulations, and internal regulations (including “Document Regulations,” “Internal Information Management Regulations” and “Information System Management Regulations”).

(3) Regulations on and other systems for risk management of losses of the Company and our subsidiaries.

Risk of currently estimated losses is managed by setting a committee and making discussion according to degree of its significance. Events delivering losses to the Company would be reported to Directors and Corporate Auditors by the Executive in charge and discussed and managed by all executives.

(4) System to ensure effective business execution by Directors of the Company and our subsidiaries.

Effective business execution by Directors is ensured by followings.

- [1] The Board of Directors determines significant matters and oversees business execution by Directors.
- [2] Information is shared among Directors, Executives, and Corporate Auditors at executive meetings.
- [3] Notice of significant matters on management, understanding of status and business instructions are conducted at management meetings and YSM management conferences.
- [4] At the subsidiaries conference, the information is shared on the Company and our subsidiaries and significant matters are discussed and determined.

(5) The systems to ensure appropriate works of the corporate group consisting of the Company and its subsidiaries, and to make reports to the Company on matters concerning business execution by Directors of subsidiaries.

The Internal Control System is developed as we as “Subsidiaries Management Regulations” obligate subsidiaries to make periodic reports relating to business results, fiscal conditions and other significant information of subsidiaries.

Significant matters are discussed to solve issues at the Board of Directors.

(6) System to ensure effective Corporate Auditors’ audit.

Corporate Auditors attend the Board of Directors meetings and required significant meetings including management conference as well as read major approval documents and other significant documents concerning business execution and receives explanation from Directors and employees of the Company and Directors of subsidiaries as necessary.

(7) System on employees assisting works of the Company’s Corporate Auditors when Corporate Auditors require allocation of the assisting employees.

Employees assisting the work of the Company’s Corporate Auditors can be allocated as staff as necessary. Corporate Auditor has the authority to give instructions and orders to his or her Corporate Auditor staff.

(8) System to ensure that those reporting to the Board of Corporate Auditors and Corporate Auditors, etc. are not unfavorably treated for the reason of the report.

The Company ensures that executives and employees reporting to Board of Corporate Auditors and Corporate Auditors are not treated unfavorably because of the report and thoroughly inform the whole company of this.

In the “Whistle-Blowing Regulations,” it is prescribed to prohibit dismissal and give other unfavorable treatment for the reason of the report.

(9) Matters on the policy for dealing with expenses or debts resulting from business execution of the Company’s Corporate Auditors.

The Company, when Corporate Auditors require the Company to make advance payment in respect of business execution according to Article 388 of the Companies Act, immediately deals with the relevant expenses and debts unless it is considered unnecessary to make advance payments.

(10) Systems on Eliminating Anti-Social Forces

The Company assumes a resolute attitude to anti-social forces threatening order and security of civil society as well as closely exchanges information and cooperates with the relevant specialized agencies including police against anti-social forces and thoroughly informs employees of the above policy.

In order to improve the effectiveness and efficiency of operations, to ensure reliability of financial reports, and to expansively develop the operations of the internal control system aimed at securing assets and compliance to laws and regulations pertaining to business activities according to the Basic Policy for Internal Control System, The Internal Control Regulations and the Committee of Internal Control Operations Regulations have been enacted.

The scope of responsibility of the Board of Directors and Corporate Auditors as well as the system for implementation and details of activities for executives and employees, and the procedures for evaluation and reporting were clarified in the internal control Regulations. Furthermore, basic policy on the maintenance and operation of Internal Control is formulated. The structure of the committee aimed at facilitating internal control as well as how to promote its mission and activities were clarified in the Committee of Internal Control Operations Regulations, and the activities are promoted.

6. Overview of the Business Operations of Systems to Ensure a Properness of Operations

Major operational status of the Internal Control System executed by the YUSHIN Group in the current consolidated fiscal year is as follows.

(1) Status of addressing compliance

The Company is endeavoring to spread awareness of compliance across the YUSHIN Group through education and workshops. “YUSHIN Organizational Knowledge Book “(Y-Book) is used as an organization’s knowledge collection to improve business quality, maintaining disciplines, and instill awareness of compliance. In addition, the Company has enacted the Whistle-Blowing Regulations that prescribes the procedures to report on violations and has set up an external contact point for internal reporting.

