

(Translation)

Please note that this English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation may be used only for reference purposes.

Corporate Governance Report

Last Update: June 28, 2022

YUSHIN PRECISION EQUIPMENT CO., LTD.

Takayo Kotani, Representative Director and President

Contact: Kota Oda, Director and Executive Vice President, General Manager of Admin. Div.

Securities Code: 6482

The corporate governance of YUSHIN PRECISION EQUIPMENT 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 aims at achieving sustainable growth and maximizing the enterprise value for medium- and long-term under the management philosophy with obtaining credibility from all stakeholders surrounding us including shareholders. We strive to strengthen corporate governance with the basic policy of following five items.

1. The Company respects the rights of shareholders and ensures equality, as well as strives to improve the environment for executing rights appropriately and protect rights.
2. The Company strives to sincerely cooperate with stakeholders excluding our shareholders with good sense.
3. The Company strives to ensure the transparency by appropriately making disclosure according to laws and regulations and voluntarily providing information excluding the disclosure.
4. The Board of Directors strives to execute its roles and duties appropriately for transparent/fair and flexible decision-making.
5. The Company strives to positively communicate with shareholders after sharing the direction of its stable growth for long-term.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] **Updated**

All principles are stated based on the code revised in June 2021.

[Supplementary Principle 4-1-3 Roles and Duties of the Board of Directors]

Regarding the training of successors, the Board of Directors will be involved actively, receiving advice from Nomination and Remuneration Committee, and the Company will promote the clarification of necessary requirements and the creation of an environment for training.

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

All principles are stated based on the code revised in June 2021.

[Principle 1-4: Strategic Shareholdings]

The Company may hold the shares of business partners for the purpose of sustainable increases in enterprise value, keeping and strengthening business relations, and stable business management. Among holding shares, the main shares are verified in respect of economic rationality for medium- and long-term based on risk and return and future prospect. The results of verification are periodically reported to the Board of Directors. In FY 2021, as a result of the verification, the Company confirmed that there is validity of possession of all the shares held.

In response to future changes in circumstances, the Company will review such as reducing the number of shares held if it is not deemed adequacy of possession.

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Regarding the exercise of voting rights of strategic shareholdings, the Company makes judgments based on the following two points.

- (1) Will it increase the corporate value of investee companies in the medium to long term and contribute to sustainable growth? (Financial soundness, no illegal acts done)
- (2) Will the corporate value of the Company improve and lead to shareholder's medium- and long-term benefits?

[Principle 1-7: Related Party Transactions]

The Company's "Regulations of the Board of Directors" provides that approval for competitive business and conflict-of-interest transactions by Directors require the resolution of the Board of Directors. The same is applicable to the case where counterparty is a major shareholder.

[Supplementary Principle 2-4-1: Diversity of core human resources of the company]

The Company is committed to sustainable growth and enhancement of corporate value over the medium to long term by utilizing the perspectives and values of diverse human resources.

In addition to clarifying the image of expected human resources, including core human resources, we are promoting the enhancement of systems to support employees at different stages of their careers and the creation of an environment that enhances job satisfaction and ease of working as part of our human resources development policy.

From the perspective of diversity management, we place importance on respecting diverse attributes and values and making the most of human resources, without being bound by conventional standards in society and within the company. We are also working on "Creating a working environment in which both men and women can be equally active", "Hiring regardless of gender or nationality, and hiring mid-career professionals for key positions", "Creating a personnel evaluation system that draws out the efforts and challenges of diverse members", and "Support for balancing work and family life."

From the perspective of promoting women's activities, in addition to appointing women to management positions, we have established an action plan based on The Act on Promotion of Women's Participation and Advancement in the Workplace and are working to "maintain the ratio of women in new graduates at 30% or more" and "increase the ratio of male employees taking childcare leave to 20% or more."

From the perspective of ensuring diversity on a global level, we have many overseas offices and are promoting localization, and we are actively utilizing mid-career hires and foreign nationals.

In promoting these measures, we will further develop measurable goals and work to create an organization and develop human resources that will enable diverse employees to maximize their abilities.

