

(Translation)

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

Corporate Governance Report

Last Update: June 28, 2024

YUSHIN PRECISION EQUIPMENT CO., LTD.

Takayo Kotani, Representative Director and President

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

Securities Code: 6482

The corporate governance of YUSHIN PRECISION EQUIPMENT CO., LTD. (the “Company”) is described below.

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

1. Basic Views

Based on our management philosophy, we aim to maximize sustainable corporate growth and medium- to long-term corporate value while earning the trust of our shareholders and all other stakeholders surround us. We strive to strengthen corporate governance with the basic policy of following five items.

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

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

The Company implements all the principles of the corporate governance code as revised in June 2021.

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

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

[Principle 1-4: Strategic Shareholdings]

The Company may hold the shares of business partners for the purpose of sustainable increases in enterprise value, keeping and strengthening business relations, and stable business management. Among holding shares, the main shares are verified in respect of economic rationality for medium- and long-term based on risk and return and future prospect. The results of verification are periodically reported to the Board of Directors. In FY 2024, as a result of the verification, the Company confirmed that there is validity of possession of all the shares held.

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

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

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

(Translation)

[Principle 1-7: Related Party Transactions]

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

[Supplementary Principle 2-4-1: Diversity of Core Human Resources of the Company]

The Company is committed to sustainable growth and medium- to long-term enhancement of corporate value through the creation of an organization that makes the most of the values and perspectives of its diverse human resources. The Company promotes the recruitment and development of diverse human resources, focusing on the penetration of the Company's corporate philosophy, and aims to create an environment in which each employee can maximize his or her characteristics and abilities and continue to work with vitality and enthusiasm.

The Company has set a target of 5% for the ratio of women in management positions, and the actual figure as of March 2024 was 3.8%. The Company recognizes that the ratio of women in management positions is an issue and is implementing various initiatives to support the formation of career plans for women.

In addition, regardless of nationality or employment category, such as new graduates or mid-career hires, the Company's promotion to management positions is based on the experience and ability required to perform the job and on personnel evaluations. At present, the Company has not set targets for the promotion of mid-career hires or non-Japanese employees specifically to management positions.

For details, please refer to the following.

Securities Report: <https://ir.ype.co.jp/ja/library/securities.html>

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

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

[Principle 3-1: Enhancement of Disclosure]

- (1) Business philosophy, strategy and medium-term management plan are disclosed on "the Company's website," "Securities Report," "Investor Presentation Material", Integrated Report, and others.
- (2) The basic policy for corporate governance is disclosed on "the Company's website" and "Corporate governance report."
- (3) Individual Directors' Remuneration are made of monthly remuneration, short-term performance bonus, and medium-term performance/stock price-linked bonus based on the new executive compensation system.
The amount of the monthly remuneration is limited within the range defined for each position, and is decided by Representative Director and President, who is entrusted by the Board of Directors, based on the evaluations on the directors which are decided after the deliberations in the Nomination and Remuneration Committee.
The short-term performance bonus and medium-term performance/stock price-linked bonus is decided by the Representative Director and President, who is entrusted by the Board of Directors, based on the formula decided by the Nomination and Remuneration Committee and the Board of Directors and the evaluations on the directors decided after the deliberations in the Nomination and Remuneration Committee.
- (4) The Company has the policy for nominating candidates of Directors, Corporate Auditors and appointing Executive Officers that those qualified to perform the duties and responsibility of Directors and Corporate Auditors shall be nominated/appointed sufficiently taking account of personality and insights. The External Directors and Corporate Auditors are expected to perform the function and role of objective and appropriate oversight or audits based on technical knowledge, and they are appointed based on the basic view that there are no threats of conflicts of interest with general shareholders. They are disclosed on the "Notice of Convocation for Ordinary General Meeting of Shareholders" and "Securities Report."
The selection of candidates of Directors and Corporate Auditors is discussed by the Nomination and Remuneration Committee, and a report or opinion is given to the Board of Directors, and is determined by the Board of Directors. The appointment of Directors and Corporate Auditors is subject to the resolution of the General Meeting of Shareholders. The policies and procedures for the appointment / dismissal of Directors and Corporate Auditors are stipulated in the "Regulations of the Board of Directors."

