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Yorozu Corporation

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<https://www.yorozu-corp.co.jp/>

The corporate governance status of Yorozu Corporation (the “Company”) is described below.

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

1. Basic Views

The Company and its subsidiaries (hereinafter the “Company Group”) continuously work to strengthen corporate governance by instilling its corporate philosophy, through the self-cleansing effects of formulating and implementing the Yorozu Group Charter of Corporate Behavior and the Code of Conduct and, moreover, by establishing a mechanism for corporate governance including the organizational design and internal control system, based on the recognition that enhancement of corporate value with the trust of all stakeholders, not only by complying with related laws and regulations but also by fulfilling its social responsibilities as a good corporate citizen and promoting fair and transparent corporate activities, is necessary. Through these efforts, the Company Group enables prompt and bold business decision-making by the management and strives to ensure sustainable growth and medium- to long-term increases in corporate value.

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

The Company complies with all principles of the Corporate Governance Code.

Disclosure based on each principle of the Corporate Governance Code (Updated)

<Principle 1-4, Supplementary Principles 1-4.1, 1-4.2>

(Policy on Cross-Shareholdings)

(1) The Company believes that to defeat global competitors and continue to grow in the transportation equipment industry to which the principal business of the Company belongs, in particular, the automotive industry, it is essential to cooperate with various companies in all processes such as development, procurement, production, and logistics.

It also believes that, in order to respond to growing markets, relations of trust with financial institutions from which funds are procured and those with trading companies as joint capital investment partners are also important to facilitate capital investment in a continuous manner and to a considerable extent.

For this, the Company strategically holds the shares of its customers, parts manufacturers of the same industry, material manufacturers, financial institutions, trading companies, etc., by comprehensively taking into consideration the business strategies, business relationships with business partners, and synergies with a medium- and long-term perspective to enhance corporate value.

(2) With respect to cross-held shares, the Company verifies the medium- to long-term economic rationale and future prospects in light of the risk and return of such shares, reports the status of the major cross-held shares to the Board of Directors on a quarterly basis, and also gives concrete explanations in the Annual Securities Report on the purpose and rationale of cross-shareholding, reflecting the results of the verifications.

(3) With respect to cross-shareholding, in the absence of significance or rationale thereof, the Company, with consideration of impact, etc. on the market, makes efforts to reduce the number of cross-held shares generally by trying to sell such shares. To be

specific, the Company targets reducing such shares by 10% (based on the market value as of the end of March 2024) by the end of fiscal 2026, and plans to appropriate the total amount of funds acquired through such sales to buy back its own shares.

(4) The Company shall not engage in transactions with the companies that hold our shares if such transactions lack economic rationale. Further, if the relevant company expresses its intention to sell the shares, the Company shall not interfere.

(Criteria for Exercising Voting Rights Connected to Cross-Shareholdings)

The Company does not uniformly determine whether or not to approve the exercise of voting rights in accordance with fixed and short-term criteria, but makes decisions from the viewpoint of whether the exercise leads to an increase in corporate value in the medium to long terms after fully respecting the management policy, strategies, etc. of the relevant company. Specifically, the Company will agree to proposals that are unlikely to adversely affect the optimized profits as a shareholder of the relevant company. On the other hand, the Company will vote against proposals that significantly damage shareholder value or if material concerns are raised over corporate governance such as scandals.

<Principle 1-7 >

(Related Party Transactions)

The Company Group conducts transactions in compliance with laws and regulations and subject to appropriate conditions, so as not to harm the common interests of shareholders. If a director engages in a transaction that is likely to involve a conflict of interest or competitive transaction, he/she shall obtain prior approval of the Board of Directors and the Audit and Supervisory Committee.

<Supplementary Principle 2-4.1>

(Ensuring Diversity in the Appointment of Core Human Resources, etc.)

