

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.  
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities Code: 6482  
June 4, 2018

Dear Shareholders,

**Notice of Convocation for  
the 45<sup>th</sup> Ordinary General Meeting of Shareholders**

We would like to express our deepest condolences.

Notice is hereby given that the 45<sup>th</sup> 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 Thursday, June 21, 2018 at the latest.

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

**Details**

1. **Date and Time:** Friday, June 22, 2018 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 45<sup>th</sup> Fiscal Year (from April 1, 2017 to March 31, 2018) 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 45<sup>th</sup> Fiscal Year (from April 1, 2017 to March 31, 2018)

**Agenda for resolution:**

**Proposal:** Election of Eight (8) Directors

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 our website: (<http://www.yushin.com>)

## <Information on Exercise of Voting Rights via the Internet>

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.evotep.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 June 21, 2018. Shareholders are cordially requested to exercise their voting rights as early as possible. Please call Help Desk as mentioned below with any inquiries.

### 2. Method of exercising of voting rights via the Internet

(1) On the voting rights exercise site designated by the Company (<https://www.evotep.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.

(2) 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.

(3) New “login ID” and “temporary password” will be advised for each notice of convocation for Ordinary General Meeting of Shareholders.

### 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, 2017 to March 31, 2018)

### **1. Current Business Conditions**

#### **(1) Progress and achievements**

Regarding the global economy during the consolidated fiscal year under review, the moderate economic expansion continued in the United States, reflecting robust personal consumption. The economy recovered in Europe due to improvements in the corporate sector, particularly in the manufacturing industry, and personal consumption. In the Asian region, including China, the economy was firm, and world economy remained steady overall.

In these circumstances, Yushin Group has strived to develop new products and to obtain new world-class customers. Regarding the results for the consolidated fiscal year under review, consolidated net sales increased by 7.9% year on year to 20,878 million yen as a result of strong sales of take-out robots. Operating income increased by 11.6% year on year to 2,358 million yen due to the increase in sales and the efficiency improvement led by the production start at the new head office factory although there was an increase in depreciation expenses at the new headquarters factory and distribution cost due to an increase in the number of production shipments. Ordinary income increased by 18.2% year on year to 2,432 million yen, and net income attributable to shareholders of the parent company increased by 17.9% year on year to 1,626 million yen.

#### **Consolidated net sales by product category**

(Thousands of yen)

Years ended March 31,	2017		2018		Change
Product	Amount	%	Amount	%	%
Take-out robots	13,410,587	69.3	15,449,729	74.0	15.2
Custom-ordered equipment	2,832,537	14.7	2,204,986	10.6	(22.2)
Parts and maintenance service	3,103,275	16.0	3,223,934	15.4	3.9
Total	19,346,399	100.0	20,878,651	100.0	7.9

#### **(2) Capital investment**

The total amount of capital investment for Yushin Group effectuated over the course of the period under review was 652 million yen mainly for the capital investment related to additional purchase cost of head office land valued at 398 million yen and construction of a new ERP system for headquarters valued at 111 million yen.

#### **(3) Financing activities**

No material items to report.

#### (4) Assets and operating results 2015 - 2018

Years ended March 31,	2015	2016	2017	2018
Net sales (thousands of yen)	17,799,020	21,148,591	19,346,399	20,878,651
Ordinary income (thousands of yen)	2,542,871	2,921,754	2,058,192	2,432,690
Net income attributable to shareholders of the parent company (thousands of yen)	1,683,479	1,908,626	1,380,273	1,626,768
Net income per share (yen)	96.26	109.14	78.93	46.51 (Note 2)
Total assets (thousands of yen)	29,463,773	29,409,602	30,761,736	32,572,888
Net assets (thousands of yen)	23,970,142	24,715,668	25,451,718	26,472,034
Net assets per share (yen)	1,357.36	1,401.54	1,444.38	750.37 (Note 2)

Notes:

- 1 The net income per share is calculated based on the average number of issued shares during the fiscal year and the net assets per share are calculated based on the number of issued shares at the end of the fiscal year.
- 2 The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Accordingly, Net income per share and Net assets 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 Yushin Group, the economic recovery is expected to continue as a whole, but there are many uncertain factors including problems of trade policies in the US and China, and the outlook for the economy will continue to be uncertain.

Under these circumstances, Yushin Group aims to develop itself further as a number-one company across the board in the “take-out robot” industry with 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, Yushin Group must differentiate and strengthen the products including price competitiveness and strengthen our sales capabilities worldwide. In the new business area, Yushin Group must develop and bring new products to the market in the business area where Yushin Group can manifest technological and/or sales synergies in order to establish multiple core businesses.

Specific effort for the 46<sup>th</sup> (FY2019), in the take-out robot, we will expand sales of new products with new functions and work to improve our brand power. With custom-ordered equipment, we will continue to expand sales by receiving automation needs that are increasing in Japan and overseas. Also, we will provide high-quality technical services by utilizing AI and also work on predictive maintenance. We will further improve productivity, work efficiency and cost reduction activities.

**(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 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 Company products
Yushin Precision Equipment Trading (Shenzhen) Co., Ltd.	Shenzhen, Guangdong, China	US\$400,000	100%	Sales and maintenance & repair of Company products
Yushin Precision Equipment (Taiwan) Co., Ltd.	Taipei City, Taiwan (R.O.C.)	NT\$5 million	100%	Sales and maintenance & repair of Company products
PT. Yushin Precision Equipment Indonesia	Bekasi, Indonesia	IDR2,841 million	99%	Sales and maintenance & repair of Company products
Yushin Precision Equipment (Vietnam) Co., Ltd.	Hanoi, Vietnam	US\$300,000	100%	Sales and maintenance & repair of Company products
Yushin Precision Equipment Sdn. Bhd.	Selangor, Malaysia	MYR1 million	100%	Sales and maintenance & repair of Company products
Yushin Precision Equipment (Thailand) Co., Ltd.	Bangkok, Thailand	THB8 million	49%	Sales and maintenance & repair of 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 Company products
Yushin Automation Ltd.	Worcestershire, U.K.	GBP150,000	95.6%	Sales and maintenance & repair of Company products
Yushin America, Inc.	Rhode Island, U.S.A.	US\$8,000	100%	Sales and maintenance & repair of Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment
Guangzhou Yushin Precision Equipment Co., Ltd.	Guangzhou, Guangdong, China	RMB13.7 million	100%	Manufacturing of Company products