Moreover, efforts have been made to provide information concerning recent trends in relevant laws and regulations, as well as to develop and make thoroughly available internal regulations (Office Regulations, Internal Information Management Regulations, Information System Management Regulations, etc.) This fiscal year, to clarify the scope of decision and the department responsible for drafting and execution, we are reviewing and maintaining the rules regarding the authority of work. We also provide in-house education and training on subcontracting laws and insider regulations.

(2) Status of addressing the risk management of losses

For the risk management overall, the Committee of Internal Control offers consultations for implementation of companywide measures. If any event causing damage to the Company arises, the Director in charge immediately reports to the Board of Directors and the Board of Corporate Auditors, and all executives will offer consultations to take action, while efforts to avoid risks are also being enhanced by having the Corporate Auditors conduct inspections and hearings on any event that is seen to have the risk of causing damage.

(3) Status of addressing to conducting proper and efficient execution of assigned duties

Assigned duties of the Directors are executed efficiently as described below.

- [1] Significant matters are determined by the Board of Directors, and the Directors supervise the status of business execution.
- [2] The Nomination and Remuneration Committee has been established as an advisory body aiming to increase the objectivity, appropriateness and transparency of the composition of the Board of Directors and the nomination and remuneration of Directors, etc. to link the medium- to long-term growth of the Company group and increase its corporate value. The selection of candidates of Directors and Corporate Auditors and the compensation system for directors are discussed by the Nomination and Remuneration Committee, and a report or opinion is given to the Board of Directors
- [3] In order to further improve the functions of the Board of Directors, we are conducting an internal questionnaire on the analysis and evaluation of the effectiveness of the Board of Directors as a whole, and analyzing and evaluating the results to make improvements.
- [4] Significant matters are discussed among Directors, Executive Officers and Corporate Auditors at the executive meetings thereby sharing such significant information.
- [5] Significant matters relating to the corporate management are communicated at management meetings. The operating status of the Company is monitored and necessary guidance is provided.

(4) Status of addressing the proper operations of the business group consisting of the Company and its subsidiaries

In order to promote the development of the internal control system, the Internal Control Regulations and Committee of Internal Control Operations Regulations have enacted at the Board of Directors' meeting held on February 7, 2018. Specifically, the scope of responsibilities of the Board of Directors and Corporate Auditors concerning internal control, as well as the system for implementation (supervision, actual system for implementation, etc.) and details of activities (policy, process to promote the development of operations, etc.) for executives and employees and the procedures for evaluation and reporting (scope of target, procedure, correction measures in case of deficiencies, etc.) were clarified by the Internal Control Regulations, while the structure of the committee aimed at facilitating internal control, as well as how to promote its mission and activities (supervision, system for implementation, scope of target activities, education, etc.) were clarified in the Committee of Internal Control Operations Regulations. Based on Internal Control Regulations, along with the basic policy on the development and operation of Internal Control, we have enacted a basic plan for conducting evaluations and are promoting activities. Furthermore, the Company's subsidiaries hold meetings three times a year so as to share information relating to the Company and its subsidiaries and monitoring status of business operations.

(5) Ensuring of effectiveness of Corporate Auditors' audit

Corporate Auditors conduct audits pursuant to the audit policies and the audit schedule as prescribed by the Board of Corporate Auditors by attending the Board of Directors and executive meeting, management meeting and other meetings. Corporate Auditors conduct interviews on the status of execution of duties by the Directors and the Internal Audit Office and then inspect significant decisions as noted in the documentation, such as the approval documents, contracts and agreements. Corporate Auditors also investigate the statuses of business operations, corporate properties and fraudulent acts relating to the performance of Directors' duties, infringement of rights and violations of laws and regulations, and the Articles of Association.

At conducting audit, Corporate Auditors utilize the expertise as the Certified Public Accountant and the expert in corporate IT / System strategy, who are Outside Corporate Auditors, and keeps internal coordination with the Internal Audit Office. Other than that, Corporate Auditors develops the standards and guidelines for the course of action by Corporate Auditors conducting audits of the Company's Internal Control System, including the "Audit Practice Standards relating to the Internal Control System," and Corporate Auditors conduct its audits pursuant to such practice standards.

