

# G: Governance

## Basic Views on Corporate Governance

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 good sense with stakeholders excluding our shareholders.
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.

## Ensuring Effectiveness of the Board of Directors and Board of Corporate Auditors

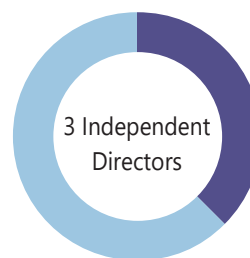
Under rapidly changing business environment and advancement of globalization, the Company appoints candidates of Directors with a focus on balance among knowledge, experience and expertise, diversity and global viewpoints. There are 8 Directors in the Board including External Directors at the moment. The Company will keep the Board in appropriate number to enable them to make quick-decision making with each of them providing their expertise and exchanging ideas.

External Directors and External Corporate Auditors who also serves for other companies are annually disclosed at "the Notice of Convocation for the General Meeting of Shareholders," "Securities Report" and "Corporate Governance Report."

In addition, in order to further improve the functions of the Board of Directors, an internal questionnaire was conducted to analyze and evaluate the effectiveness of the

Board of Directors as a whole, the results of which were analyzed and evaluated, and improvements are being made. The questionnaire conducted in January 2023 identified areas for improvement with regard to agenda setting and administrative structure, and improvements are being made sequentially.

Board of Directors  
(8 members)



Board of Auditors  
(3 members)



## The Nomination and Remuneration Committee

YUSHIN has the Nomination and Remuneration Committee as the advisory body for the Board of Directors to reinforce fairness, transparency, and objectivity of the procedure to nominate the board members, set the remunerations, and others. Yasuo Nishiguchi (External Director) chairs the committee where four members sit as of September 2023: Takayo Kotani (Representative Director and President), Hiroshi Matsuhisa (External Director), Reiko Nakayama (External Director), and Hiroho Kamakura (External Corporate Auditor), which makes five in total. The committee was held three times during FY2023 in which executive appointment and management personnel development plans were discussed.

## The Board Members' Compensation System

YUSHIN board members' compensation system is aimed at improving motivation for improving performance and securing and retaining excellent human resources, for the sustainable growth and enhancement of competitiveness of YUSHIN. YUSHIN has decided a new policy for the board members' compensation at the board meeting held on March 7th, 2022. Nomination and Remuneration Committee accepted the consultations and approved the decision.

### The outline

- Setting compensation standard in reference to industry standards.
- Strengthening efforts to improve mid-term performance and to drive up the stock price
- Improving objectivity and fairness in compensation deciding process.

The board members' compensation consists of monthly compensation (basic compensation), short-term performance bonuses, and mid-term performance bonuses and stock-price-linked bonuses.

Monthly compensation (basic compensation) is determined by the Representative Director and President, who is delegated by the Board of Directors, based on the evaluation of Directors determined through deliberation by the Nomination and Remuneration Committee within the monthly remuneration range (upper and lower limits) for each position. Short-term performance bonuses are determined by multiplying the base salary of the position by a performance coefficient based on the achievement of the consolidated Ordinary profit, and by reflecting the overall contribution of the Directors based on target management and qualitative assessment. The mid-term performance bonuses and stock-price-linked bonuses are decided by reflecting two coefficients - mid-term performance coefficient based on the growing rate of earning per share (EPS), and stock-price-linked coefficient based on the growing rate of the stock price.

The makeup of the compensation is determined by position with reference to the external standards of the companies in the same industry and of the same size as the Company (the total of short-term performance bonus and medium-term performance/stock-price-linked bonus is approximately 30%).

The compensation for External Directors and Auditors consists of fixed compensation (basic compensation). It is our policy not to pay performance-linked compensations in order to maintain independence in the conduct of business.

Directors	Internal	Basic Compensation	Short-Term Performance Bonus Mid-Term Performance Bonus Stock-Price-Linked Bonus
	External	Basic Compensation	
Auditors		Basic Compensation	

## Sustainability Committee

In August 2022, YUSHIN established Sustainability Committee chaired by Representative Director and President. The purpose of this committee is to contribute to building a sustainable society and environment through our business activities and to enhance our corporate value through sustainable business development. In February 2023, YUSHIN decided on Sustainability Basic Policy and also announced the materiality we have identified.

## The Committee of Internal Control

In terms of internal control, the Committee of Internal Control plays a central role as an organization that promotes smooth and sophisticated internal control of the YUSHIN Group in accordance with the "Basic Policy for the Establishment and Operation of Internal Control".

The committee is chaired by Director Masahito Fukui. Department managers with extensive business experience are selected from each of the sales, purchasing, manufacturing, and administration divisions, who are appointed by the chairperson. The committee meets monthly to review the status and effectiveness of the Group's internal controls, and to discuss the establishment or revision of policies and rules and the effectiveness of risk controls. The committee also provides education and guidance on compliance, risk management, and information management to each division, department, and group company in cooperation with the Internal Audit Office and related departments.

## Corporate Governance Structure

(as of the end of September, 2023)