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- (5) For the appointment / dismissal of Directors and Corporate Auditors, and the nomination of Directors / Corporate Auditors' candidates, explanation of each of appointment / dismissal and nomination will be disclosed at the "Notice of Convocation for Ordinary General Meeting of Shareholders."

[Supplementary Principle 3-1-3: Sustainability]

Through our business activities centered on the provision of labor-saving solutions, we aim to contribute to the creation of a sustainable society and environment, as well as to achieve sustainable business development and increase our corporate value. To this end, we are promoting various measures with respect to the five materialities we have identified: Promotion of occupational safety, Productivity improvement of the customers' factory, Tackling climate change, Human capital enhancement and Strengthening corporate governance.

As a specific example, we are striving to develop products that contribute to energy conservation at our customers' factories and to reduce electricity consumption and CO₂ emissions in our activities, thereby aiming for management with a smaller environmental impact.

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

In addition, we are promoting measures to strengthen our management and organizational foundations, such as improving efficiency through the use of IT tools and other means, and supporting the activities of women.

As part of our corporate identity (CI) activities, we have adopted the slogan, "Above all, reach people's hearts." in order to set a corporate philosophy and direction to focus on in the future, and to achieve further growth and leaps forward, and we are working to improve productivity that our customers expect, and create a safe work environment.

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

Please visit our website for the details of information disclosure which is based on TCFD recommendations.

Website: <https://ir.ype.co.jp/en/sustainability.html>

Securities report: <https://ir.ype.co.jp/ja/library/securities.html>

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

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

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

The Independent External Directors of the Company are expected to perform the function and role of objective and appropriate oversight, and give advice based on technical knowledge, and are appointed based on the basic view that there are no threats of conflicts of interest with general shareholders. The Company has developed its own criteria for determining independence based on the independence standards established by the Tokyo Stock Exchange

[Supplementary Principle 4-10-1: The Nomination and Remuneration Committee]

Of the Company's seven directors, three are independent External Directors, which does not constitute a majority of the Board of Directors. However, from the perspective of ensuring the transparency and objectivity of deliberations, the Company has established the Nomination and Remuneration Committee chaired by an independent External Director, which deliberates on the selection and dismissal of officers, the compensation system, and other matters requested by the Board of Directors. The Nomination and Remuneration Committee is composed of a majority of independent External Directors, including the chairperson who is an independent External Director, and they provide fair and appropriate involvement and advice from an objective standpoint, including from the perspective of the diversity and skills of the Board of Directors.

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

Under rapidly changing business environment and advancement of globalization, the Company appoints candidates of Directors with a focus on balance among knowledge, experience and expertise, diversity and global

(Translation)

viewpoints. Now seven Directors, including External Directors, take office. The Company will keep the number of the board members that immediate decision-making is conducted with each member providing his or her expertise and exchanging opinions each other. The independent External Directors includes those with management experience at other companies. Furthermore, the Company formulated a skills matrix that lists the knowledge, experience, and abilities of each director and corporate auditor, which is published on the Company's website, in the convocation notice and in the Integrated Report.

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

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

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

External Directors now analyze and evaluate whole of the Board of Directors. In order to further improve the Board, we carry out internal surveys to analyze and evaluate the effectiveness of the Board as a whole, assess the results, and make improvements.

Integrated report: <https://ir.ype.co.jp/en/library/IRFiling.html>

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

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

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

- (1) The administrator in charge of the communication is the IR Executive Officer.
- (2) The department in charge of the communication is the Corporate Planning Office, which works closely with related departments to ensure rational and smooth communication with shareholders.
- (3) As a means of the communication, in addition to individual meetings, mainly online, the Company holds financial results briefings and second quarter financial results briefings for analysts and institutional investors. Moreover, the Company regularly participate in corporate briefings for individual investors sponsored by securities companies and consulting companies. In addition, the Company discloses information through its website and Integrated Report in order to provide information to a wide range of stakeholders.
- (4) Opinions obtained through the communications with shareholders are appropriately fed back to the Board of Directors in the form of IR activity reports (once a month).
- (5) Regarding the management of insider information during the communications, the Company ensures compliance with the Internal Information Management Regulations that stipulate management standards for internal information. In addition, the Company refrains from communications related to financial results during the "silent" period stipulated in the Disclosure Policy.
- (6) Communications are mainly held on the business results for the period announced, the basis for the announced forecasts, and medium- to long-term strategies.