7. Policy Concerning Decisions on the Dividends of Surplus

The YUSHIN Group manages its businesses considering the return of profits to shareholders as one of its important managerial issues.

To that effect, it is the basic policy of the YUSHIN Group to proactively return profits to shareholders by maintaining a stable operational base, improving its ROE and effectuating dividends based on the performance results of each respective fiscal year. Specifically, the YUSHIN Group has a target at the realization of 30% and more of dividend payout ratio to consolidated Profit attributable to owners of the parent.

For this fiscal year, a full-year dividend is 18 yen per share, consisting of an interim dividend of 8 yen per share and a year-end dividend of 10 yen per share.

Consolidated Balance Sheets

(as of March 31, 2020)

(Thousands of yen)

Account	Amount	Account	Amount
ASSETS		LIABILITIES	
Current assets	19,391,889	Current liabilities	4,250,803
Cash and deposits	8,646,219	Notes and accounts payable - trade	895,133
Notes and accounts receivable - trade	5,410,654	Electronically recorded obligations - operating	803,258
Merchandise and finished goods	772,690	Accounts payable - other	418,287
Work in process	1,120,628	Accrued expenses	204,282
Raw materials and supplies	3,165,533	Income taxes payable	137,914
Consumption taxes receivable	19,143	Advances received	1,270,310
Prepaid expenses	140,126	Provision for bonuses	267,606
Other	136,139	Provision for bonuses for directors	23,410
Allowance for doubtful accounts	(19,247)	Provision for product warranties	178,399
Non-current assets	12,541,479	Other	52,201
Property, plant and equipment	10,905,978	Non-current liabilities	210,603
Buildings	4,392,530	Provision for retirement benefits for directors	66,780
Structures	161,764	Retirement benefit liability	62,919
Machinery equipment and Vehicles	137,466	Deferred tax liabilities	34,438
Tools, furniture and fixtures	92,074	Other	46,466
Land	6,107,772	Total liabilities	4,461,407
Leased assets	4,169	NET ASSETS	
Construction in progress	10,199	Shareholders' equity	27,185,619
Intangible assets	358,333	Share capital	1,985,666
Telephone subscription right	11,430	Capital surplus	2,023,903
Software	286,314	Retained earnings	24,531,217
Others	60,588	Treasury shares	(1,355,167)
Investments and other assets	1,277,168	Total accumulated other comprehensive income	44,125
Investment securities	159,973	Valuation difference on available-for-sale securities	16,443
Retirement benefit asset	285,556	Foreign currency translation adjustment	(34,487)
Deferred tax assets	658,373	Remeasurements of defined benefit plans	62,169
Other	193,669	Non-controlling interests	242,216
Allowance for doubtful accounts	(20,403)	Total net assets	27,471,961
Total assets	31,933,368	Total liabilities and net assets	31,933,368

Consolidated Statements of Income

(from April 1, 2019 to March 31, 2020)

(Thousands of yen)

Account	Amount
Net sales	20,011,700
Cost of sales	11,991,662
Gross profit	8,020,037
Selling, general and administrative expenses	5,710,541
Operating profit	2,309,496
Non-operating income	46,484
Interest and dividends income	13,428
Purchase discounts	10,126
Other	22,928
Non-operating expenses	150,947
Sales discounts	1,170
Foreign exchange losses	147,975
Other	1,801
Ordinary profit	2,205,033
Extraordinary income	5,669
Gain on sales of non-current assets	5,669
Extraordinary loss	2,185
Loss on sales and retirement of non-current assets	1,185
Other	1,000
Profit before income taxes	2,208,516
Income taxes - current	565,497
Income taxes - deferred	63,770
Profit	1,579,248
Profit attributable to non-controlling interests	46,397
Profit attributable to owners of parent	1,532,851

Balance Sheets
(as of March 31, 2020)

(Thousands of yen)