The Company Group promotes employment and appointments that respect diversity based on the belief that corporate performance improves by promoting diversity in employment regardless of gender, nationality or mid-career hires with various backgrounds and by working towards the goal as a stronger organization where differences in values are respected. Further, the Company Group ensures diversity by promoting people-to-people exchanges and talent development on a global scale, and is actively working to create a healthy workplace culture for each individual.

Furthermore, the Company Group is also reorganizing the work environment and revising its systems, by providing remote work options and flexible work-hour arrangements or reduced work-hour system tailored to individual needs and circumstances. The Company Group is building a workplace environment and culture where these systems are available and easily accessible so that employees with different lifestyles can work flexibly with a sense of engagement and motivation.

(1) Promotion of women and foreign nationals to managerial positions

As an approach to promote the advancement of women, the Company has provided Diversity Management Training for Managerial Levels, Women's Advancement Training Targeting Female Employees and Their Bosses, and has held HR Interviews to Confirm the Policy for Development of Female Employees and Employees of Foreign Nationalities, among other activities. According to the company-specific index for diversity (gender, age, nationality, disability) in managerial positions, the diversity ratio stood at 27.8% as of April 2024, 18.9 times the level in fiscal 2016. The Company aims to increase this ratio to 30% by fiscal 2030.

Also, the Diversity Steering Committee headed by the president was established in fiscal 2021 to accelerate the advancement of women and foreign-national employees to key positions and managerial positions.

(2) Promotion of mid-career hires to managerial positions

The Company positions mid-career hires as an immediate asset. After joining the Company, all employees are evaluated fairly, regardless of being freshly out of school or having previous careers, and are promoted to managerial positions based on abilities and performance. As a result, mid-career hires in managerial positions accounted for 44.4% as of April 2024.

Going forward, the Company will drive diversity as a management strategy for sustainable growth.

<Principle 2-6> (Roles as Asset Owners)

As part of the employee welfare program, a corporate-type defined contribution pension (DCP) plan is established and operated

by the Company. In its operation, the employee, as a participant, gives investment instructions to the plan administrator, and the returns and risks from the investment are borne by the employee as a participant. Though the Company shall not be involved in the investment of the fund as an asset owner under the relevant pension plan, it assumes the responsibility over the employees as a listed company and provides the employees with training and lectures on investment.

To be specific, a DCP plan training course is provided when employees, both new graduates and mid-career hires, join the Company, where the basics of the system and points to be careful when starting the investment are explained. In addition, informative materials are posted on the intranet providing an environment where employees can access the information any time for a better understanding.

<Principle 3-1>

(Business Principles, Business Plans)

The Company stipulates the basic concept of corporate governance, develops a fair and transparent corporate governance system to achieve the Company Group's corporate philosophy, comprising the purpose, management stance, and behavioral guidelines, as described below, and strives for sustainable growth and medium- to long-term increases in corporate value.

[Corporate Philosophy]

- Our Purpose

Our primary mission is to contribute to society by continually striving to deliver technological innovation and create products that are beneficial to people.

- Management Stance

Our basic business creed is to conduct reliable management.

- Behavioral Guidelines

1. Work is the foundation of life.
2. Trust is the basis of work.
3. Creativity in thought and action is the key to human progress.
4. Safety, quality, and productivity are fundamental to our corporate activities.
5. Risky endeavors are to be avoided while genuine endeavors are to be embraced.

Moreover, with the new medium-term business plan—Yorozu Sustainability Plan 2026 (YSP2026)—that covers the three years from fiscal 2024, the Company is working on various initiatives under the management policy to “become the Company of preferred choice for all stakeholders that supports the electrification era by fulfilling the duties and responsibilities as a member of society and taking an aggressive approach toward growth.”

The Company considers the environmental (E) aspect of ESG management as its strength, and together with the efforts in growth and profitability, will solidify its business foundation and increase economic value. At the same time, it considers the social (S) and (G) aspects of ESG management as the core pillars, and through overall optimization taking financial strategies into account, aims to strengthen its management foundation and increase social value. Through improvements and maximization of these two values, the Company will work to enhance its corporate value.