[Principle 5-2: Formulation and Publication of Management Strategies and Plans]

The Company recognizes that the most important management issue is to continuously increase corporate value while improving YUSHIN Group's performance. The Company places importance on management indicators such as Net sales, Operating profit, and discloses its medium-term targets and measures to achieve them in its financial results presentation materials.

With regard to the Company's business portfolio, the Company will allocate resources to our core business of take-out robots for injection molding machines, while adequately identifying opportunities for new businesses.

[Actions to Achieve Management Conscious of Cost of Capital and Stock Prices][English text is available]

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As part of our efforts to realize management that is conscious of cost of capital and stock price, we analyze our current cost of capital through internal calculations and by confirming with investors. The Company aims to achieve a return in excess of this amount, and has set a target of achieving a ROE of 8% or more. The details of the Company's activities are disclosed in the financial results presentation materials.

Presentation materials (Japanese): <https://ir.ype.co.jp/ja/library/results.html>

Presentation materials (English): <https://ir.ype.co.jp/en/library/results.html>

2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
Yushin Industry Co., Ltd.	11,992,378	35.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,328,900	6.84
Takayo Kotani	1,968,532	5.78
Miki Murata	1,847,032	5.43
Custody Bank of Japan, Ltd. (Trust Accounts)	1,142,300	3.36
The Kyoto Chuo Shinkin Bank, Ltd.	1,088,974	3.20
Mayumi Kotani	968,202	2.84
RBC IST 15 PCT NON LENDING ACCOUNT - CLIENT ACCOUNT	877,220	2.58
MUFG Bank, Ltd.	849,986	2.50
STATE STREET BANK AND TRUST COMPANY 505001	845,600	2.48

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

Supplementary Explanation Updated

Foreign Shareholding Ratio and Status of Major Shareholders are stated as of March 31, 2024.

3. Corporate Attributes

Listed Stock Market and Market Section Updated	Standard Market of the Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 500 to less than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From JPY10 billion to less than JPY100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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

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

1. Organizational Composition and Operation

Organization Form	Company with board of corporate auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors Updated	7
Appointment of External Directors	Appointed
Number of External Directors	3
Number of Independent Directors	3

External Directors' Relationship with the Company (1) Updated

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

* Categories for "Relationship with the Company"

* "A" when the director presently falls or has recently fallen under the category,

"B" when the director fell under the category in the past

* "C" when a close relative of the director presently falls or has recently fallen under the category,

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

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Corporate Auditor
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company external directors/Corporate Auditors are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

External Directors' Relationship with the Company (2) Updated

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasuo Nishiguchi	Yes	<p>Yasuo Nishiguchi had served as the Representative Director of KYOCERA Corporation which is our client. The Company has insignificant transactions with KYOCERA Corporation, and there are no importance affecting on the independence.</p> <p>HANDY Co., Ltd., that he is the Representative Director, and the Company had entered into advisory agreements to receive guidance and advice on future management policies, etc. However, the contract was terminated as of March 31, 2021. Currently, he meets the Company's criteria of independence as an external director established by the Company, and there are no importance affecting on the independence.</p>	<p>Mr. Yasuo Nishiguchi has served as President and Representative Director and Chairman of the Board and Representative Director at KYOCERA Corporation, and we continue to appoint him as an External Director so that he can apply the knowledge and experience he has gained in all aspects of management through his important positions to the management of KYOCERA. We expect that he will strengthen the functions of our Board of Directors by providing management advice and supervision from an independent standpoint, utilizing his professional knowledge as a person with management experience.</p> <p>He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.</p>
Hiroshi Matsuhisa	Yes	<p>The instruction contract concerning R&D was entered into between the Company and Hiroshi Matsuhisa in the past, but the Company had insignificant transactions with him and there are no importance affecting on the independence.</p>	<p>Hiroshi Matsuhisa continues to be appointed as an External Director so that he can utilize his expertise as an academic expert in engineering in the management of the Company. We expect that his advice and supervision of the Company's management from an independent standpoint will strengthen the functions of the Company's Board of Directors. Although he has not been directly involved in corporate management in the past, for the reasons stated above, we believe that he will be able to appropriately perform his duties as an External Director.</p> <p>He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.</p>