[Principle 2-6: Fulfilling Function as the Asset Owner of Corporate Pensions]

Regarding management of conflicts of interest that may arise between the beneficiaries of the corporate pension and the Company, the Basic Policy on Investment is established based on the guidelines of the Ministry of Health, Labor and Welfare to maximize the benefit of the beneficiaries. In addition, the Company has in-house responsibilities regarding the operation of corporate pension funds, and a consultation system to external specialized agencies.

[Principle 3-1: Enhancement of Disclosure]

- (1) Management philosophy, strategy and medium-term management plan is disclosed on "the Company's website," "Securities Report," "Investor Presentation Material" and others.
- (2) The basic policy for corporate governance is disclosed on "the Company's website" and "Corporate governance report."
- (3) Individual Directors' Remuneration are made of monthly remuneration, short-term performance bonus, and mid-term performance/stock price-linked bonus based on the new executive compensation system. The amount of the monthly remuneration is limited within the range defined for each position, and is decided by Representative Director and President, who is entrusted by the Board of Directors, based on the evaluations on the directors which are decided after the deliberations in the Nomination and Compensation Committee. The short-term performance bonus and mid-term performance/stock price-linked bonus is decided by the Representative Director and President, who is entrusted by the Board of Directors, based on the formula decided by the Nomination and Compensation Committee and the Board of Directors and the evaluations on the directors decided after the deliberations in the Nomination and Compensation Committee. The new executive compensation system has been implemented since April 2022, and the monthly remuneration is scheduled to begin from July 2022, and short-term performance bonuses and medium-term performance/stock price-linked bonuses are scheduled to begin from June 2023.

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- (4) The Company has the policy for nominating candidates of Directors and Corporate Auditors and appointing Executive Officers that those qualified to perform the duties and responsibility of Directors and Corporate Auditors shall be nominated/appointed sufficiently taking account of personality and insights. The External Directors and Corporate Auditors are expected to perform the function and role of objective and appropriate oversight or audits based on technical knowledge, and they are appointed based on the basic view that there are no threats of conflicts of interest with general shareholders. They are disclosed on the "Notice of Convocation for General Meeting of Shareholders" and "Securities Report". The selection of candidates of Directors and Corporate Auditors is discussed by the Nomination and Remuneration Committee, and a report or opinion is given to the Board of Directors, and is determined by the Board of Directors. The appointment of Directors and Corporate Auditors is subject to the resolution of the General Meeting of Shareholders. The policies and procedures for the appointment / dismissal of Directors and Corporate Auditors are stipulated in the "Regulations of the Board of Directors".
- (5) For the appointment / dismissal of Directors and Corporate Auditors, and the nomination of Directors / Corporate Auditors' candidates, explanation of each of appointment / dismissal and nomination will be disclosed at the "Notice of Convocation for General Meeting of Shareholders."

[Supplementary Principle 3-1-3: Sustainability]

Based on our management philosophy, we aim to achieve sustainable corporate growth and maximize corporate value over the medium and long term while earning the trust of our shareholders and all other stakeholders surrounding us.

We recognize that addressing issues surrounding sustainability is one of the most important management challenges, and we are working to develop products that have a low environmental impact and that are compatible with environmental conservation through human- and environment-friendly technologies.

With regard to investment in human capital and intellectual property, in order to accelerate our global business development, we are hiring and training the human resources we need and working to improve compensation so that we can maintain employment.

In addition, we are promoting measures to strengthen our management and organizational foundations, such as improving efficiency through the use of IT tools and other means, and supporting the activities of women. As part of our corporate identity (CI) activities, we have adopted the slogan, "Above all, reach people's hearts." in order to set a corporate philosophy and direction to focus on in the future, and to achieve further growth and leaps forward, and we are working to improve productivity that our customers expect, and create a safe work environment.

We believe that these ideas and approaches are closely related to the United Nations Sustainable Development Goals (SDGs), and we will continue to strive to strengthen sustainability through our business activities.