The medium-term business plan is posted on the Company's official website (English version available: <https://www.yorozu-corp.co.jp/en/investors/midtermplan/>).

(Basic Views and Policy on Corporate Governance)

Please refer to I. 1. Basic Views of this report. Please visit the Company's official website for the Basic Policy on Corporate Governance (English version available: <https://www.yorozu-corp.co.jp/en/csr/governance/>).

(Policy and Procedures for Determining Remuneration for Executives)

Please refer to Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods in II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and

Oversight in this report.

(Policy and Procedures for Election/Dismissal and Appointment of Directors and Officers)

Please refer to II. 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) in this report.

(Explanation on Individual Election/Dismissal)

The reasons for election/dismissal of directors are described in the Notice of the General Meeting of Shareholders.

<Supplementary Principle 3-1.3>

The Company Group acknowledges that addressing issues surrounding sustainability, such as social and environmental issues, is an important element in medium- to long-term increases in corporate value, has identified and is working on the ongoing material issues (materiality). The Company believes in proactive disclosure, and the status and progress are released in the Company's official website.

Please refer to the medium-term business plan (YSP2026) and the Integrated Report for details on the Company's initiatives on sustainability, information disclosure regarding TCFD recommendations, investments in human capital and intellectual properties.

<Supplementary Principle 4-1.1>

(Scope of Matters that the Board of Directors Delegates to the Management)

The principal role of the Board of Directors is to make decisions on the basic policies for management and execution of important businesses—matters reserved for the exclusive decision of the Board of Directors under the laws, regulations, and the Articles of Incorporation, as well as to supervise the execution of duties of directors and executive officers. With respect for other matters, all or part of the decision on the execution of business is delegated to the directors for prompt and bold decision-making.

<Principle 4-9>

(Independence Standards for Independent Outside Directors)

Outside Directors are persons who satisfy the requirements of an “outside director” set forth in the Companies Act and the “independence criteria” prescribed by the Tokyo Stock Exchange (TSE).

<Supplementary Principle 4-10.1>

The Company, in order to strengthen the independence, objectivity and accountability of functions relating to appointment and remuneration of each director, has set up a “Nominating Committee” and a “Compensation Committee” consisting of a majority of independent outside directors, to consult decisions on appointment and remuneration of the senior management including the CEO, and each committee offers suggestions to the Board of Directors taking diversity and skills into account.

[Roles of the Nominating Committee]

- (1) Deliberation and report on the draft of the proposal for election and dismissal of directors to be resolved at the general meeting of shareholders
- (2) Deliberation and report on the draft of the proposal for appointment and removal of representative directors
- (3) Deliberation and report on the enactment, revision, and abolition of basic policies, etc. required for the resolution of the matters in the preceding paragraphs
- (4) Deliberation and report on other matters that the Board of Directors deems necessary, such as election and dismissal of directors, appointment and removal of representative directors
- (5) Deliberation on the succession plan for CEO and other executives

[Composition of the Nominating Committee and members' attendance status]

Title	Name	Position	Attendance
Chair	Masashi Oshita	Outside Director	All three meetings
Member	Hiroshi Moriya	Outside Director	All three meetings
Member	Chiaki Tsuji	Outside Director	All three meetings
Member	Chieko Ogawa	Outside Director	All three meetings
Member	Akihiko Shido	Rep. Director, Chairman	All three meetings
Member	Ken Shido	Director, Vice Chairman	All three meetings
Member	Tsutomu Hiranaka	Rep. Director, President	All three meetings

[Deliberation by the Nominating Committee and details of the report]

The committee meeting was held a total of three times (May, September, and February), and the members deliberated on the matters concerning the CEO's and other executives' succession plans, and election/retirement of directors and candidates.

