

Corporate Governance

To further strengthen our corporate governance and the supervisory functions of the Board of Directors, our company has adopted a company structure with an Audit and Supervisory Committee. Under this institutional design, the Audit and Supervisory Committee, of which external directors make up a majority of the members, is responsible for auditing and overseeing the legality and validity of business execution to achieve more transparent management. By delegating the authority for the Board of Directors' business execution decisions to the Directors, this structure seeks to expedite management decision-making and decision execution.

A Structure That Supports Management

Our company's primary convening management bodies are the Board of Directors, the Management Conference, and the Audit and Supervisory Committee.

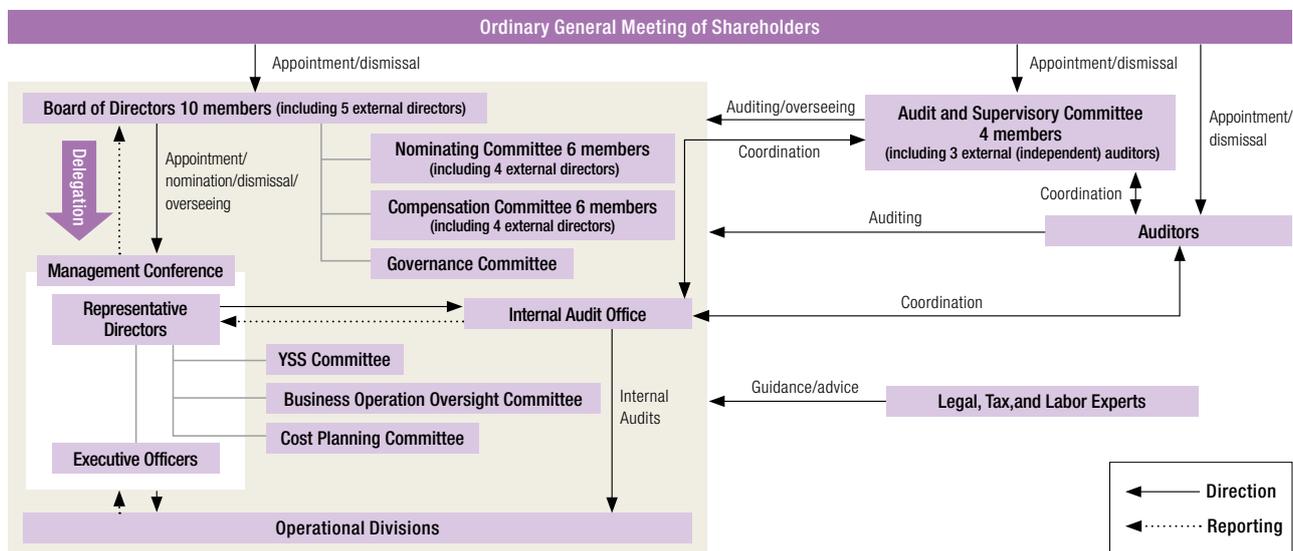
The Board of Directors, a decision-making body specified by law and by the Articles of Incorporation, oversees and performs guidance related to business execution. In addition to regular monthly meetings, the Board of Directors holds extraordinary meetings as needed. Membership of the Board of Directors is composed with consideration given to diversity (of genders, international experience, work experience, ages, etc.). In June 2023, we welcomed our first female external director.

The Management Conference, the deliberative body for the company's management system, is a venue for discussing and resolving key administrative matters. Consisting of directors and executive officers, it aims to ensure clarity and transparency in the decision-making process by deliberating on financial statements, business execution, and other matters for the Board of Directors.

The Audit and Supervisory Committee performs overseeing and auditing of management decision-making and business execution. Our external directors include persons who have experience in corporate management with considerable knowledge of corporate management strategies and business planning, attorneys, and persons who have considerable knowledge and expertise in the field of compliance.