Please visit our website for the details of information disclosure which is based on TCFD recommendations.
<https://ir.ype.co.jp/en/esg/environmental.html>

[Supplementary Principle 4-1-1: Roles/Duties of Board of Directors]

The Company defines the matters to be resolved at the Board of Directors in "Regulations of Board of Directors" which is: the matters on the general management, the General Meeting of Shareholders, organization and personnel system, subsidiary management, Directors, business execution, financial results, matters authorized by the resolution of the General Meeting of Shareholders, and matters of which the Board acknowledges the necessity. Meanwhile the Company introduced the executive officer system in April 1, 2003 to clarify the responsibilities in the management and, to speed up decision-making by delegating authorities, and to separate the business execution from the management monitoring. The Company now has two executive officers who are not Directors.

[Principle 4-9: Criterion for Independence of and Qualification for Independent External Director]

The Independent External Directors of the Company are expected to perform the function and role of objective and appropriate oversight, and give advice based on technical knowledge, and are appointed based on the basic view that there are no threats of conflicts of interest with general shareholders. The Company has established its own criterion for the independence, given the independence criterion established by the financial instruments exchange.

[Supplementary Principle 4-10-1: Nominating and Compensation Committee]

Of the Company's eight directors, three are independent External Directors, which does not constitute a majority of the board of directors. However, from the perspective of ensuring the transparency and objectivity of deliberations, the Company has established the Nomination and Compensation Committee chaired by an

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independent External Director, which deliberates on the selection and dismissal of officers, the compensation system, and other matters requested by the board of directors.

The Nomination and Compensation Committee is composed of a majority of independent External Directors, including the chairperson who is an independent External Director, and they provide fair and appropriate involvement and advice from an objective standpoint, including from the perspective of the diversity and skills of the board of directors.

[Supplementary Principle 4-11-1: Preconditions for Ensuring Effectiveness of Board of Directors and Board of Corporate Auditors]

Under rapidly changing business environment and advancement of globalization, the Company appoints candidates of Directors with a focus on balance among knowledge, experience and expertise, diversity and global viewpoints. Now 8 Directors, including External Directors, take office. The Company will keep the number of the board members that immediate decision-making is conducted with each member providing his or her expertise and exchanging opinions each other. The independent External Directors includes those with management experience at other companies.

Furthermore, the Company formulated a skills matrix that lists the knowledge, experience, and abilities of each director and corporate auditor. The matrix is published on the Company's website and in the convocation notice.

[Supplementary Principle 4-11-2: Preconditions for Ensuring Effectiveness of Board of Directors and Board of Corporate Auditors]

Concurrent holding of positions of other companies by External Directors and Corporate Auditors is annually disclosed at “the Notice of Convocation for the General Meeting of Shareholders,” “Securities Report” and “Corporate Governance Report.” No Executive Directors concurrently serve as an officer of other listed companies, excluding those of our group, and the system is established that Executive Directors can be devoted on works of Directors. Full-time Corporate Auditor does not concurrently serve as an officer of other companies, and the system is established that they can be devoted to their work at all times.

[Supplementary Principle 4-11-3: Preconditions for Ensuring Effectiveness of Board of Directors and Board of Corporate Auditors]

External Directors now analyze and evaluate whole of the Board of Directors. To further improve the functions of the Board of Directors, analysis and evaluation of effectiveness of the whole Board including their methods are currently examined.

[Supplementary Principle 4-14-2: Training of Directors and Corporate Auditors]

Given the roles and duties expected and qualification and knowledge required of Directors and Corporate Auditors, the Company holds a training session for all Directors, Corporate Auditors and Executive Officers once or more a year. The Company also gives explanations about the corporate profile and holds plant tours for External Directors and Corporate Auditors when they take office as well as provides and arranges opportunities to receive the training necessary for each Director or Corporate Auditor and owes the expenses for the training.