[Roles of the Compensation Committee]

- (1) Deliberation and report on the draft of the proposal for remuneration, etc. of directors (excluding directors who are Audit & Supervisory Committee members) to be resolved at the general meeting of shareholders
- (2) Deliberation and report on details of individual remuneration, etc. for directors (excluding directors who are Audit & Supervisory Committee members)
- (3) Deliberation and report on the enactment, revision, and abolition of basic policies and systems, etc. required for the resolution of the matters in the preceding paragraphs
- (4) Deliberation and report on other matters regarding remuneration, etc. of directors (excluding directors who are Audit & Supervisory Committee members) that the board of directors deems necessary

[Composition of the Compensation Committee and members' attendance status]

Title	Name	Position	Attendance
Chair	Chieko Ogawa	Outside Director	All three meetings
Member	Masashi Oshita	Outside Director	All three meetings
Member	Hiroshi Moriya	Outside Director	All three meetings
Member	Chiaki Tsuji	Outside Director	All three meetings
Member	Akihiko Shido	Rep. Director, Chairman	All three meetings
Member	Ken Shido	Director, Vice Chairman	All three meetings
Member	Tsutomu Hiranaka	Rep. Director, President	All three meetings

[Deliberation by the Compensation Committee and details of the report]

The committee meeting was held a total of three times (April, July, and March), and the members deliberated on the amount to be paid as remuneration for the executives including the directors, the calculation method, and reviewed board policies and procedures, among other matters.

<Supplementary Principle 4-11.1>

(Perspectives on Diversity and Scale of the Board of Directors, and Policies and Procedures Concerning the Election of Directors)

In electing directors, the Company gives consideration to a balanced board room, by including those who can demonstrate their strengths across a wide range of business areas, those who are suited to business management, those who have international experience, and those who are expected to contribute to the Company's sustainable growth and the enhancement of corporate value. The Company ensures diversity while considering that the depth of knowledge, experience, and capability of the Board of Directors as a whole are demonstrated to the maximum extent.

Further, by setting the number of directors (excluding the members of the Audit & Supervisory Committee) at ten or less, and the number of directors who are members of the Audit & Supervisory Committee at five or less, the Company maintains an appropriate scale of the Board of Directors as a company with an audit and supervisory committee that ensures flexibility of the Board of Directors and effectiveness of the Audit and Supervisory Committee.

With respect to appointment of directors (who are not Audit & Supervisory Committee members), based on the policy in the preceding paragraph, a person that matches the policy is nominated after discussion by the Nominating Committee and deliberation at the Board of Directors meeting, to be finally elected at the general meeting of shareholders.

A skills matrix listing each director's expertise and experience has been created and is provided in the Notice of the General Meeting of Shareholders (English version available: <https://www.yorozu-corp.co.jp/share/uploads/2024/06/Notice-of-Convocation-Annual-General-Meeting-2024.pdf>).

As for directors who are members of the Audit & Supervisory Committee, at least three persons who have extensive experience and a high level of expertise necessary for auditing and supervising are elected at the general meeting of shareholders.

<Supplementary Principle 4-11.2>

(Positions Concurrently Held by Directors at Other Listed Companies)

Information on concurrent officer positions at other listed companies is provided every year in the Notice of the General Meeting of Shareholders.

<Supplementary Principle 4-11.3>

(Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole)

The Company provides an opportunity to analyze and evaluate the effectiveness of the Board of Directors as a whole by conducting questionnaire surveys and interviews to the directors themselves once a year for the purpose of improving the effectiveness of the Board of Directors. The Company is making efforts to improve the functions of the Board of Directors and strengthen corporate governance by proactively adopting the directors' opinions, confirming the identified issues and measures for further evolution, and applying the PDCA cycle to specific measures that contribute to the functions to be demonstrated by the Board of Directors.