(Translation)

Reiko Nakayama	Yes	The Company had insignificant transactions with Mandom Corporation, for which Reiko Nakayama was an Outside Director in the past, and there are no importance affecting on the independence.	Reiko Nakayama continues to be appointed as an External Director so that she can apply her wealth of insight based on her experience as a general manager of an underwriting department of a securities company, and administrative officer of an operating company, and outside directors. We expect that her advice and supervision of management from an independent standpoint will strengthen the functions of the Company's Board of Directors. She is appointed as an Independent Officer of the Company because she meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Yes
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Establishment of optional advisory committees, committee composition, and attributes of the chairperson

Updated

	Optional committee equivalent to Nomination Committee	Optional committee equivalent to Remuneration Committee
Committee	Nomination and Remuneration Committee	Nomination and Remuneration Committee
Committee members	4	4
Full-time members	0	0
Internal directors	1	1
External directors	3	3
External experts	0	0
Others	0	0
Chairperson	External Director	External Director

Supplemental Remarks **Updated**

The Nomination and Remuneration Committee has been established as an advisory body aiming to increase the objectivity, appropriateness and transparency of the composition of the Board of Directors and the nomination and remuneration of Directors, etc. to link the medium- to long-term growth of the Company group and increase its corporate value.

(Translation)

[Corporate Auditor]

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

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

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

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

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

Appointment of External Corporate Auditors	Appointed
Number of External Corporate Auditors	2
Number of Independent Corporate Auditor	2

External Corporate Auditors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	I	j	k	l	m
Tetsuya Nonaka	Attorney													
Yoshiki Yamada	CPA										B			

* Categories for "Relationship with the Company"

* "A" when the director presently falls or has recently fallen under the category;

"B" when the director fell under the category in the past

* "C" when a close relative of the director presently falls or has recently fallen under the category;

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

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Corporate Auditor of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Corporate Auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any off, g or h) (the Corporate Auditor himself/herself only)
- k. Executive of a company, between which and the Company external directors/Corporate Auditors are mutually appointed (the Corporate Auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)
- m. Others

(Translation)

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

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Tetsuya Nonaka	Yes	Tetsuya Nonaka has no special interests in the Company.	<p>Tetsuya Nonaka was appointed as External Corporate Auditor of the Company because the specialized knowledge as attorney and extensive insight into corporate legal affairs is expected to be put to effective use for the auditing operation. The Company believes that this must help strengthen the Company's audit competence. Although he has no experience for business administration directly, the Company judges that he has the ability to perform duty properly as External Corporate Auditor of the Company as mentioned above.</p> <p>He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.</p>
Yoshiki Yamada	Yes	<p>Yoshiki Yamada is a certified public accountant and had worked for the Company's Accounting Auditor Deloitte Touche Tohmatsu LLC in the past.</p> <p>The Company has insignificant transactions with Deloitte Touche Tohmatsu LLC, and there are no importance affecting on the independence.</p>	<p>Mr. Miki Yamada is appointed as an External Corporate Auditor because the Company expects that his expertise in finance and accounting as a certified public accountant will be utilized in the Company's auditing operations, thereby strengthening the auditing function. Although Yoshiki Yamada has not been directly involved in corporate management in the past, for the reasons stated above, we believe that he will be able to appropriately perform his duties as an External Corporate Auditor.</p> <p>He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.</p>

(Translation)