[Principle 5-1: Policy for Constructive Communication with Shareholders]

- (1) In the Company, the Representative Director governs the general communication with shareholders.
- (2) The Corporate Planning Department, which is directly under the Representative Director, is in charge of IR and cooperates with the relevant departments for reasonable and smooth communication from shareholders.
- (3) The Company holds briefings for analysts and institutional investors on financial results for a full year and an interim period as well as makes individual visits to institutional investors, holds small-size meetings and accepts telephone interviews as needed. The Company also participates in securities companies- and consulting companies-hosting briefings for individuals once a year at least.
- (4) Opinions received at communication with shareholders are appropriately fed back at the Board of Directors meeting.
- (5) Insider information is appropriately administrated according to the Disclosure Policy.
(Disclosure Policy: <https://ir.ype.co.jp/en/disclosurepolicy.html>)

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2. Capital Structure

Foreign Shareholding Ratio	More than 10% but less than 20%
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[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
Yushin Industry Co., Ltd.	11,992,378	35.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,958,000	8.69
Takayo Kotani	1,968,532	5.78
Miki Murata	1,847,032	5.43
Custody Bank of Japan, Ltd. (Trust Accounts)	1,380,400	4.06
The Kyoto Chuo Shinkin Bank, Ltd.	1,088,974	3.20
Mayumi Kotani	1,040,202	3.06
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	862,020	2.53
MUFG Bank, Ltd.	849,986	2.50
STATE STREET BANK AND TRUST COMPANY 505001	839,600	2.47

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation Updated

Foreign Shareholding Ratio and Status of Major Shareholders are stated as of March 31, 2022.

3. Corporate Attributes

Listed Stock Market and Market Section Updated	Prime Market of the Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 500 to less than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less 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

Organization Form	Company with <i>Board of Corporate Auditors</i>
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	8
Appointment of External Directors	Appointed
Number of External Directors	3
Number of Independent Directors	3

External Directors' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	I	j	k
Yasuo Nishiguchi	From another company				△				△			
Hiroshi Matsuhisa	Academic								△			
Reiko Nakayama	From another company											○

* Categories for "Relationship with the Company"

* "○" 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;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Corporate Auditor

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

I. Executive of a company, between which and the Company external directors/*Corporate Auditors* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasuo Nishiguchi	○	<p>Yasuo Nishiguchi had served as the Representative Director of KYOCERA Corporation which is our client. The Company has insignificant transactions with KYOCERA Corporation, and there are no importance affecting on the independence.</p> <p>HANDY Co., Ltd., that he is the Representative Director, and the Company had entered into advisory agreements to receive guidance and advice on future management policies, etc.</p> <p>However, the contract was terminated as of March 31, 2021. Currently, he meets the Company's criteria of independence as an external director established by the Company, and there are no importance affecting on the independence.</p>	<p>Yasuo Nishiguchi has held such positions as the President and Representative Director, and the Chairman and Representative Director at 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, because we can expect to strengthen the function of the Company's Board of Directors, the Company appointed Yasuo Nishiguchi as an External Director of the Company.</p> <p>He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.</p>
Hiroshi Matsuhisa	○	<p>The instruction contract concerning R&D was entered into between the Company and Hiroshi Matsuhisa, but the Company had insignificant transactions with him and there are no importance affecting on the independence.</p>	<p>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, because we can expect to strengthen the function of the Company's Board of Directors, the Company appointed Hiroshi Matsuhisa as an External Director of the Company.</p> <p>He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.</p>

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Reiko Nakayama	○	The Company had insignificant transactions with Mandom Corporation, that Reiko Nakayama is the External Director, and there are no importance affecting on the independence.	Based on her experience of securities company underwriter, and management executive officer and external officers of operating companies, we asked her to give the Company advice and supervision of operations from an independent position. Because this will strengthen the function of the Company's Board of Directors, the Company appointed Reiko Nakayama as an External Director. She is appointed as an Independent Officer of the Company because she meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Yes
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Establishment of optional advisory committees, committee composition, and attributes of the chairperson

	Optional committee equivalent to Nomination Committee	Optional committee equivalent to Remuneration Committee
Committee	Nomination and Remuneration Committee	Nomination and Remuneration Committee
Committee members	6	6
Full-time members	0	0
Internal directors	1	1
External directors	3	3
External experts	0	0
Others	2	2
Chairperson	External Director	External Director

Supplemental Remarks

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.