The method of evaluation of the effectiveness of the Board of Directors and the results from fiscal 2023 are as follows:

I. Evaluation method

In the fiscal 2022 analysis and evaluation of the effectiveness of the Board of Directors, the questionnaire survey was entrusted to a third-party assessment organization with the intention of increasing transparency and objectivity through a third-party perspective. In fiscal 2023, as a result of the deliberation at the Board of Directors Meeting on the evaluation method including the necessity of an evaluation by a third-party assessment organization, a self-assessment by means of a questionnaire was conducted, and the effectiveness of the Board of Directors was verified and discussed based on the self-assessment results.

Target: All nine members of the Board of Directors

Survey period: From March 29 to April 19, 2024 by means of a questionnaire

Evaluation process: The questionnaire prepared by the Secretariat was distributed to all members of the Board of Directors to evaluate the effectiveness of the Board of Directors. Answer for each item was given in a scale of one to five with additional space for free comments. The survey was conducted anonymously with the hope of receiving frank opinions. The Secretariat summarized the results and the effectiveness of the Board of Directors was verified and contemplated at the Board of Directors meeting.

II. Questionnaire items

In the questionnaire, the questions mainly focused on matters such as (1) composition and operation of the Board of Directors, (2) management strategy and business strategy, (3) corporate ethics and risk management, (4) performance monitoring and evaluation/remuneration of the management, and (5) dialogue with shareholders, etc. Each question was to be answered on a

scale of one to five, and additional space for free comments was provided.

III. Overview of analysis/evaluation and measures for improving effectiveness

With respect to the effectiveness of the Board of Directors in fiscal 2023, as a result of deliberations at the Board of Directors meeting based on the outcome of the questionnaire conducted to the directors, the Company concluded that the effectiveness of the Board of Directors was sufficiently ensured from the fact that the scores received were above par based on the Company's criteria and there were no items requiring improvements or judged inappropriate in the entire survey. Overview of the result is as follows.

1. The Company's Board of Directors is composed of an appropriate ratio of independent outside directors, and it believes that the independent outside directors are capable of giving constructive opinions, as necessary, to the management, as well as raising objections when needed.
 2. The roles expected of the Board of Directors are clearly defined, and it is the Company's understanding that the directors are appointed with due consideration to the qualities required of directors to perform such roles based on the skills matrix.
 3. The Company Group eyes the future and with the aim of realizing a sustainable society through its corporate activities has addressed various issues, one of which is carbon neutrality. The Company has reached the conclusion that the Board of Directors has thoroughly discussed the measures for the issues surrounding sustainability and has been tracking the progress.
 4. As for the status of dialogue with shareholders and investors, the officer in charge of IR/public relations reports the status at management meetings and Board of Directors meetings, which is shared internally and discussed, and from the fact that such information is utilized in the management strategy reviews and formulation of business plans, etc., the Company is of the opinion that feedback is given in a timely and appropriate manner.
 5. As for involvement in and supervision of succession plans for CEO and other executives that emerged as an issue last year, improvements in this field were made in fiscal 2023 by enhancing discussions at the Board of Directors meeting and by taking measures such as submission of business reports by successor candidates. The Company seeks further improvement through various measures.
 6. In fiscal 2024, the Company intends to hold further intensive discussions on trainings for officers and general manager levels and risk-taking that is conscious of cost of capital, etc., and aims to make improvements through necessary measures such as advance distribution of related materials and advance explanation, and interviews with the directors.
- Going forward, the Company will continue with the activities for improvement with respect to the identified issues to improve the effectiveness of the Board of Directors.

<Supplementary Principle 4.14.2>

(Director Training)

The Company's newly appointed directors (including outside directors) receive internal or external trainings on duty of care of a good manager and duty of loyalty, and are explained of the Company's management strategy, financial status, and other important matters by the CEO or an officer appointed by the CEO.

Further, the Company's directors, in order to fulfill their responsibilities, shall at all times proactively collect information on the Company's financial status, compliance with laws and regulations, corporate governance, and other matters, and devote themselves to study these matters. The Company provides the directors with opportunities for training, whether internal or external, at least once a year.