**(7) Major operations (as of March 31, 2018)**

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, 2018)**

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	Nishi-ku, Hiroshima-city
Fukuoka Sales Office	Hakata-ku, Fukuoka-city
Philippines Representative Office	Makati City, Philippines

**(9) Employees (as of March 31, 2018)**

Number of employees	Increase from the end of previous FY
683 (58)	20

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, 2018)**

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, 2018)**

- (1) Number of shares authorized: 40,000,000  
(2) Total number of issued shares: 17,819,033  
(3) Number of shareholders: 3,370  
(4) Major shareholders:

Name	Investment in the Company	
	Number of shares held (thousand)	Percentage of shares held (%)
Yushin Industry Co., Ltd.	5,996	34.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,164	6.7
The Nomura Trust and Banking Co., Ltd. (Trust Account 3071019)	774	4.4
The Master Trust Bank of Japan, Ltd. (Retail Trust Account 620021158)	774	4.4
The Kyoto Chuo Shinkin Bank, Ltd.	544	3.1
Mayumi Kotani	526	3.0
Japan Trustee Service Bank, Ltd. (Trust Account 9)	473	2.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	424	2.4
Japan Trustee Service Bank, Ltd. (Trust Account )	389	2.2
The Bank of Kyoto, Ltd.	352	2.0

Note: Percentage of shares held is calculated after deducting the number of treasury stock (331,982 shares).

**(5) Other important matters pertaining to the Shares**

The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Increase in number of shares due to stock split is 17,819,033 shares.

**3. Matters Pertaining to Officers of the Company**  
**(1) Directors and Corporate Auditors (as of March 31, 2018)**

Position	Name	Responsibilities and representation of other organization
President and Representative Director	Mayumi Kotani	
Executive Managing Director	Satoshi Kimura	
Executive Managing Director	Yasushi Kitagawa	Head of Manufacturing H.Q. and Head of Quality Assurance Dept.
Managing Director	Yasuharu Odachi	Head of Research & Development H.Q.
Director	Tomohiro Inano	Head of Sales H.Q.
Director	Yasuo Nishiguchi	Outside Director at YAMADA Consulting Group Co., Ltd.
Director	Hiroshi Matsuhisa	Professor emeritus at Kyoto University Outside Corporate Auditor at Technology Seed Incubation Co., Ltd.
Full-time Corporate Auditor	Yoshihisa Nakanishi	
Corporate Auditor	Yasuhiro Orita	Lawyer
Corporate Auditor	Hiroho Kamakura	Certified Public Accountant Outside Corporate Auditor at Trusco Nakayama Corporation Outside Corporate Auditor at FUJIO FOOD SYSTEM CO., LTD.
Corporate Auditor	Michitoshi Morimoto	

Notes:

1. Directors, Yasuo Nishiguchi and Hiroshi Matsuhisa are Outside Directors stipulated in Item 15, Article 2 of the Companies Act.
2. Corporate Auditors, Yasuhiro Orita, Hiroho Kamakura and Michitoshi Morimoto are Outside Corporate Auditors stipulated in Item 16, Article 2 of the Companies Act.
3. Corporate Auditor, Hiroho Kamakura is a Certified Public Accountant and has specialist knowledge in finance and accounting.
4. The Company has designated Director, Yasuo Nishiguchi, Director, Hiroshi Matsuhisa, Corporate Auditor, Yasuhiro Orita, 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.
5. Change of Directors and Corporate Auditors during the period under review

Name	Before change	After change	Date of change
Yasushi Kitagawa	Managing Director	Executive Managing Director	June 22, 2017
Tomohiro Inano	Executive Officer	Director	June 22, 2017
Yasuo Nishiguchi	Outside Director of Zensho Holdings Co., Ltd.	Retired	June 29, 2017
	Chairman and CEO of Socionext Inc.	Retired	March 31, 2018
Yoshihisa Nakanishi	General Manager of Internal Adult Office	Full-time Corporate Auditor	June 22, 2017
Michitoshi Morimoto	-	Outside Corporate Auditor	June 22, 2017
Shujiro Sawada	Full-time Corporate Auditor	Retired	June 22, 2017
Takao Yoshikawa	Outside Corporate Auditor	Retired	June 22, 2017



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

Classification	Number of Directors/ Corporate Auditors	Total amount (Thousands of yen)
Directors	7	183,755
Corporate Auditors	6	23,400
Total	13	207,155

## Notes:

1. The 43<sup>rd</sup> 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 directors' bonuses: 29,840 thousand yen (29,840 thousand yen for five directors).
3. With respect to the liability for retirement benefits to Directors and Corporate Auditors, the plan for retirement benefits for Directors and Corporate Auditors was terminated at the 33<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 29, 2006, and no additional provision has been recorded since then. Therefore, the balance as of March 31, 2018 (66,780 thousand yen) is provided in proportion to the term that present Directors and Corporate Auditors had been in their respective positions before June 2006.
4. The total amount of remuneration for the two (2) Outside Directors is 10,800 thousand yen.
5. The total amount of remuneration for the four (4) Outside Corporate Auditors is 11,400 thousand yen.

**(3) Outside Directors and Corporate Auditors**

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

- Yasuo Nishiguchi is the Outside Director at YAMADA Consulting Group Co., Ltd. There is no special relationship between the Company and YAMADA Consulting Group Co., Ltd.