Two "other" members of the committee are External Corporate Auditors.

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[Corporate Auditor]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	4
Number of Corporate Auditors	3

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

Regarding the cooperation among Corporate Auditors and Accounting Auditors, Corporate Auditors receive the explanation about the audit plan of Accounting Auditors as well as reports on a review at the end of the quarter and the proceedings of the audit at the year-end audit.

As for results of the audit by the Internal Audit Office, Corporate Auditors also inspect the internal audit reports and exchange opinions as necessary.

Full-time Corporate Auditor is voluntarily present at internal auditing and attends a briefing to the president held by Internal Audit Office.

Appointment of External <i>Corporate Auditors</i>	Appointed
Number of External <i>Corporate Auditors</i>	2
Number of Independent <i>Corporate Auditor</i>	2

External Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	I	j	k	l	m
Hiroho Kamakura	CPA										△			
Naohiro Tsuda	Attorney													

* Categories for "Relationship with the Company"

* "○" 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;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Corporate Auditor of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Corporate Auditor

I. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any off, g or h) (the Corporate Auditor himself/herself only)

k. Executive of a company, between which and the Company external directors/Corporate Auditors are mutually appointed (the Corporate Auditor himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)

m. Others

(Translation)

External Corporate Auditors' Relationship with the Company (2) **Updated**

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Hiroho Kamakura	○	<p>Hiroho Kamakura is a certified public accountant and had worked for the Company's Accounting Auditor Deloitte Touche Tohmatsu LLC in the past.</p> <p>The Company has insignificant transactions with Deloitte Touche Tohmatsu LLC, and there are no importance affecting on the independence.</p>	<p>Hiroho Kamakura was appointed as an External Corporate Auditor of the Company because the specialized knowledge as a Certified Public Accountant in finance and accounting is expected to be put to effective use for the auditing operation. The Company believes that this must help strengthen the Company's audit competence.</p> <p>He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.</p>
Naohiro Tsuda	○	<p>Naohiro Tsuda has no special interests in the Company.</p>	<p>Naohiro Tsuda was appointed as an External Corporate Auditor of the Company because the specialized knowledge as attorney and extensive insight into corporate legal affairs is expected to be put to effective use for the auditing operation. The Company believes that this must help strengthen the Company's audit competence. Although he has no experience for business administration directly, the Company judges that he has the ability to perform duty properly as an External Corporate Auditor of the Company as mentioned above.</p> <p>He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.</p>

[Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors	5
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Matters relating to Independent Directors/Corporate Auditors

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[Incentives]

Incentive Policies for Directors	None
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Supplementary Explanation

[Director Remuneration] It is described in the section of Policy on Determining Remuneration Amounts and Calculation Methods.

Recipients of Stock Options

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation Updated
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The Company paid 204,750 thousand yen as remuneration to 10 Directors for the fiscal year ended March 2022.

Policy on Determining Remuneration Amounts and Calculation Methods Updated	Yes
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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At the meeting of the Board of Directors held on March 7, 2022, the executive compensation system was reviewed based on the resolution approved at the General Meeting of Shareholders and the new policy was adopted.

Under the new system, objectivity and fairness in the process of deciding compensation have been improved, and the Company has clarified its policy to establish the system of medium- to long-term performance-linked remuneration in accordance with the degree of achievement of the plan and enhancement of corporate value while advancing the formulation and implementation of the medium-term management plan.

The new executive compensation system has been implemented since April 2022, and the monthly remuneration is scheduled to begin from July 2022, and short-term performance bonuses and medium-term performance/stock price-linked bonuses are scheduled to begin from June 2023.

1. Policy on determining the amount and number of individual remuneration or the method of calculating such amount and number

(1) Policy for determining remuneration type (performance-linked remuneration, non-monetary remuneration, and other remunerations)

Individual Director's remuneration consists of monthly remuneration, short-term performance bonus, and mid-term performance/stock price-linked bonus based on new executive compensation system.