The result in fiscal 2023 is as follows.

- Outside directors meeting

The meeting was held once in fiscal 2023, for outside directors to mutually exchange information and share their understandings, and to exchange opinions, etc. on operation of the Board of Directors, evaluation of its effectiveness, and response to formulation of new business plans

- Business report by executive officers

The officer or the chair of the steering committee reports the details and issues of the operation at the Board of Directors meeting for the purpose of supervising the execution of business by the executive officers, sharing medium- to long-term

management issues, enhancing discussions on policies, developing/grasping human talent, etc. Opinions were exchanged (held nine times in fiscal 2023 with total 11 members reporting).

- On-site inspection such as plant tours

Although plant tours were cancelled in fiscal 2023 due to the COVID-19 pandemic, directors including outside directors visited the plants.

- Overnight training camp for officers

In fiscal 2023, an overnight camp was held for the directors including outside directors for the purpose of holding an intensive discussion, sharing and devising measures for management issues, formulating or modifying the medium-term business plan (YSP2026), and reviewing the action plans.

<Principle 5-1>

(Dialogue with Shareholders)

(1) Policy

Although shareholder plant tours were cancelled due to the COVID-19 pandemic, the Company holds briefing sessions to release financial information and provides opportunities for communication between senior management and shareholders, to adopt and reflect the opinions from shareholders, and know the shareholder composition, working toward sustainable growth and increasing corporate value of the Company Group.

(2) Method of communication

Personnel in charge of finance oversees the matter of overall communication with shareholders and makes efforts to realize a constructive dialogue. In case a shareholder requests an interview, the Company's executive officers, directors including outside directors, or the general manager of the department involved will, to the extent it does not interfere with their work, will attend the interview.

Furthermore, the Accounting Department, General Affairs Department, President's Office, and the Company's corporate lawyer will work together closely, act in good faith, and make the utmost effort to achieve the purpose of the interview within the extent it does not harm the common interests of shareholders and as long as it does not violate the laws and regulations.

(3) Feedback to internal parties

The Company, based on the recognition that reflecting the shareholders' intentions in corporate management is one of the important responsibilities and duties of a company, reports the valuable opinions and proposals from the shareholders at the Board of Directors meeting, etc. and will, upon sufficient consideration, take necessary measures.

(4) Results in fiscal 2023

In fiscal 2023, dialogues with analysts and fund managers took place in financial briefing sessions, etc., while dialogues with total 13 companies including investors in and outside Japan, analysts, investing personnel, and shareholders also took place. The Company selects the appropriate responder for each instance depending on the investor's attributes and content of the communication. As a result the Company's representative directors, CFO, executive officers, etc. took part in the dialogues. Subjects of the dialogues were mostly about recent performances, direction of the next medium-term plan, how the Company views the stock price, initiatives for sustainability, information disclosed in the integrated report, etc. Opinions were received and understanding of the Company's policies, etc. was gained.

Further, shareholder's opinions were shared internally and discussed by giving feedback of the reports, etc. at the management meetings and Board of Directors meetings, and were utilized in management strategy reviews and formulation of business plans. Requests for disclosure of long-term visions and information on human capital, etc. were also considered, which have been announced in the medium-term business plan (YSP2026) and will also be announced in future integrated reports, etc.

<Principle 5-2>

(Establishing and Disclosing Management Strategies and Business Plans)

The Company has repeatedly analyzed and examined cost of capital (WACC, cost of equity), return on capital (ROIC, ROE), market assessment (stock price/market capitalization, PBR, PER), etc.

As a result, the following basic policies concerning measures for realization of corporate management that is conscious of cost

of capital and stock price were deliberated again and resolved at the Board of Directors meeting for the Company Group's sustainable growth and increases in corporate value.