Tetsuya Nonaka	Yes	Tetsuya Nonaka has no special interests in the Company.	Tetsuya Nonaka was appointed as External Corporate Auditor of the Company because the specialized knowledge as attorney and extensive insight into corporate legal affairs is expected to be put to effective use for the auditing operation. The Company believes that this must help strengthen the Company's audit competence. Although he has no experience for business administration directly, the Company judges that he has the ability to perform duty properly as External Corporate Auditor of the Company as mentioned above. He is appointed as an Independent Officer of the Company because he meets criteria of independence as an external officer established by the Company and there are no risks of conflicts of interest with general shareholders.
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[Independent Directors/Corporate Auditors]

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

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[Incentives]

Incentive Policies for Directors	None
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Supplementary Explanation

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

Recipients of Stock Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation Updated

The Company paid 187,165 thousand yen as remuneration to 8 Directors for the fiscal year ended March 2024.

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Policy on Determining Remuneration Amounts and Calculation Methods Updated	Yes
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At the meeting of the Board of Directors held on March 7, 2022, the Company resolved a policy for determining the details of remuneration of individual Directors. The details to be decided were previously discussed by the Nomination and Remuneration Committee in order to make such decisions at the meeting. The Board has confirmed that the method and details of the decision on individual Director remuneration for the current fiscal year have been considered in accordance with the relevant decision-making policy and that the deliberations of the Nomination and Remuneration Committee have been respected, and has determined that this remuneration in line with the relevant decision-making policy.

The remuneration of the Company's Directors consists of monthly remuneration, short-term performance bonuses, and medium-term performance and stock-price-linked bonuses. Monthly remuneration is determined by Takayo Kotani, 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 maximum limit resolved by the General Meeting of Shareholders and within the monthly remuneration range (upper and lower limits) for each position. In addition, with regard to the method of deciding the indicators and the amount of performance-linked bonus, 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 medium-term performance and stock-price-linked bonuses are determined based on the base salary of the position, reflecting the medium-term performance coefficient based on the growth rate of "Earnings Per Share (EPS)" and the stock price-linked coefficient based on the growth rate of the stock price. The makeup of the remuneration 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 remuneration of External Directors and Auditors consists of fixed remuneration. It is our policy not to pay performance-linked remuneration in order to maintain independence in the conduct of business.

The remuneration of the Company's Directors was decided at the General Meeting of Shareholders held on June 22, 2021. It was decided that the total remuneration for Directors would be within 700,000 thousand yen per year (including the remuneration of External Directors, which is within 100,000 thousand yen) and that the number of Directors at the end of the Meeting would be eight (8) (including three (3) External Directors.) The remuneration of the Company's Auditors was decided at the General Meeting of Shareholders held on June 20, 2016. It was decided that the total remuneration for Auditors would be within 100,000 thousand yen per year and that the number of Auditors at the end of the Meeting was four (4).

The main indicator of the performance-linked bonus in the current fiscal year is the consolidated Ordinary profit. YUSHIN has adopted the indicators as they are important to YUSHIN Group, and should be considered in both the short- and medium-term. (The indicator of the consolidated Ordinary profit, which is the main indicator in the current fiscal year in terms of performance-linked remuneration, is 2,400,000 thousand yen, and the actual amount is 2,586,759 thousand yen.)

In addition, the amount of remuneration for Directors is determined by the Representative Director and President, who is delegated by the Board of Directors, based on the Director evaluation determined through deliberations by the Nomination and Remuneration Committee, which serves as an advisory body to the Board of Directors. The authority of the Representative Director and President is to determine the amount of each Director's monthly remuneration and the evaluation and distribution of bonuses based on performance. The reason for the delegation is that the Company determined that Representative Director and President is the most appropriate person to evaluate the duties of each Director in charge, while taking into consideration the Company's overall performance and other factors. The Nomination and Remuneration Committee deliberates in advance on important policies, and the Representative Director and President makes decisions on the delegated matters based on the Committee's deliberations. The Company believes that this constitutes a measure to ensure that authority is exercised appropriately. The Nomination and Remuneration Committee is chaired by Yasuo Nishiguchi, External Director. The other members of the Committee are Takayo Kotani, Representative Director and President, and Hiroshi Matsuhisa, External Director, and Reiko Nakayama, External Director.