The amount of the monthly remuneration is decided by the President and Representative Director, who is entrusted by the Board of Directors, based on the evaluations on Directors decided after the deliberations in the Nomination and Compensation Committee, with the amount being fell within the monthly payment range for each position of Directors.

The short-term performance bonus and mid-term performance/stock price-linked bonus is decided by the President and Representative Director, who is entrusted by the Board of Directors, based on the formula decided by the Nomination and Compensation Committee and the Board of Directors, and also based on the evaluations on Directors decided after the deliberations in the Nomination and Compensation Committee.

The remuneration for External Directors consists of fixed remuneration. The performance-linked remuneration is not paid from the viewpoint of independence from business execution.

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(2) Policy for determining the content of Key Performance Indicators (KPI) of performance-linked remuneration

Short-term performance bonuses are determined by multiplying the basic amount for each position of Directors by a performance coefficient based on the achievement status of the consolidated Ordinary profit, and reflecting an executive evaluation that is evaluated with the overall contribution based on the target management and qualitative evaluation.

Medium-term performance/stock price-linked bonuses are determined based on the basic amount by position of Directors, reflecting the medium-term performance coefficient based on the growth rate of "net income per share (EPS)" and the stock price-linked coefficient based on the stock price growth rate.

2. Policy on the determination of the ratio of the amount of individual remuneration type (performance-linked remuneration, non-monetary remuneration and other remuneration) to the amount of individual remuneration.

As for the ratio to the individual remuneration, the Company set the remuneration composition ratio by the position (the sum of short-term performance bonuses, mid-term performance/stock price-linked bonuses is approximately 30%) after referring to external standards of the same size and type of companies as the Company.

3. Policy on the determination of the timing and condition of remuneration payment

Monthly remuneration is paid monthly, and short-term performance bonus is paid annually based on the basic amount by position of Directors reflecting performance coefficients and evaluation on Directors. Medium-term/stock price-linked bonuses are paid once a year based on the basis amount by position of Directors reflecting the medium-term performance coefficient and the stock price-linked coefficient.

4. Matters to be decided when the determination of individual remuneration are delegated to Directors or any other third party.

(1) Name or position and responsibility of the delegatee

(2) Contents of the delegated power

(3) Details of the measures to be taken to exercise the delegated power properly

The amount of remuneration for Directors is determined by Representative Director and President, who is delegated by the Board of Directors, based on the evaluation on Directors which is determined after deliberation by the Nomination and Compensation Committee which is the advisory body to the Board of Directors. The power is to determine monthly payment of each Director and the evaluation ratio of the performance linked bonuses.

The Nomination and Compensation Committee is chaired by Yasuo Nishiguchi, an External Director. The other members of the Committee are Takayo Kotani, Representative Director and President, and Hiroshi Matsuhisa, an External Director, and Reiko Nakayama, an External Director, and Hiroho Kamakura, an External Corporate Auditor, and Naohiro Tsuda, an External Corporate Auditor.

The Company does not pay any non-monetary remuneration to Directors.

[Supporting System for External Directors and/or Corporate Auditors]

Regarding the information transfer to External Directors and Corporate Auditors, the system is established that External Directors and Corporate Auditors can obtain information through reports filed with the monthly-held Board of Directors meeting (monthly account settlement report, business reports from Directors and reports from senior staff) as necessary.

Full-time Corporate Auditor also informs External Corporate Auditors details of significant internal meetings. The Corporate Planning Office, etc. respond as needed to assist External Directors and External Corporate Auditors.

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[Status of persons retired from Representative Director and President, etc.]

Names, etc., of advisors (“sodanyaku,” “komon,” etc.) who have formerly served as Representative Director and President, etc.

Name	Title/Position	Activity Description	Working Arrangement / Conditions (Full-time / Part-time, Remuneration, etc.)	Date of Retirement From President, etc.	Term of Office
Mayumi Kotani	Honorary Chairperson	Business execution based on company mandate	Part-time, Remuneration - Yes	June 22, 2021	Yes

Total number of advisors (“sodanyaku,” “komon,” etc.) who have formerly served as Representative Director and President, etc.