Account	Amount	Account	Amount
ASSETS		LIABILITIES	
Current assets	15,145,403	Current liabilities	2,746,665
Cash and deposits	6,001,179	Notes payable - trade	20,681
Notes receivable - trade	1,478,745	Electronically recorded obligations - operating	803,258
Accounts receivable - trade	4,123,529	Accounts payable - trade	807,223
Merchandise and finished goods	206,339	Accounts payable - other	352,484
Work in process	997,555	Accrued expenses	108,476
Raw materials and supplies	2,130,366	Income taxes payable	74,746
Prepaid expenses	85,679	Advances received	210,066
Consumption taxes receivable	19,143	Provision for bonuses	263,000
Other	103,164	Provision for bonuses for directors	23,410
Allowance for doubtful accounts	(300)	Provision for product warranties	64,000
Non-current assets	12,721,478	Other	19,318
Property, plant and equipment	10,110,359	Non-current liabilities	69,673
Buildings	3,978,531	Provision for retirement benefits for directors	66,780
Structures	161,764	Other	2,893
Machinery and equipment	56,684	Total liabilities	2,816,338
Vehicles	868	NET ASSETS	
Tools, furniture and fixtures	54,620	Shareholders' equity	25,034,100
Land	5,843,521	Share capital	1,985,666
Leased assets	4,169	Capital surplus	2,023,903
Construction in progress	10,199	Legal capital surplus	2,023,903
Intangible assets	294,234	Retained earnings	22,379,698
Telephone subscription right	11,430	Legal retained earnings	286,314
Software	282,804	Other retained earnings	22,093,383
Investments and other assets	2,316,884	Reserve for dividend equalization	1,000,000
Investment securities	159,973	General reserve	8,700,000
Stocks of subsidiaries and affiliates	931,110	Retained earnings brought forward	12,393,383
Investments in capital of subsidiaries and affiliates	297,873	Treasury shares	(1,355,167)
Deferred tax assets	577,448	Valuation and translation adjustments	16,443
Other	350,542	Valuation difference on available-for-sale securities	16,443
Allowance for doubtful accounts	(64)	Total net assets	25,050,544
Total assets	27,866,882	Total liabilities and net assets	27,866,882

Statements of Income
(from April 1, 2019 to March 31, 2020)

(Thousands of yen)

Account	Amount
Net sales	14,751,243
Cost of sales	9,392,754
Gross profit	5,358,489
Selling, general and administrative expenses	4,082,249
Operating profit	1,276,239
Non-operating income	393,473
Interest income	2,882
Dividend income	361,682
Purchase discounts	10,126
Other	18,781
Non-operating expenses	24,956
Sales discounts	1,170
Foreign exchange losses	22,017
Other	1,769
Ordinary profit	1,644,756
Extraordinary income	399
Gain on sales of non-current assets	399
Extraordinary losses	2,167
Loss on sales and retirement of non-current assets	1,167
Other	1,000
Profit before income taxes	1,642,988
Income taxes - current	426,157
Income taxes - deferred	3,151
Profit	1,213,679

INDEPENDENT AUDITOR'S REPORT

May 13, 2020

To the Board of Directors of
YUSHIN PRECISION EQUIPMENT CO., LTD.:

Deloitte Touche Tohmatsu LLC
Kyoto office

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Mitsuhiro Takasaki [SEAL]

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Hideki Yasuda [SEAL]

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of YUSHIN PRECISION EQUIPMENT CO., LTD. and its consolidated subsidiaries (the "Group"), namely, the consolidated balance sheet as of March 31, 2020, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2019 to March 31, 2020, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020, and its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibility for Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The

procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

INDEPENDENT AUDITOR'S REPORT

May 13, 2020

To the Board of Directors of
YUSHIN PRECISION EQUIPMENT CO., LTD.:

Deloitte Touche Tohmatsu LLC
Kyoto office

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Mitsuhiro Takasaki [SEAL]

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Hideki Yasuda [SEAL]

Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of YUSHIN PRECISION EQUIPMENT CO., LTD. (the "Company"), namely, the nonconsolidated balance sheet as of March 31, 2020, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 47th fiscal year from April 1, 2019 to March 31, 2020, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

Audit Report

Regarding the performance of duties by the Directors for the fiscal year from April 1, 2019 to March 31, 2020, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Corporate Auditor.