With regard to the activities and procedures of the Board of Directors and the Nomination and Remuneration Committee in the process of determining the bonus of the Directors for the current fiscal year, the Board of Directors has confirmed that the method and details of the decision on the individual remuneration of Directors

(Translation)

for the current fiscal year have been considered in accordance with the relevant decision-making policy and that the deliberations of the Nomination and Remuneration Committee have been respected.

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

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

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

Full-time Corporate Auditor also informs External Corporate Auditors details of significant internal meetings.

The Corporate Planning Office, etc. respond as needed to assist External Directors and External Corporate Auditors.

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

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

Name	Title/Position	Activity Description	Working Arrangement / Conditions (Full-time / Part-time, Remuneration, etc.)	Date of Retirement From President, etc.	Term of Office
Mayumi Kotani	Honorary Chairperson	No business conduct based on contract.	Remuneration - No	June 22, 2021	Not defined

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

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Other Information

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2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **Updated**

The Company conducts its business on the basis that, in order to fulfill its fiduciary responsibility to shareholders, it must provide a stable management base, strive to improve return on equity, promote returns to shareholders through dividend increases and other means, and be accountable through appropriate disclosure.

- (1) The Board of Directors is chaired by Takayo Kotani, Representative Director and President. The other members consist of six (6) Directors (three (3) of whom are External Directors): Kota Oda, Director and Executive Vice President; Yasushi Kitagawa, Executive Managing Director; Tomohiro Inano, Managing Director; Yasuo Nishiguchi, External Director; Hiroshi Matsuhisa, External Director; and Reiko Nakayama, External Director. In principle, the Board of Directors meets once a month, and extraordinary meetings are held as necessary. The Board of Directors determines the Company’s business execution policies and supervises the execution of duties by the directors. The Board of Directors also deliberates on all important matters, discusses the progress of business performance, and examines countermeasures. In addition, all corporate auditors attend the Board of Directors meetings, enabling them to monitor the directors' execution of the duties.
- (2) The Company has adopted a board of corporate auditors system. The Board of Corporate Auditors consists of one (1) full-time and two (2) part-time Corporate Auditors, two of whom are External Corporate Auditors: Masahito Fukui, Full-time Corporate Auditor; and Tetsuya Nonaka, External Corporate Auditor; and Yoshiki Yamada, External Corporate Auditor. In addition to regular meetings of the Board of Corporate Auditors, they hold extraordinary meetings of the Board of Corporate Auditors as necessary. Full-time Corporate Auditor attends meetings of the Board of Directors and other important meetings, such as the Executive Meeting, and express his opinions as necessary, thereby enabling him to constantly monitor the Directors' execution of their duties. He also exchanges information and opinions with the Internal Audit Office and the accounting auditor as necessary to improve the auditing function.

(Translation)

- (3) The Company has established the Nomination and Remuneration Committee as an advisory body to the Board of Directors in order to enhance objectivity, appropriateness and transparency of the composition of the Board of Directors and the nomination and compensation of directors, etc., which will lead to medium- to long-term growth of YUSHIN Group and improvement of corporate value. The Committee is chaired by Yasuo Nishiguchi, External Director and consists of three members in addition to the chairman. The members are three (3) Directors (two of whom are External Directors): Takayo Kotani, the Representative Director and President; Hiroshi Matsuhisa, External Director; Reiko Nakayama, External Director. The Committee deliberates on the selection of candidates for Directors and Corporate Auditors and the remuneration system for Directors, and submits reports or opinions to the Board of Directors.
- (4) The Committee of Internal Control is an organization that facilitates internal control based on the “Basic Policy for Internal Control System,” which is the basic policy for establishing a system to ensure that the execution of duties by the Directors complies with laws and regulations and the Articles of Incorporation, and that other company operations are conducted properly. The Committee is chaired by Kota Oda, Director and Executive Vice President, and attended by department heads appointed by the chairman. The Committee provides education and guidance to each division, department, and the group companies on group-wide compliance, risk management, information management, and operational efficiency.
- (5) The Sustainability Committee is chaired by Takayo Kotani, Representative Director and President. The other members of the committee consist of three (3) Directors (including zero (0) External Directors) and 1 Executive Officer, for a total of four (4) members: Kota Oda, Executive Vice President; Yasushi Kitagawa, Executive Managing Director; Tomohiro Inano, Managing Director; and Mitsuharu Hamahata, Executive Officer.
- (6) The Executive Meeting is chaired by Takayo Kotani, Representative Director and President. The other members consist of three (3) Directors (including 0 External Director), one (1) Full-time Auditor, and three (3) Executive Officers, for a total of seven (7) members: Kota Oda, Director and Executive Vice President; Yasushi Kitagawa, Executive Managing Director; Tomohiro Inano, Managing Director; Masahito Fukui, Full-time Corporate Auditor; Miki Murata, Senior Executive Officer; Naoki Tsuji, Executive Officer; and Mitsuharu Hamahata, Executive Officer. The Executive Meeting meets once a week in principle. It deliberates on proposals and progress reports on important management matters, and discusses, decides, and manages policies and plans for business execution.