1

Other Information

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration

Decisions (Overview of Current Corporate Governance System) Updated

- (1) The Company has established a Nomination and Remuneration Committee, whose outline is described in “1.Organizational Composition and Operation – [Directors]” in “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” of this report.
- (2) The Company’s Board of Directors, which consists of 8 Directors (including 3 External Directors), determines the policy for business execution of the Company and oversees business execution by Directors. The board monthly holds a meeting where all significant matters are submitted for discussion and proceeding of business results is discussed to examine measures, etc.
External Directors offer opinions from an external and independent viewpoint and give useful advice from a broad perspective at the meetings of the Board of Directors to manage and oversee general management while exchanging opinions with Corporate Auditors and Directors controlling the Internal Control Department.
- (3) In addition to the regular Board of Directors meeting, an executive meeting is weekly held. As a result, the information is shared by all executives about all significant matters on the Company and the system is established to sufficiently discuss and immediately make decisions on significant management matters.
- (4) The Company’s Board of Corporate Auditors consists of 3 members (including 2 External Corporate Auditors). Each Corporate Auditor audits the business execution by Directors by attending significant meetings, including the Board of Directors meetings and surveying the work and property according to the audit policy and plan made by Board of Corporate Auditors. All Corporate Auditors attend the regular Board of Directors meeting and full-time Corporate Auditor attends significant internal meetings, including executive meetings and management meetings. The information is shared about significant matters on the Company, and the system is established that Board of Corporate Auditors can accurately audit business execution by Directors.
- (5) From a viewpoint of the separation of management oversight function from business execution, the executive officer system was introduced on April 1, 2003. The Company has 2 non-Director Executive Officers.
- (6) Internal Audit Office directly reports to Representative Director and President, and is in charge of internal audits. The Office audits the headquarters and all domestic and oversea offices on the general business activities on a regular basis, and directly provides Representative Director and President with the internal audit report. The Office urges audited offices for improvements based on the audit result, and makes them report back the improvements with no delay to ensure the effectiveness of the internal audits.

(Translation)

- (7) As for Corporate Auditors' audit, all Corporate Auditors attend the regular meetings of the Board of Directors and the full-time Corporate Auditor attends significant internal meetings, including executive meetings, to mainly audit violation of laws and regulations and the Articles of Incorporation and facts that could potentially hurt the interests of shareholders and the Company. And, in order to ensure the effectiveness of the 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.
- (8) As for accounting audits, the Company have concluded an audit contract with Grant Thornton Taiyo LLC so they conduct audits. The CPA, Shingo Okamoto and Satoru Ohyoshi executed accounting audit activities. 8 CPAs and 15 others were engaged in audit activities as an assistant.

3. Reasons for Adoption of Current Corporate Governance System

The system is established where determination of the policy for business execution by the Board of Directors, which consists of members with a high degree of expertise and abundant experience, makes it possible to execute all businesses appropriately and smoothly. Given a single business of the Company and current business scale, the Company thinks the current system reasonable where a small number of Directors can conduct immediate decision-making and flexible business execution. In addition to this, strict audit of the Board of Corporate Auditors including External Corporate Auditors with abundant expertise builds the system to completely oversee management. The Company thinks that our corporate governance system sufficiently works due to the above current systems.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

Updated

	Supplementary Explanations
Early sending out of convocation notices for the general meeting of shareholders	YUSHIN is working to send out the notice of convocation for the ordinary general meeting of shareholders earlier than the legal fixed date.
Scheduling AGMs Avoiding the Peak Day	AGMs are held avoiding the Peak Day.
Electronic voting	Shareholders can exercise their voting rights via the Internet by accessing from their computer or smartphone.
Participation in the Electronic Voting Platform system and other efforts to improve an environment in which institutional investors can exercise their voting rights	YUSHIN uses a voting platform for institutional investors.
Providing Convocation Notice in English	The convocation notice in English is available at the Company's website in English.
Other	The convocation notice is delivered to shareholders and is posted on the Company's website. At the general meeting of shareholders, a presentation using a video projector is given along with an explanation of the documents attached to the convocation notice.