- Hiroshi Matsuhisa is a professor emeritus at Kyoto University. He is also the Outside Corporate Auditor at Technology Seed Incubation Co., Ltd. There is no special relationship between the Company and Kyoto University or Technology Seed Incubation Co., Ltd.

- Kamakura is also the Outside Corporate Auditor at Trusco Nakayama Corporation and at FUJIO FOOD SYSTEM CO., LTD. There is no special relationship between the Company and Trusco Nakayama Corporation and FUJIO FOOD SYSTEM CO., LTD.

**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 11 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 12 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.
Corporate Auditor, Yasuhiro Orita	In the period under review, Yasuhiro Orita attended 12 of 13 Meetings of Board of Directors and 6 of 7 Meetings of the Board of Corporate Auditors. Based on the specialized legal knowledge, 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, Hiroho Kamakura	In the period under review, Hiroho Kamakura attended all of 13 Meetings of Board of Directors and all of 7 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	Since assuming the office of Corporate Auditor on June 22, 2018, Michitoshi Morimoto attended all of 10 Meetings of Board of Directors and all of 5 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 4 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	29,200 thousand yen
Total amount of monetary and other property benefits payable by the Company and its subsidiaries	32,771 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: In addition to the above, 1,900 thousand yen is paid as an additional remuneration for the previous fiscal year in this fiscal year.

(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) **Overview of limited liability contract**

The Company has entered into a contract with Deloitte Touche Tohmatsu LLC, the Accounting Auditor, based on Paragraph 1, Article 427 of the Companies Act limiting the liability of same as specified in Paragraph 1, Article 423 of the Act. The upper limit provided in the limited liability contract is the minimum limited amount stipulated by laws and regulations.

#### 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 conference.
  - [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.

This fiscal year, 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 enactment of the Internal Control Regulations and the Committee of Internal Control Operations Regulations were resolved at the Board of Directors’ meeting on February 7, 2018.

The scope of responsibility of the Board of Directors and Corporate Auditors concerning the establishment and operations of internal control, 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. 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.

## **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. 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, training on internal information management regulations, which is an important topic to executives and employees, have been provided, while the booklet on the organization's knowledge collected for the purpose of improving business quality and maintaining disciplines in duties has been revised, published and disseminated as the Yushin Organizational Knowledge Book.

### **(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] Significant matters are discussed among Directors, Executives and Corporate Auditors at the executive meetings thereby sharing such significant information.
- [3] 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 been 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, 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. Furthermore, the Company's subsidiaries hold meetings three times a year so as to share information relating to the Company and its subsidiaries and the Company strives to strengthen subsidiary management through monitoring status of business operations and confirming

the establishment of rules and regulations of subsidiaries.

(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 executives, management 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 coordinates with the legal counsel such as the lawyers and the Certified Public Accountant, who are Outside Corporate Auditors, and keeps internal coordination with the Internal Control Department. 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 net income attributable to shareholders of the parent company.

For this fiscal year, a full-year dividend is 18 yen per share, consisting of an interim dividend of 15 yen per share and a year-end dividend of 33 yen per share.

## Consolidated Balance Sheets

(as of March 31, 2018)

(Thousands of yen)

Account	Amount	Account	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	<b>19,363,756</b>	<b>Current liabilities</b>	<b>5,905,323</b>
Cash and deposits	5,655,106	Notes and accounts payable - trade	1,764,363
Notes and accounts receivable - trade	7,042,925	Electronically recorded obligations - operating	1,140,929
Merchandise and finished goods	825,365	Accounts payable - other	505,356
Work in process	1,117,029	Accrued expenses	198,361
Raw materials and supplies	3,542,893	Income taxes payable	608,628
Consumption taxes receivable	197,063	Advances received	1,175,887
Prepaid expenses	272,550	Provision for bonuses	256,847
Deferred tax assets	436,161	Provision for directors' bonuses	29,840
Other	294,812	Provision for product warranties	145,325
Allowance for doubtful accounts	(20,151)	Deferred tax liabilities	7,826
<b>Non-current assets</b>	<b>13,209,132</b>	Other	71,956
<b>Property, plant and equipment</b>	<b>11,883,420</b>	<b>Non-current liabilities</b>	<b>195,531</b>
Buildings	5,230,240	Provision for directors' retirement benefits	66,780
Structures	193,961	Net defined benefit liability	51,486
Machinery equipment and Vehicles	162,285	Deferred benefit liabilities	25,028
Tools, furniture and fixtures	153,813	Other	52,236
Land	6,133,446	<b>Total liabilities</b>	<b>6,100,854</b>
Leased assets	4,817	<b>NET ASSETS</b>	
Construction in progress	4,855	<b>Shareholders' equity</b>	<b>25,925,238</b>
<b>Intangible assets</b>	<b>494,152</b>	<b>Capital stock</b>	<b>1,985,666</b>
Telephone subscription right	11,430	<b>Capital surplus</b>	<b>2,023,903</b>
Software	412,283	<b>Retained earnings</b>	<b>22,270,517</b>
Others	70,438	<b>Treasury stock</b>	<b>(354,848)</b>
<b>Investments and other assets</b>	<b>831,558</b>	<b>Total accumulated other comprehensive income</b>	<b>318,409</b>
Investment securities	276,387	Valuation difference on available-for-sale securities	97,103
Net defined benefit asset	274,331	Foreign currency translation adjustment	164,323
Deferred tax assets	138,445	Remeasurements of defined benefit plans	56,982
Other	162,895	<b>Non-controlling interests</b>	<b>228,385</b>
Allowance for doubtful accounts	(20,501)	<b>Total net assets</b>	<b>26,472,034</b>
<b>Total assets</b>	<b>32,572,888</b>	<b>Total liabilities and net assets</b>	<b>32,572,888</b>

## Consolidated Statements of Income

(from April 1, 2017 to March 31, 2018)

(Thousands of yen)