1. Auditing Methods adopted by the Corporate Auditors and Board of Corporate Auditors and Details of Such Methods

- (1) The Board of Corporate Auditors established auditing policies, allocation of duties, and other relevant matters, and received reports from each Corporate Auditor regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel, and the Accounting Auditors regarding performance of their duties, and requested explanations as necessary.
- (2) Each Corporate Auditor complied with the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, followed the auditing policies, allocation of duties, and other relevant matters, communicated with the Directors, the Internal Audit Office, other employees, and any other relevant personnel, and made efforts to optimize the environment for information collection and audit, and conducted audits as follows.
 - [1] Participated in the Board of Directors' Meetings and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal offices. In addition, with respect to subsidiaries, we communicated and exchanged information with Directors, Corporate Auditors, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.
 - [2] We received periodic reports and requested explanations as necessary from the Directors, other relevant personnel and expressed our opinion about conditions of construction and application on the content of the resolution of the Board of Directors and system actually placed as "Internal Control System" in accordance to this resolution, which is stipulated in Paragraphs 1 and 3, Article 100 of the Enforcement Regulation of the Companies Act as a system required to ensure the compliance of laws and regulations, and the Articles of Association in the execution of businesses by the Directors and necessity to ensure a properness of operation in the business group consisting of the Company and its subsidiaries written in the business report.
 - [3] We monitored and verified whether the Accounting Auditors maintained their independence and implemented appropriate audits, and we received reports from the Accounting Auditors regarding the performance of their duties and requested explanations as necessary. In addition, we received notice from the Accounting Auditors that "the system for ensuring that duties are performed properly" (matters set forth in each Item of Article 131 of the Company Accounting Rules) is appropriately established in accordance with "Quality Control Standard on Audit" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

Based on the above methods, we examined the business report and its supporting schedules, the non-consolidated financial statements (Balance Sheets, Statements of Income, and Statements of Changes in Net Assets) and its supporting schedules, and the consolidated financial statements (Balance Sheets, Statements of Income, and Statements of Changes in Net Assets) related to the relevant business year.

2. Audit Results

(1) Results of Audit of Business Report and Other Relevant Documents

- [1] In our opinion, the business report and supporting schedules are in accordance with the related laws and regulations and Articles of Association, and fairly represent the Company's condition.
- [2] With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Association.
- [3] In our opinion, resolutions of the Board of Directors for the Internal Control System are fair. And also the contents of the business report about the Internal Control System, and the Director's activities and implementation have no issues to be pointed out.

(2) Results of Audit of Financial Statements and Supporting Schedules

In our opinion, the methods and results employed and rendered by the Accounting Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by the Accounting Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 14, 2020

Board of Corporate Auditors,
YUSHIN PRECISION EQUIPMENT CO., LTD.

Full-time Corporate Auditor	Yoshihisa Nakanishi [SEAL]
Outside Corporate Auditor	Hiroho Kamakura [SEAL]
Outside Corporate Auditor	Michitoshi Morimoto [SEAL]

End of submitted documents

Reference Documents for the General Meeting of Shareholders

Proposal 1: Election of Ten (10) Directors

The terms of office of all the currently serving seven (7) Directors will expire at the conclusion of this Meeting. We propose to increase the number of Director by three (3) in order to strengthen the management system, and Shareholders are asked to vote for these ten (10) candidates for Directors.

The candidates for the position of Directors are as follows:

No.	Name (Date of birth)	Career summary, position, areas of responsibility, and representation of other organizations	Number of shares held
1	Mayumi Kotani (January 12, 1947)	<p>October 1973 Joined the Company</p> <p>October 1982 Director</p> <p>February 1989 Executive Vice President and Director</p> <p>March 1993 Executive Vice President and Director, General Manager of Sales Division</p> <p>December 2002 President and Representative Director</p> <p>April 2006 President and General Manager of Sales Division</p> <p>March 2011 President and Representative Director</p> <p>To the present</p>	1,040,202 shares
<p>Reasons for appointment: Mayumi Kotani has been engaged in management since the establishment of the Company and exercising strong leadership as a President and Representative Director for many years. The Company renominates her for Director because she has a wealth of experience in business management, and can be expected to strengthen the decision-making and supervisory functions of the Board of Directors.</p>			
2	Satoshi Kimura (April 1, 1954)	<p>April 2005 Joined the Company as Executive Officer and General Manager of Purchase Dept.</p> <p>October 2005 Executive Officer and General Manager of Purchase Dept.</p> <p>April 2006 Senior Executive Officer and General Manager of Purchasing Division</p> <p>June 2006 Managing Director and General Manager of Purchase Division</p> <p>June 2008 Executive Managing Director and General Manager of Purchase Division</p> <p>To the present</p>	6,000 shares
<p>Reasons for appointment: Satoshi Kimura has been involved in management and operations of purchasing and administration, thus having a wealth of experience in the business. The Company renominates him for Director because can be expected to strengthen the decision-making and supervisory functions of the Board of Directors.</p>			
3	Yasushi Kitagawa (August 12, 1958)	<p>September 2007 Joined the Company</p> <p>November 2007 Deputy General Manager of Manufacturing Division</p> <p>April 2008 Deputy General Manager of Manufacturing Division and Quality Assurance Department</p> <p>April 2009 Executive Officer, Deputy General Manager of Manufacturing Division and Quality Assurance Department</p> <p>August 2009 Executive Officer, General Manager of Manufacturing Division and Quality Assurance Department</p> <p>June 2010 Director and General Manager of Manufacturing Division and Quality Assurance Department</p> <p>June 2013 Managing Director and General Manager of Manufacturing Division and Quality Assurance Department</p> <p>June 2017 Executive Managing Director and General Manager of Manufacturing Division and Quality Assurance Department</p> <p>To the present</p>	4,800 shares
<p>Reasons for appointment: Yasushi Kitagawa has been engaged in management and operation of production, thus having a wealth of experience in the business. The Company renominates him for Director because can be expected to strengthen the decision-making and supervisory functions of the Board of Directors.</p>			

No.	Name (Date of birth)	Career summary, position, areas of responsibility, and representation of other organizations	Number of shares held
4	Tomohiro Inano (December 13, 1962)	June 1989 August 2003 April 2008 July 2009 February 2010 March 2011 March 2014 June 2017	3,400 shares
		<p>Joined the Company General Manager of YUSHIN PRECISION EQUIPMENT TRADING (SHENZHEN) CO., LTD. General Manager of Chinese Area and YUSHIN PRECISION EQUIPMENT TRADING (SHENZHEN) CO., LTD. Assistant to General Manager of Sales Division Deputy General Manager of Sales Division General Manager of Sales Division Executive Officer and General Manager of Sales Division Director and General Manager of Sales Division To the present</p>	
<p>Reasons for appointment: Tomohiro Inano has been involved in management and operation of sales, thus having a wealth of experience in the business. The Company renominates him for Director because can be expected to strengthen the decision-making and supervisory functions of the Board of Directors.</p>			
5	* Takayo Kotani (Name on family register: Takayo Oda) (August 26, 1977)	April 2008 October 2008 April 2009 April 2019 June 2019	1,846,932 shares
		<p>Joined the Company Manager of R&D Section General Manager of R&D Department Executive Officer and General Manager of R&D Department Executive Officer and General Manager of R&D Division To the present</p>	
<p>Reasons for appointment: Takayo Kotani has been involved in management and operation of R&D and development strategy, thus having a wealth of experience in the business. Also, she has been recognized socially for her achievements such as receiving the Japan Society of Mechanical Engineers Medal for robot technology development. The Company nominates her for Director because can be expected to strengthen the decision-making and supervisory functions of the Board of Directors.</p>			
6	* Masahito Fukui (June 30, 1960)	October 2013 July 2015 April 2017 April 2020	2,200 shares
		<p>Joined the Company as General Manager of Internal Audit Office General Manager of Accounting Department Executive Officer and General Manager of Corporate Management Department and General Manager of Accounting Department Executive Officer and General Manager of Corporate Management Department To the present</p>	
<p>Reasons for appointment: Masahito Fukui has been involved in management and operation of group accounting and finance, IT system management, and auditing, etc., thus having a wealth of experience in the business. The Company nominates him for Director because can be expected to strengthen the decision-making and supervisory functions of the Board of Directors.</p>			
7	* Kota Oda (June 10, 1978)	October 2015 September 2017 April 2019	5,800 shares
		<p>Joined the Company as General Manager of General Affairs Department General Manager of General Affairs Department and Manager of Workstyle Support Team Executive Officer and General Manager of General Affairs Department and Manager of Workstyle Support Team To the present</p>	
<p>Reasons for appointment: Kota Oda has been involved in management and operation of general affairs, human resources, work style reform promotion, governance strengthening and compliance strengthening, etc., thus having a wealth of experience in the business. The Company nominates him for Director because can be expected to strengthen the decision-making and supervisory functions of the Board of Directors.</p>			