3. Reasons for Adoption of Current Corporate Governance System

The reason for adopting this system is to ensure that the Board of Directors, composed of directors with a high level of expertise and a wealth of experience, decides the Company’s business execution policies and ensures that all business execution is carried out appropriately and smoothly. The Company has a single business, and considering the current size of business, the Company believes that the current system, which enables prompt decision-making and flexible business execution by a small number of directors, is reasonable. In addition to this, this system ensures that management is well monitored through rigorous audits by the Board of Corporate Auditors, which includes External Corporate Auditors with a wealth of expertise.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early sending out of convocation notices for the general meeting of shareholders	YUSHIN is working to send out the notice of convocation for the Ordinary General Meeting of Shareholders earlier than the legal fixed date.
Setting up GMS* during off-peak times	GMS are held during off-peak times.
Electronic voting	Shareholders can exercise their voting rights via the Internet by accessing from their computer or smartphone.
Participation in the Electronic Voting Platform system and other efforts to improve an environment in which institutional investors can exercise their voting rights	YUSHIN uses a voting platform for institutional investors.
Providing Convocation Notice in English	The convocation notice in English is available at the Company’s website in English.

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Other	The convocation notice is posted on the Company's website and sent to shareholders. At the General Meeting of Shareholders, a presentation is made using a video projector, together with an explanation of the documents attached to the convocation notice.
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*General Meeting of Shareholders

2. IR Activities Updated

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company establishes and states the basic policy for information disclosure, manner of timely disclosure, silent period, third-party disclosure and financial forecast and positioning of information disclosure at IR information site on the website.	
Regular Investor Briefings for Individual Investors	The Company participates in briefings for individual investors hosted by securities firms or consulting firms at least once a year.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings and second quarter financial results briefings online. The Company is available for regular visits by analysts and institutional investors, as well as for telephone and web-based interviews as needed.	Yes
Regular Investor Briefings for Overseas Investors	The Company individually holds meetings with overseas investors mainly in the United States, the United Kingdom, Hong Kong and Singapore, etc.	Yes
Posting of IR Materials on Website	Financial Results (in Japanese and English), Investor Presentation Material (in Japanese and English), Business Reports for Shareholders (in Japanese), Integrated Reports (in Japanese and English), Notice of Convocation for the Ordinary General Meeting of Shareholders (in Japanese and English), and Corporate Governance Report (in Japanese and English) are posted on the website.	
Establishment of Department and/or Manager in Charge of IR	The Corporate Planning Office, which reports directly to the Representative Director, is in charge of IR.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	It is included in the business philosophy.
Implementation of Environmental Activities, CSR Activities etc.	See [Supplementary Principle 3-1-3: Sustainability] above.

IV. Matters Related to the Internal Control System

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

The Company has established the Basic Policy for Internal Control System for the purpose of developing a system to ensure that the performance of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems to ensure the properness of the Company's operations (Board of Directors Resolution dated June 12, 2015). The main points of the Basic Policy are as follows.