Account	Amount
<b>Net sales</b>	<b>20,878,651</b>
<b>Cost of sales</b>	<b>12,417,302</b>
<b>Gross profit</b>	<b>8,461,348</b>
<b>Selling, general and administrative expenses</b>	<b>6,102,616</b>
<b>Operating income</b>	<b>2,358,732</b>
<b>Non-operating income</b>	<b>129,431</b>
Interest and dividends income	10,597
Purchase discounts	14,657
Subsidy income	89,268
Other	14,908
<b>Non-operating expenses</b>	<b>55,473</b>
Sales discounts	647
Foreign exchange losses	54,302
Other	523
<b>Ordinary income</b>	<b>2,432,690</b>
<b>Extraordinary income</b>	<b>7,268</b>
Gain on sales of non-current assets	7,268
<b>Extraordinary loss</b>	<b>1,775</b>
Loss on sales and retirement of non-current assets	1,682
Other	92
<b>Income before income taxes</b>	<b>2,438,183</b>
Income taxes - current	896,719
Income taxes - deferred	(141,382)
<b>Net income</b>	<b>1,682,846</b>
Net income attributable to non-controlling interests	56,077
<b>Net income attributable to shareholders of the parent company</b>	<b>1,626,768</b>



## Consolidated Statements of Changes in Net Assets

(from April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2017	1,985,666	2,023,903	21,273,290	(353,994)	24,928,866
Changes in the current period					
Dividends of surplus			(629,542)		(629,542)
Net income attributable to shareholders of the parent company			1,626,768		1,626,768
Acquisition of treasury stock				(853)	(853)
Changes in items other than shareholders' equity, net					
Total changes in the current period	-	-	997,226	(853)	996,372
Balance as of March 31, 2018	1,985,666	2,023,903	21,270,517	(354,848)	25,925,238

	Total accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2017	58,545	203,291	67,699	329,536	193,315	25,451,718
Changes in the current period						
Dividends of surplus						(629,542)
Net income attributable to shareholders of the parent company						1,626,768
Acquisition of treasury stock						(853)
Changes in items other than shareholders' equity, net	38,558	(38,968)	(10,716)	(11,126)	35,070	23,943
Total changes in the current period	38,558	(38,968)	(10,716)	(11,126)	35,070	1,020,316
Balance as of March 31, 2018	97,103	164,323	56,982	318,409	228,385	26,472,034

## 1. Basis of Preparing Consolidated Financial Statements

### (1) Scope of consolidation

All 12 subsidiaries of the Company, provided below, fall within the scope of consolidation.

#### List of Subsidiaries

---

Yushin America, Inc.  
Yushin Korea Co., Ltd.  
Yushin Precision Equipment Sdn. Bhd.  
Yushin Precision Equipment (Taiwan) Co., Ltd.  
Yushin Precision Equipment (Thailand) Co., Ltd.  
Yushin Automation, Ltd.  
Yushin Precision Equipment Trading (Shenzhen) Co., Ltd.  
Yushin Precision Equipment Trading (Shanghai) Co., Ltd.  
Yushin Precision Equipment (India) Pvt. Ltd.  
Guangzhou Yushin Precision Equipment Co., Ltd.  
PT. Yushin Precision Equipment Indonesia  
Yushin Precision Equipment (Vietnam) Co., Ltd.

### (2) Application of the equity method

There is no non-consolidated subsidiary or affiliate company.

### (3) Accounting policies

#### a. Valuation of important assets

##### i) Securities

Available-for-sale securities classified as other securities

- Securities with available fair market values are reported at fair value on the consolidated account closing date  
(Unrealized gains or losses, net of applicable taxes, reported in a separate component of equity.  
The cost of securities sold is principally determined by the moving average method)

##### ii) Inventories

- Merchandise and finished goods, Work-in-process  
Principally carried at cost determined by the identified cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
- Raw materials  
Principally carried at cost determined by the periodic average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
- Supplies  
Carried by the last purchase price method

#### b. Depreciation

##### i) Property, plant and equipment (excluding leased assets): Principally computed by the declining balance method

The range of useful lives for major assets is as follows:

Buildings:	13 - 40 years
Structures:	7 - 20 years
Machinery and equipment:	5 - 12 years
Tools, furniture and fixtures:	2 - 10 years

##### ii) Intangible assets (excluding leased assets)

- Software used internally: Straight-line method based on the expected useful lives
- Other intangible assets: Straight-line method

##### iii) Leased assets: For leased assets under non-ownership transfer finance lease transactions, the Company applies a straight-line method with the lease period as useful life and the residual value

as 0.

**c. Estimation on important allowance and reserves**

- i) Allowance for doubtful accounts:  
To provide for possible bad debt losses, the amount deemed unrecoverable is accounted using the loan loss ratio based on past experience for general claims and by examining the possibility of recovery on an individual basis for specific claims with default possibility.
- ii) Provision for bonuses:  
In order to allocate the payment of employees' bonuses, the Company provides the amount subject to the fiscal year under review among the total estimated amount to be paid as employees' bonuses.
- iii) Provision for directors' bonuses:  
The Company provides the projected payment amount to be allocated for the payment of bonuses to Directors and Corporate Auditors.
- iv) Provision for product warranties:  
To provide for expenses incurred for free repairs related to product sales, an amount is accounted based on historical experience.
- v) Provision for directors' retirement benefits:  
The Company provides the estimated amount of retirement benefits to Directors and Corporate Auditors which would be required if all Directors and Corporate Auditors retired at the balance sheet date according to internal regulations. This plan was terminated on June 29, 2006 and no additional provision has been recorded since then. Therefore, the balance as of March 31, 2016 is provided in proportion to the term that present Directors had been in their respective positions before June 2006.