No.	Name (Date of birth)	Career summary, position, areas of responsibility, and representation of other organizations		Number of shares held
8	Yasuo Nishiguchi (October 9, 1943)	March 1975	Joined Kyoto Ceramic Co., Ltd.(currently Kyocera Corporation)	21,400 shares
		June 1987	Director	
June 1992	Senior Managing Director and Representative Director			
June 1997	Executive Vice president and Representative Director			
June 1999	President and Representative Director			
June 2003	President and Representative Director and President and Executive Officer			
June 2005	Chairman of the Board and Representative Director, and Chief Executive Officer			
April 2006	Advisor and Director			
June 2009	Retired from the office of Director			
June 2014	Outside Director of the Company To the present			
March 2015	Chairman and CEO of Socionext Inc.			
June 2016	Outside Director of YAMADA Consulting Group Co., Ltd.			
March 2018	Retired from Chairman and CEO of Socionext Inc.			
April 2020	Chairman and Director of YAMADA Consulting Group Co., Ltd. To the present			
Reasons for nomination as an Outside Director: Yasuo Nishiguchi has held such positions as the President and Representative Director, and the Chairman and Representative Director of Kyocera Corporation. Based on his knowledge and experience in general management cultivated through prominent corporate positions, we asked him to give the Company advice and supervision of operations from an independent position. Thus, the Company renominates him for Outside Director because can be expected to strengthen the function of the Board of Directors.				
9	Hiroshi Matsuhisa (August 5, 1947)	June 1976	Research Assistant of school of precision engineering in Faculty of Engineering at Kyoto University	10,000 shares
		October 1987	Assistant professor	
April 1994	Professor (transferred to graduate school of department of Mechanical Engineering and Science by a reorganization in 1995)			
April 2012	Professor emeritus at Kyoto University			
June 2014	Outside Director of the Company To the present			
June 2016	Outside Corporate Auditor of Technology Seed Incubation Co., Ltd.			
June 2018	Retired from Outside Corporate Auditor of Technology Seed Incubation Co., Ltd.			
Reasons for nomination as an Outside Director: Based on the specialized knowledge by the person with academic standing in engineering of Kyoto University, we asked him to give the Company advice and supervision of operations from an independent position. Thus, the Company renominates him for Outside Director because can be expected to strengthen the function of the Board of Directors. Although the person has no experience for business administration directly, the Company judges that he has the ability to execute business properly as an Outside Director of the Company as mentioned above.				

No.	Name (Date of birth)	Career summary, position, areas of responsibility, and representation of other organizations	Number of shares held
10	Reiko Nakayama (April 2, 1959)	<p>April 1983 Joined Japan Associated Finance Co., Ltd. (currently JAFCO Co., Ltd)</p> <p>January 1997 Joined Marusan Securities Co., Ltd.</p> <p>March 2000 General Manager of Investment information</p> <p>October 2004 General Manager of Underwriting</p> <p>October 2008 Part-time Director of LivTech, Inc.</p> <p>February 2009 Director and Head of Administrative H.Q. of LivTech, Inc.</p> <p>March 2013 Retired from the office of Director of LivTech, Inc.</p> <p>March 2015 Outside Director of LUCKLAND CO.,LTD</p> <p>March 2016 Director of LUCKLAND CO.,LTD (Audits Committee) To the present</p> <p>June 2018 Outside Director of the Company To the present</p> <p>June 2019 Outside Director of Mandom Corporation To the present</p>	7,062 shares
<p>Reasons for nomination as an Outside Director: Based on her experience of securities company underwriter, and management executive officer and outside officers of operating companies, we asked her to give the Company advice and supervision of operations from an independent position. Thus, the Company renominates her for Outside Director because can be expected to strengthen the function of the Board of Directors.</p>			