(Translation)

2. IR Activities Updated

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company establishes and states the basic policy for information disclosure, manner of timely disclosure, silent period, third-party disclosure and financial forecast and positioning of information disclosure at IR information site on the website.	
Regular Investor Briefings for Individual Investors	The Company participates in securities companies- and consulting companies-hosting briefings for individuals once a year at least	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds briefings on financial results of a full year and an interim period as well as makes individual meeting to institutional investors, and accepts telephone interviews as needed.	Yes
Regular Investor Briefings for Overseas Investors	The Company individually visits overseas investors mainly in the United States, the United Kingdom, Hong Kong and Singapore, etc.	
Posting of IR Materials on Website	Financial Results (written in Japanese and English), Materials on Briefings of Financial Results (written in Japanese and English), Business Reports for Shareholders (written in Japanese), Annual Reports (written in English), Notice of Convocation for the Ordinary Meeting of Shareholders (written in Japanese and English) and Corporate Governance Report (written in Japanese and English) are posted on the website.	
Establishment of Department and/or Manager in Charge of IR	Corporate Planning Office, which department is directly under the Representative Director, is in charge of IR.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	It is included in the management philosophy.
Implementation of Environmental Activities, CSR Activities etc.	These activities are implemented as activities of ISO14001.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development Updated

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 Incorporation 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 Incorporation.
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.

(Translation)

Information is kept and managed according to laws and regulations, and internal regulations (including “Document Regulations”, “Contract management rules”, “Internal Information Management Regulations”, “Basic policy on information security”, “Information System Management Regulations”, “Personal Information Management Regulations”, “Personal Information Protection Policy (Privacy Policy)” and “Regulations for the Proper Handling of Specific Personal Information”, etc.).

3. Regulations on and other systems for risk management of losses of the Company and its 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 its 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 conference.
 - (4) The information about the Company and subsidiaries are shared at the subsidiary meeting, and significant matters are discussed in the Board of Directors to solve issues.
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 “Subsidiaries Management Regulations” obligate subsidiaries to make periodic reports relating to business results, fiscal conditions and other significant information of subsidiaries.
The information about the Company and subsidiaries are shared at the subsidiary meeting, and significant matters are discussed in the Board of Directors to solve issues.
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 the staff.
8. System to ensure that those reporting to 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.

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.

(Translation)

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.

2. Basic Views 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.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

<Timely Disclosure System>

1. Basic Policy on Information Disclosure

The Company strives to maintain its established system of proactive and fair disclosure of information to shareholders, investors, and other stakeholders.

2. Information Disclosure Policy and Internal System

The Company adopts the following policies and internal system as the basis for information disclosure.

(1) Company information to be disclosed

- a) Information required to be disclosed in accordance with the Financial Instruments and Exchange Act and the Timely Disclosure Regulations set by the Tokyo Stock Exchange (decisions, incidents and financial information)
- b) Information other than a) above considered to have a significant influence on investment decisions

(2) Disclosure procedure

a) Procedure concerning decisions and incidents

For decisions and incidents, the Accounting Department, General Affairs Department, or other department in charge prepares the materials necessary for disclosure. Upon completion of internal procedures, including approval by the Board of Directors, the disclosure of information will be carried out by the Information Manager or the Disclosure Manager.

b) Procedure concerning financial information

For financial information, the Accounting Department prepares the materials necessary for disclosure. Upon completion of internal procedures, including approval by the Board of Directors, the disclosure of information will be carried out by the manager of corporate management department.

(3) Methods of disclosure

Information will be disclosed through registration with the TDnet Company Announcements Distribution Service of the Tokyo Stock Exchange as well as through the Company's website and via other applicable means.

(4) Inquiries following disclosure

Disclosure-related inquiries will be handled by the Information Manager or the Disclosure Manager.

3. Improvements on Monitoring of the Timely Disclosure System

(Translation)

Through periodically implemented audits by corporate auditors, internal audits, and external audits, the Company aims to ensure the appropriateness of information disclosure contents, information disclosure procedures, and other related aspects.

(Translation)

Corporate Governance Structure