**d. Other significant matter for the preparation of Consolidated Financial Statements**

- i) Accounting for Assets and Liabilities for Employees' retirement benefits  
To provide for employees' retirement benefits, based on the projected benefit obligations at year-end and the pension asset balance, the amount of pension assets surplus to projected benefit obligations is recorded.  
The net actuarial loss or gain is subject to amortization from the next fiscal year of the recognition thereof onward in an amount pro-rated by the straight-line method based on the average remaining employee service period (10 to 16 years) at the time of the recognition of net actuarial loss or gain in each fiscal year.  
Unrecognized actuarial differences is recorded in "Remeasurements of defined benefit plans" under "Total accumulated other comprehensive income" in Net assets after adjusting for tax effects.
- ii) Accounting for Consumption tax and local consumption tax  
Consumption tax and local consumption tax are accounted for using the tax excluded method.

**2. Notes to Consolidated Balance Sheet**

Accumulated depreciation of property, plant and equipment: 5,122,822 thousand yen

**3. Notes to Consolidated Statement of Changes in Net Assets**

**(1) Total number of issued shares**

Class of shares	Number of shares at the beginning of current FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	17,819,033	-	-	17,819,033

**(2) Number of treasury stock**

Class of shares	Number of shares at the beginning of current FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	331,715	267	-	331,982

Notes:

- 1 The increase in the number of shares of treasury stock (267 shares) is due to the purchase of shares of less than one unit.
- 2 The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Numbers of issued shares and treasury stock are stated as before the stock split.

### (3) Dividends of surplus

#### a. Payment of dividends

Resolution	Class of shares	Total dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
The Board of Directors' Meeting on May 10, 2017	Common stock	367,233	21	March 31, 2017	June 5, 2017
The Board of Directors' Meeting on November 2, 2017	Common stock	262,308	15	September 30, 2017	December 1, 2017

#### b. Dividends whose record date falls within this consolidated fiscal year but comes into effect in the next consolidated fiscal year

Resolution	Class of shares	Total dividend (Thousands of yen)	Dividend funds	Dividend per share (Yen)	Record date	Effective date
The Board of Directors' Meeting on May 10, 2018	Common stock	314,766	Retained earnings	18	March 31, 2018	June 5, 2018

Note: The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Dividend per share is based on the number of shares as before the stock split.

## 4. Notes to Financial Instruments

### (1) Conditions of financial instruments

#### a. Management policy

Yushin Group has a policy of limiting investments of unused funds to short-term deposits, certificates of deposits and similar instruments and never using these funds for speculation. Internal resources are used to meet all working capital requirements. Derivative instruments may be used to hedge exposure to foreign exchange rate risk but will never be used for speculation.

#### b. Details of financial instruments and their risks

Operating receivables consisting of Notes and accounts receivable - trade are generally exposed to the credit risk of customers, while foreign currency denominated operating receivables at foreign operations are exposed also to the foreign exchange risk.

Investment securities are available-for-sale securities and are exposed to risk associated with market price volatility.

Operating debt consisting of Notes and accounts payable - trade and Electronically recorded obligations - operating are largely due four months or less. Accounts payable - other and Income taxes payable are due one year or less.

#### c. Risk management system for financial instruments

Payment dates and balances of outstanding are supervised for each customer based on rules for the management of trade receivables and credit. In addition, there is a system for monitoring the financial soundness of customers.

For Investment securities, there are measures to periodically monitor the fair values of these securities and the financial soundness of issuers of these securities.

## (2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value, and their differences as of March 31, 2018 are shown as follows.

		Carrying value (thousands of yen)	Fair value (thousands of yen)	Differences (thousands of yen)
(1)	Cash and deposits	5,655,106	5,655,106	-
(2)	Notes and accounts receivable – trade	7,042,925	7,042,925	-
(3)	Consumption taxes receivable	197,063	197,063	-
(4)	Investment securities Other securities	276,387	276,387	-
	Assets total	13,171,483	13,171,483	-
(1)	Notes and accounts payable - trade	1,764,363	1,764,363	-
(2)	Electronically recorded obligations - operating	1,140,929	1,140,929	-
(3)	Accounts payable - other	505,356	505,356	-
(4)	Income taxes payable	608,628	608,628	-
	Liabilities total	4,019,278	4,019,278	-

(Note) Matters concerning determination of fair value of financial instruments and marketable securities.

(Assets)

(1) Cash and deposits, (2) Notes and accounts receivable – trade, and (3) Consumption taxes receivable.

Fair value of the above financial instruments is deemed to be equal to their carrying value because they are settled within a short period of time.

(4) Investment securities

Fair value of the above financial instruments such as stocks is determined by prices at stock exchanges.

(Liabilities)

(1) Notes and accounts payable - trade, (2) Electronically recorded obligations - operating, (3) Accounts payable - other and (4) Income taxes payable

Fair value of the above financial instruments is deemed to be equal to their carrying value because they are settled within a short period of time.

## (3) The amount of money claims scheduled to be redeemed subsequent to the consolidated balance sheet date

	Due within one year (thousands of yen)	Due after one year through five years (thousands of yen)	Due after five years through ten years (thousands of yen)	Due after ten years (thousands of yen)
Cash and deposits	5,655,106	-	-	-
Notes and accounts receivable – trade	7,042,925	-	-	-
Consumption taxes receivable	197,063	-	-	-
Total	12,895,095	-	-	-

## 5. Per Share Information

(1) Net assets per share: 750.37 yen  
(2) Net income per share: 46.51 yen

The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Accordingly, Net income per share and Net assets 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.

## 6. Significant subsequent events

### Stock Split and Partial Amendment to Articles of Incorporation

The Company conducted a stock split and a partial amendment of the Articles of Incorporation on April 1, 2018 based on a resolution of its Board of Directors held on March 7, 2018.

#### 1. Purpose of stock split and a partial amendment of the Articles of Incorporation

The purpose stock split and a partial amendment of the Articles of Incorporation is to enhance the liquidity of its stock and expand the Company's investor base by reducing the price per unit of shares to provide investors with more affordable purchase opportunities.

#### 2. Method of Stock Split

A 2-for-1 stock split was conducted with a record date of March 31, 2018 for each common share held by shareholders included in the shareholder register as of the end of this day.