Note:

- 1 *The candidates for the new Directors.
- 2 The candidates for Directors have no special interests in the Company.
- 3 Yasuo Nishiguchi, Hiroshi Matsuhisa and Reiko Nakayama are candidates of Outside Directors.
- 4 Yasuo Nishiguchi, Hiroshi Matsuhisa and Reiko Nakayama are the present Outside Directors of the Company. Yasuo Nishiguchi and Hiroshi Matsuhisa term of office as Director of the Company is respectively six (6) years at the closing of this General Meeting of Shareholders, Reiko Nakayama term of office as Director of the Company is two (2) year at the closing of this General Meeting of Shareholders
- 5 The Company has registered Hiroshi Matsuhisa and Reiko Nakayama as Independent Officers provided in the rules of the Tokyo Stock Exchange and submitted notices to this effect to the Exchange. Hiroshi Matsuhisa and Reiko Nakayama will be continuously reregistered as Independent Officers if they are reappointed.

Proposal 2: Election of Two (2) Corporate Auditors

The terms of a Corporate Auditor, Hiroho Kamakura will expire at the conclusion of this meeting.

Accordingly, we propose to increase the number of Corporate Auditor by one (1) in order to strengthen and enhance the audit system, and Shareholders are asked to vote for these two (2) candidates for Corporate Auditors.

The Board of Corporate Auditors has consented to this proposition.

The candidates for the position of Corporate Auditors are as follows:

No.	Name (Date of birth)	Career summary, position, areas of responsibility, and representation of other organizations	Number of shares held	
1	* Katsumi Noda (October 19, 1959)	April 1982 March 1999 December 2001 April 2005 October 2010 October 2019	Joined the Company Manager of Manufacturing Section 3 Manager of Sales Engineering Department Manager of System Engineering Department General Manager of System Engineering Department Mandatory Retired Continue to work as fixed-term employee	9,014 shares
		Reasons for appointment: Katsumi Noda has been involved in operation of production and sales, thus having a wealth of experience in the business. The Company nominates him for Corporate Auditor because can be expected to strengthen the audit function utilizing his experience and achievement.		
2	Hiroho Kamakura (January 27, 1947)	November 1971 May 1973 July 2012 July 2012 March 2013 February 2018	Joined Tohmatsu Aoki & Co. (currently "Deloitte Touche Tohmatsu LLC") Registered as CPA Outside Corporate Auditor of Trusco Nakayama Corporation To the present Outside Corporate Auditor of the Company To the present Outside Corporate Auditor of FUJIO FOOD SYSTEM CO., LTD. To the present Outside Corporate Auditor of SymEnergy Inc. To the present	5,700 shares
		The reason for the nomination as an Outside Corporate Auditor The Company renominates Hiroho Kamakura for Corporate Auditor because can be expected to strengthen the audit function utilizing his specialized knowledge as a Certified Public Accountant in finance and accounting. Although the person has no experience for business administration directly, the Company judges that he has the ability to execute business properly as an Outside Corporate Auditor of the Company as mentioned above.		

Note: 1 *The candidate for the new Corporate Auditor.

2 Katsumi Noda has no special interests in the Company.

3 Hiroho Kamakura was involved in accounting audits of the Company as a CPA of Deloitte Touche Tohmatsu LLC from April 1992 to March 2001 and from April 2003 to March 2005. Currently, he retired from the operation and has no special interests in the Company.

4 Hiroho Kamakura is a candidate of Outside Corporate Auditor.

5 Hiroho Kamakura is the present Outside Corporate Auditor of the Company, and his term of office as Corporate Auditor of the Company is eight (8) years at the closing of this General Meeting of Shareholders.

6 Hiroho Kamakura meets the criteria of Independent Officer provided in the rules of the Tokyo Stock Exchange and the Company plans to reregister him if he is reappointed.

End of Reference Documents