In FY2021, as well as the Business Operation Oversight Committee which was established with the aim of monitoring and putting a brake on risks relating to the business execution by group companies, and of supporting assessment operations when internal audits are conducted, we launched the Yamashin Sustainable Solutions (YSS) project for promoting the achievement of the SDGs, to realize management from a sustainability perspective, tasking the YSS Committee with driving this process. In FY2023, we established a new Governance Committee and Cost Planning Committee. The objective of the Governance Committee is to continually enhance corporate governance by evaluating effectiveness of the oversight function of the Board of Directors, advising the Board of Directors and proposing improvements. The Cost Planning Committee was newly established to advise the Director/President on ways of reinforcing the system of profit management for the entire group. It monitors the performance of existing products, promotes action to reduce costs, and carries out cost planning, value analysis (VA) and value engineering (VE) to realize the quality and functionality that customers demand at the minimum possible cost, starting from the new product development stage. We are striving to further strengthen group governance, with these committees at the core of the effort.

Corporate Governance System (as of June 29, 2023)



● Enhancing Transparency: Nominating Committee and Compensation Committee

To ensure transparency and objectivity in the appointment and treatment of directors, and to enhance our corporate governance, we have established a Nominating Committee and a Compensation Committee to examine director candidates and matters such as compensation. Each of these committees has external directors as the majority of its members.

Compensation for directors (excluding those who are Audit and Supervisory Committee members) is determined by the Board of Directors on the basis of reports by the Compensation Committee, within the limit approved at the Ordinary General Meeting of Shareholders. To enhance directors' motivation for continuous improvement of performance to meet the expectations of shareholders, the compensation system consists of basic compensation fixed in accordance with the role of each director, performance-linked compensation as a short-term incentive, and restricted stock compensation as a medium- to long-term incentive.

● FY2022 Board of Directors, Nominating Committee, and Compensation Committee performance (%)

Name	Board of Directors (Met 17 times)	Nominating Committee (Met five times)	Compensation Committee (Met two times)
	Attendance rate		
Atsuhiko Yamazaki	100	100	100
Hiroaki Yamazaki	100	—	—
Chikahisa Ioka	100	100	100
Hideaki Morita	100	100	100
Kazuhiro Okoshi	100	—	—
Shinya Fukuzaki	100	100	100
Hiroshi Itano	100	100	100
Naruhiko Takatsuji	100	—	—

● Skills Matrix (as of June 29, 2023)

Name	Position within the company	External	Corporate management	Sustainability, ESG	Technology development, engineering	Production	Sales	Global	Finance, accounting	Human resources, labor	Legal, compliance
Atsuhiko Yamazaki	Male Representative Director and President		◎	◎	○	○	○	○			○
Hiroaki Yamazaki	Male Director / Senior Executive Vice President		○	○	◎	○	◎	○			○
Chikahisa Ioka	Male Director / Senior Managing Executive Officer		○	○			○	○	◎	◎	○
Takaaki Yamazaki	Male Director / Executive Officer					◎					
Hideaki Morita	Male Director	External independent	◎	○			○				○
Miyoko Yoshikawa	Female Director	External independent	○	◎						○	◎
Kazuhiro Okoshi	Male Director / Audit and Supervisory Committee Member		○	○	○	○	○	○			○
Shinya Fukuzaki	Male Director / Audit and Supervisory Committee Member	External independent		○						○	◎
Hiroshi Itano	Male Director / Audit and Supervisory Committee Member	External independent	◎	○			○	○		○	○
Naruhiko Takatsuji	Male Director / Audit and Supervisory Committee Member	External independent	○	○				○	○		○

Note: For each director, areas of expertise derived from experience are marked "○", and of these areas, those in which the director is expected to demonstrate particular ability, such as providing executive departments with useful advice, are marked "◎".

● Evaluation of the Effectiveness of Directors

Every year, our company performs analysis and evaluation of the effectiveness of the Board of Directors based on directors' self-evaluations, and shares the results with all directors. In FY2022, we once again conducted a questionnaire of all directors, including those who are Audit and Supervisory Committee members, and verified the results through the Board of Directors Secretariat and the Audit and Supervisory Committee to evaluate the effectiveness of the Board of Directors while ensuring objectivity.

The process returned the evaluation that effectiveness of the Board of Directors is ensured in terms of its composition and operational methods, the role of external directors on the board, and other aspects. We will continue to strengthen the expertise and diversity of directors with regard to business execution, and we will strive to improve the effectiveness of the Board of Directors in all aspects through means such as further sharing of information at early stages.

● FY2022 Management Conference performance

Number of conferences held	12
Attendance rate	100%

● Ratio of independent external directors to all directors



(as of June 29, 2023)

● Ratio of female directors to all directors



(as of June 29, 2023)