#### 3. Increase in Number of Shares due to Stock Split

Total number of shares outstanding before stock split	17,819,033 shares
Increase in number of shares due to stock split	17,819,033 shares

Total number of shares outstanding after stock split	35,638,066 shares
Total number of authorized shares after stock split	80,000,000 shares

#### 4. Effective date of Stock Split

April 1, 2018

---

Note: Amounts less than one thousand yen are truncated.



**Statements of Income**  
(from April 1, 2017 to March 31, 2018)

(Thousands of yen)

Account	Amount
<b>Net sales</b>	<b>16,724,269</b>
<b>Cost of sales</b>	<b>10,743,626</b>
<b>Gross profit</b>	<b>5,980,643</b>
<b>Selling, general and administrative expenses</b>	<b>4,571,599</b>
<b>Operating income</b>	<b>1,409,044</b>
<b>Non-operating income</b>	<b>696,028</b>
Interest income	2,672
Dividends income	569,929
Purchase discounts	14,657
Subsidy income	89,268
Other	19,501
<b>Non-operating expenses</b>	<b>13,999</b>
Sales discounts	647
Foreign exchange losses	13,228
Other	123
<b>Ordinary income</b>	<b>2,091,073</b>
<b>Extraordinary income</b>	<b>4,388</b>
Gain on sales of investment securities	4,388
<b>Extraordinary loss</b>	<b>1,527</b>
Loss on sales and retirement of non-current assets	1,434
Other	92
<b>Income before income taxes</b>	<b>2,093,934</b>
Income taxes - current	662,597
Income taxes - deferred	(179,867)
<b>Net income</b>	<b>1,611,204</b>



## Statements of Changes in Net Assets

(from April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for dividend equalization	General reserve	Retained earnings brought forward	
Balance as of April 1, 2017	1,985,666	2,023,903	2,023,903	286,314	1,000,000	8,700,000	9,484,396	19,470,711
Changes in the current period								
Dividends of surplus							(629,542)	(629,542)
Net income							1,611,204	1,611,204
Acquisition of treasury stock								
Changes in items other than shareholders' equity, net								
Total changes in the current period	-	-	-	-	-	-	981,662	981,662
Balance as of March 31, 2018	1,985,666	2,023,903	2,023,903	286,314	1,000,000	8,700,000	10,466,058	20,452,373

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as of April 1, 2017	(353,994)	23,126,287	58,545	58,545	23,184,832
Changes in the current period					
Dividends of surplus		(629,542)			(629,542)
Net income		1,611,204			1,611,204
Acquisition of treasury stock	(853)	(853)			(853)
Changes in items other than shareholders' equity, net			38,558	38,558	38,558
Total changes in the current period	(853)	980,808	38,558	38,558	1,019,366
Balance as of March 31, 2018	(354,848)	24,107,095	97,103	97,103	24,204,198

## 1. Summary of Significant Accounting Policies

### (1) Valuation of important assets

- a. Stocks of subsidiaries and affiliates  
Carried at cost determined by the moving average method
- b. Available-for-sale securities classified as other securities
  - Securities with available fair market values are reported at fair value on the closing date (Unrealized gains or losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is principally determined by the moving average method)
- c. Inventories
  - Merchandise and finished products, Work in process:  
Carried at cost determined by the identified cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).
  - Raw materials:  
Carried at cost determined by the periodic average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
  - Supplies:  
Carried by the last purchase price method

### (2) Depreciation

- a. Property, plant and equipment (excluding leased assets): Declining balance method  
The range of useful lives for major assets is as follows:

Buildings:	13 - 38 years
Structures:	7 - 20 years
Machinery and equipment:	12 years
Tools, furniture and fixtures:	2 -10 years
- b. Intangible assets (excluding leased assets)
  - Software used internally: Straight-line method based on the expected useful lives
  - Other intangible assets: Straight-line method
- c. Leased assets: For leased assets under non-ownership transfer finance lease transactions, the Company applies a straight-line method with the lease period as useful life and the residual value as 0.

### (3) Estimation on allowance and reserves

- a. Allowance for doubtful accounts:  
To provide for possible bad debt losses, the amount deemed unrecoverable is accounted using the loan loss ratio based on past experience for general claims and by examining the possibility of recovery on an individual basis for specific claims with default possibility.
- b. Provision for bonuses:  
In order to allocate the payment of employees' bonuses, the Company provides the amount subject to the fiscal year under review among the total estimated amount to be paid as employees' bonuses.
- c. Provision for directors' bonuses:  
The Company provides the projected payment amount to be allocated for the payment of bonuses to Directors and Corporate Auditors.
- d. Provision for product Warranties:  
To provide for expenses incurred for free repairs related to product sales, an amount is accounted based on historical experience.
- e. Provision for directors' retirement benefits:  
The Company provides the estimated amount of retirement benefits to Directors and Corporate Auditors which would be required if all Directors and Corporate Auditors retired at the balance sheet date according to internal regulations. This plan was terminated on June 29, 2006 and no additional provision has been recorded since then. Therefore, the balance as of March 31, 2016 is provided in proportion to the term that present Directors had been in their respective positions before June 2006.

**(4) Employees' retirement benefits**

To provide for employees' retirement benefits, based on the projected benefit obligations at year-end and the pension asset balance, the amount of pension assets surplus to projected benefit obligations (Prepaid pension costs) is recorded in the "Other" field under "Investments and other assets." The net actuarial loss or gain is subject to amortization from the next fiscal year of the recognition thereof onward in an amount pro-rated by the straight-line method based on the average remaining employee service period (10 to 16 years) at the time of the recognition of net actuarial loss or gain in each fiscal year.

**(5) Other basic significant matter for the preparation of Financial Statements**

Consumption tax and local consumption tax are accounted for using the tax excluded method.

**(6) Changes in presentation**

(Balance Sheet)

"Deposits received" which was separately presented until previous fiscal year, is reported in "Other" in Current liabilities from this fiscal year under review, because its materiality decreased. "Deposits received" at the end of this fiscal year is 21,219 thousand yen.