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

(Translation)

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,” “Contract management rules,” “Internal Information Management Regulations,” “Basic policy on information security,” “Information System Management Regulations,” “Personal Information Management Regulations,” “Personal Information Protection Policy (Privacy Policy)” and “Regulations for the Proper Handling of Specific Personal Information,” etc.).
3. Regulations on and other systems for risk management of losses of the Company and its subsidiaries
Risk of currently estimated losses is managed by setting a committee and making discussion according to degree of its significance. Events delivering losses to the Company would be reported to Directors and Corporate Auditors by the Executive in charge and discussed and managed by all executives.
4. System to ensure effective business execution by Directors of the Company and its subsidiaries
Effective business execution by Directors is ensured by followings:
 - (1) The Board of Directors determines significant matters and oversees business execution by Directors.
 - (2) Information is shared among Directors, Executives, and Corporate Auditors at executive meetings.
 - (3) Notice of significant matters on management, understanding of status and business instructions are conducted at management meetings and YSM management conference.
 - (4) The information about the Company and subsidiaries are shared at the group company meeting, and significant matters are discussed in the Board of Directors to solve issues.
5. The systems to ensure appropriate works of the corporate group consisting of the Company and its subsidiaries, and to make reports to the Company on matters concerning business execution by Directors of subsidiaries
The Internal Control System is developed as “Subsidiaries Management Regulations” obligate subsidiaries to make periodic reports relating to business results, fiscal conditions and other significant information of subsidiaries.
The information about the Company and subsidiaries are shared at the group company meeting, and significant matters are discussed in the Board of Directors to solve issues.
6. System to ensure effective Corporate Auditors’ audit
Corporate Auditors attend the Board of Directors Meetings and required significant meetings including management conference as well as read major approval documents and other significant documents concerning business execution and receives explanation from Directors and employees of the Company and Directors of subsidiaries as necessary.
7. System on employees assisting works of the Company’s Corporate Auditors when Corporate Auditors require allocation of the assisting employees
Employees assisting the work of the Company’s Corporate Auditors can be allocated as staff as necessary. Corporate Auditor has the authority to give instructions and orders to the staff.
8. System to ensure that those reporting to Board of Corporate Auditors and Corporate Auditors, etc. are not unfavorably treated for the reason of the report
The Company ensures that executives and employees reporting to Board of Corporate Auditors and Corporate Auditors are not treated unfavorably because of the report and thoroughly inform the whole company of this. In the “Whistle-Blowing Regulations,” it is prescribed to prohibit dismissal and give other unfavorable treatment for the reason of the report.
9. Matters on the policy for dealing with expenses or debts resulting from business execution of the Company’s Corporate Auditors
The Company, when Corporate Auditors require the Company to make advance payment in respect of business execution according to Article 388 of the Companies Act, immediately deals with the relevant expenses and debts unless it is considered unnecessary to make advance payments.

In order to improve the effectiveness and efficiency of operations, to ensure reliability of financial reports, and to expansively develop the operations of the internal control system aimed at securing assets and compliance

(Translation)

to laws and regulations pertaining to business activities according to the Basic Policy for Internal Control System, the Internal Control Regulations and the Committee of Internal Control Operations Regulations have been enacted.

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

2. Basic Views on Eliminating Anti-Social Forces

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

V. Others

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	

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2. Other Matters Concerning to Corporate Governance System **Updated**

<Timely Disclosure System>

1. Basic Policy on Information Disclosure

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

2. Information Disclosure Policy and Internal System

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

(1) Company information to be disclosed

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

(2) Disclosure procedure

- a) Procedure concerning decisions and incidents
For decisions and incidents, the Accounting Department, General Affairs Department, or other department in charge prepares the materials necessary for disclosure. Upon completion of internal procedures, including approval by the Board of Directors, the disclosure of information will be carried out by the Information Manager or the Disclosure Manager.
- b) Procedure concerning financial information
For financial information, the Accounting Department prepares the materials necessary for disclosure. Upon completion of internal procedures, including approval by the Board of Directors, the disclosure of information will be carried out by the manager of corporate management department.

(3) Methods of disclosure

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

(4) Inquiries following disclosure

(Translation)

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

3. Improvements on Monitoring of the Timely Disclosure System

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

Corporate Governance Structure