**2. Notes to Balance Sheet**

(1) Accumulated depreciation of property, plant and equipment:	4,297,102 thousand yen
(2) Monetary credit and debts to affiliates	
a. Short-term monetary credit:	2,445,032 thousand yen
b. Short-term monetary debts:	161,476 thousand yen

**3. Notes to Statements of Income**

Transactions with subsidiaries and affiliates

a. Net sales:	4,987,881 thousand yen
b. Purchases:	45,263 thousand yen
c. Selling, general and administrative expenses:	308,462 thousand yen
d. Non-operating transactions:	572,721 thousand yen

**4. Notes to Statement of Changes in Net Assets**

Number of treasury stock

Class of shares	Number of shares at the beginning of current FY	Number of increased shares of current FY	Number of decreased shares of current FY	Number of shares at the end of current FY
Common stock	331,715	267	-	331,982

Notes:

- 1 The increase in the number of shares of treasury stock (267 shares) is due to the purchase of shares of less than one unit.
- 2 The Company carried out a stock split on April 1, 2018 at a ratio of two shares per one common share. Number of treasury stock are stated as before the stock split.

## 5. Notes on Tax-effect Accounting

### (1) Breakdown by cause of deferred tax assets and liabilities

	(Thousands of yen)
Deferred tax assets	
Inventories	47,012
Excess depreciation of property, plant and equipment	194,027
Excess intangible assets depreciation	176,400
Provision for bonuses	77,470
Provision for product warranties	24,400
Provision for directors' retirement benefit	20,367
Other	57,940
Total deferred tax assets	<u>597,619</u>
Deferred tax liabilities	
Prepaid pension costs	58,664
Valuation difference on available-for-sale securities	42,613
Total deferred tax liabilities	<u>101,278</u>
Net deferred tax assets	<u>496,341</u>

Note: Net deferred tax assets are included in following balance sheet items.

	(Thousands of yen)
Current assets	202,291
Fixed assets	294,049

## 6. Transactions with Related Parties

Subsidiaries, etc.

Type	Name	% of voting rights held	Relationship		Type of transactions	Transaction amount (thousands of yen)	Account	Year-end balance (thousands of yen)
			Concurrent Directors, etc.	Business relationship				
Subsidiary	Yushin America, Inc.	100% Directly held by the Company	Concurrent Directors: 3	Sales and maintenance & repair of Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment	Sale of products	1,520,324	Accounts receivable - trade	464,447
	Yushin Korea Co., Ltd.	100% Directly held by the Company	Concurrent Directors: 1	Sales and maintenance & repair of Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment	Sale of products	1,020,507	Accounts receivable - trade	334,960
	Guangzhou Yushin Precision Equipment Co., Ltd.	100% Directly held by the Company	Concurrent Directors: 3	Manufacture of Company products	Sale of products	865,707	Accounts receivable - trade	693,753

Transaction terms or method of determining transaction terms

(Note) For sale of products, prices are determined by negotiations considering local market prices.

## 7. Per Share Information

- |                           |            |
|---------------------------|------------|
| (1) Net assets per share: | 692.06 yen |
| (2) Net income per share: | 46.07 yen  |

The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Accordingly, Book-value per share (BPS) and Earnings per share (EPS) have been calculated presuming that this stock split was carried out at the start of the consolidated fiscal year ended on March 31, 2018.

## 8. Notes on Significant Subsequent Events

Stock Split and Partial Amendment to Articles of Incorporation

Since the same content is described in 'Significant Subsequent Events' of the consolidated financial statements, the notation is omitted

---

Note: Amounts less than one thousand yen are truncated.

[Certified copy of the Accounting Auditors' Report concerning consolidated statutory report]  
(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

May 17, 2018

To the Board of Directors of  
Yushin Precision Equipment Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Yoshiki Yamada [SEAL]

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

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2018 of Yushin Precision Equipment Co., Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yushin Precision Equipment Co., Ltd. and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

**Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

**INDEPENDENT AUDITOR'S REPORT**

May 17, 2018

To the Board of Directors of  
Yushin Precision Equipment Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:  
Yoshiki Yamada [SEAL]

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

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2018 of Yushin Precision Equipment Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the 45th fiscal year from April 1, 2017 to March 31, 2018, and a summary of significant accounting policies and other explanatory information, and the accompanying supplemental schedules.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit Opinion**

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Yushin Precision Equipment Co., Ltd. as of March 31, 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

**Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.



## Audit Report

Regarding the performance of duties by the Directors for the fiscal year from April 1, 2017 to March 31, 2018, 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 18, 2018

Board of Corporate Auditors,  
Yushin Precision Equipment Co., Ltd.

Full-time Corporate Auditor	Yoshihisa Nakanishi [SEAL]
Outside Corporate Auditor	Yasuhiro Orita [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: Election of Eight (8) Directors

The terms of office of all the currently serving seven (7) Directors will expire at the conclusion of this Meeting. To enhance the management, we propose to increase the number of Director by one (1) and Shareholders are asked to vote for these eight (8) 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)	October 1973	Joined the Company	526,501 shares
		October 1982	Director	
		February 1989	Executive Vice President and Director	
		March 1993	Executive Vice President and Director, Head of Sales H.Q.	
		December 2002	President and Representative Director	
		April 2006	President and Head of Sales and Customer Service H.Q.	
		March 2011	President and Representative Director To the present	
	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. She has extensive experience in business management. Because of the expectation that the functions of decision-making and oversight by the Board of Directors should be strengthened, she is a candidate for a Director of the Company.			
2	Satoshi Kimura (April 1, 1954)	April 2005	Joined the Company as Executive Officer and General Manager of Purchase Dept.	3,000 shares
		October 2005	Executive Officer and Head of Purchase Dept.	
		April 2006	Senior Executive Officer and Head of Purchase H.Q.	
		June 2006	Managing Director and Head of Purchase H.Q.	
		June 2008	Executive Managing Director and Head of Purchase H.Q.	
		March 2010	Executive Managing Director To the present	
	Reasons for appointment: Satoshi Kimura has been involved in management and operations of purchasing and administration, thus having broad experience in the business. Because of the expectation of continuously strengthening the function of decision-making and supervision of the Board of Directors, he is a candidate for a Director of the Company.			
3	Yasushi Kitagawa (August 12, 1958)	September 2007	Joined the Company	2,400 shares
		November 2007	Deputy Head of Manufacturing Dept.	
		April 2008	Deputy Head of Manufacturing Dept. and Head of Quality Assurance Dept.	
		April 2009	Executive Officer, Deputy Head of Manufacturing H.Q. and Head of Quality Assurance Dept.	
		August 2009	Executive Officer, Head of Manufacturing H.Q. and Head of Quality Assurance Dept.	
		June 2010	Director and Head of Manufacturing H.Q. and Head of Quality Assurance Dept.	
		June 2013	Managing Director and Head of Manufacturing H.Q. and Head of Quality Assurance Dept.	
		June 2017	Executive Managing Director and Head of Manufacturing H.Q. and Head of Quality Assurance Dept. To the present	
	Reasons for appointment: Yasushi Kitagawa has been engaged in management and operation of production, thus having broad experience in the business. Because of the expectation of continuously strengthening the function of decision-making and supervision of the Board of Directors, he is a candidate for a Director of the Company.			

No.	Name (Date of birth)	Career summary, position, areas of responsibility, and representation of other organizations	Number of shares held	
4	Yasuharu Odachi (July 31, 1958)	December 2004	Joined the Company	2,300 shares
		February 2005	General Manager of Production Technology Dept.	
March 2005	General Manager of Research & Development Dept.			
October 2005	Head of Research & Development Dept. and Quality Assurance Dept.			
April 2006	Executive Officer and Head of Research & Development H.Q. and Quality Assurance Dept.			
April 2008	Executive Officer and Head of Research & Development H.Q.			
June 2008	Director and Head of Research & Development H.Q.			
June 2011	Managing Director and Head of Research & Development H.Q. To the present			
Reasons for appointment: Yasuharu Odachi has been involved in management and operation of research and development, thus having broad experience in the business. Because of the expectation of continuously strengthening the function of decision-making and supervision of the Board of Directors, he is a candidate for a Director of the Company.				
5	Tomohiro Inano (December 13, 1962)	June 1989	Joined the Company	1,700 Shares
		August 2003	General Manager of Yushin Precision Equipment Trading (Shenzhen) Co., Ltd.	
April 2008	General Manager of Chinese Area and General Manager of Yushin Precision Equipment Trading (Shenzhen) Co., Ltd.			
July 2009	Assistant to General Manager of Sales H.Q.			
February 2010	Deputy General Manager of Sales H.Q.			
March 2011	General Manager of Sales H.Q.			
March 2014	Executive Officer and General Manager of Sales H.Q.			
June 2017	Director and General Manager of Sales H.Q. To the present			
Reasons for appointment: Tomohiro Inano has been involved in management and operation of sales, thus having broad experience in the business. Because of the expectation of strengthening the decision-making and supervising functions of the Board of Directors, he is a candidate for a Director of the Company.				
6	Yasuo Nishiguchi (October 9, 1943)	March 1975	Joined Kyoto Ceramic Co., Ltd.(currently Kyocera Corporation)	3,500 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. To the present			
March 2018	Retired from Chairman and CEO of Socionext Inc.			
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 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 as an Independent Director. Thus, because we can expect to strengthen the function of the Company's Board of Directors, he is a candidate for an Outside Director of the Company.				

No.	Name (Date of birth)	Career summary, position, areas of responsibility, and representation of other organizations	Number of shares held
7	Hiroshi Matsuhisa (August 5, 1947)	June 1976      Research Assistant of school of precision engineering in Faculty of Engineering at Kyoto University 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. To the present	2,000 Shares
		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 as an Independent Director. Thus, because we can expect to strengthen the function of the Company's Board of Directors, he is a candidate for an Outside Director of the Company. Although the person has no experience in direct corporate management, our belief is that he will be able to properly fulfill assigned duties as an Outside Director of the Company for the reasons cited above.	
8	* Reiko Nakayama (April 2, 1959)	April 1983      Joined Japan Associated Finance Co., Ltd. (currently JAFCO Co., Ltd) January 1997    Joined Marusan Securities Co., Ltd. March 2000      General Manager of Investment information October 2004    General Manager of Underwriting October 2008    Part-time Director of LivTech, Inc. February 2009   Director and Head of Administrative H.Q. of LivTech, Inc. March 2013      Retired from the office of Director of LivTech, Inc. March 2015      Outside Director of LUCKLAND CO.,LTD March 2016      Director of LUCKLAND CO.,LTD (Audits Committee) To the present	2,031 Shares
		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 as an Independent Director. Thus, because we can expect to strengthen the function of the Company's Board of Directors, she is a candidate for an Outside Director of the Company.	

Note: 1 \*The candidates for the new Director

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 and Hiroshi Matsuhisa are the present Outside Directors of the Company and their term of office as Director of the Company is respectively four (4) years at the closing of this General Meeting of Shareholders.

5 The Company has registered Yasuo Nishiguchi and Hiroshi Matsuhisa as Independent Officers provided in the rules of the Tokyo Stock Exchange and submitted notices to this effect to the Exchange. Yasuo Nishiguchi and Hiroshi Matsuhisa will be continuously registered as Independent Officers if they are reappointed.

Reiko Nakayama meets the criteria of Independent Officer provided in the rules of the Tokyo Stock Exchange and the Company plans to register her if she is appointed.

6 The number of shares held by each candidate is the number of shares as of the end of the fiscal year (March 31, 2018) before the stock split implemented on April 1 2018.

End of Reference Documents