1. Sustainable growth and enhancement of corporate value
2. Capital policy
 - (1) Management that is conscious of cost of capital
 - (2) Consideration of continued reduction of cross-held shares
 - (3) Enhancement of shareholder return policy
3. Strengthening of IR activities

Please visit the Company's official website for details.

(<https://www.yorozu-corp.co.jp/share/uploads/2023/06/PBR-improvement.pdf>)

Regarding specific measures to reduce the cross-held shares, please refer to the medium-term business plan (YSP2026) (English version available: <https://www.yorozu-corp.co.jp/en/investors/midtermplan/>).

2. Capital Structure

Foreign Shareholding Ratio	10% or more but less than 20%
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Status of Major Shareholders (Updated)

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	1,492,400	6.15
Minami-Aoyama Fudosan	1,210,000	4.99
S-GRANT. Co., Ltd.	1,190,300	4.91
Shido Holdings Co., Ltd.	883,500	3.64
JFE Steel Corporation	843,000	3.47
Mizuho Bank, Ltd.	842,668	3.47
The Bank of Yokohama, Ltd.	842,668	3.47
Suzuki Motor Corporation	800,000	3.30
Mitsubishi UFJ Trust and Banking Corporation	682,000	2.81
NISSAN TRADING CO., LTD.	533,100	2.20

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	—
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Name of Parent Company, if applicable	None
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Supplementary Explanation	—
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3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Transportation Equipment
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	100 billion yen or more but less than 1 trillion yen
Number of Consolidated Subsidiaries	10 or more but fewer than 50

as of the End of the Previous Fiscal Year

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 a 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

1. Organizational Composition and Operation

Corporate Governance System

Company with the Audit and Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman & CEO (excluding the case where the chairman concurrently serves as the president)
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Chiaki Tsuji	Lawyer												
Chieko Ogawa	CPA												
Masashi Oshita	Other												
Hiroshi Moriya	Other					△							

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business for the Company or its subsidiary
- Person who executes business for a non-executive director of the Company's parent company
- Person who executes business for a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for said person/entity
- Major client of the Company or a person who executes business for said client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies

- to director him/herself only)
j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Chiaki Tsuji	○	○	She has been elected as an independent director.	She possesses professional knowledge acquired as a lawyer and abundant experience gained so far. This expertise allows her to provide objective and professional guidance and opinions without any conflicts of interests with the Company. Accordingly, we have determined that she is capable of executing her duties independently from the management team.
Chieko Ogawa	○	○	She has been elected as an independent director.	She possesses professional knowledge acquired as a certified public accountant and abundant experience gained so far. This expertise allows her to provide objective and professional guidance and opinions without any conflicts of interests with the Company. Accordingly, we have determined that she is capable of executing her duties independently from the management team.
Masashi Oshita		○	He has been elected as an independent director.	He has gained deep insights through his previous responsibilities at METI. We have determined that his extensive experience will contribute to the decision-making and supervising functions of the Board of Directors, enhancing their overall effectiveness. There are no conflicts of interests between the individual and the Company.
Hiroshi Moriya		○	He has been elected as an independent director.	He has gained abundant experience and deep insights from his previous role as a CEO of a global company. We have determined that his extensive experience will contribute to the decision-making and supervising functions of the Board of Directors, enhancing the effectiveness. There are no conflicts of interests between the individual and the Company.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	3	1	1	2	Outside Director

Appointment of Directors and/or Staff to Support the Appointed

Supervisory Committee

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

The staff of the Internal Auditing Office provides dedicated support to the Audit & Supervisory Committee in fulfilling its duties.

To maintain independence from directors (excluding directors who are members of the Audit & Supervisory Committee), any transfers, evaluations, or disciplinary actions involving the staff of the Internal Auditing Office must receive consent from the Audit & Supervisory Committee.

Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department **(Updated)**

The Audit & Supervisory Committee and internal auditing departments maintain close communication and collaboration with the accounting auditor through regular information and opinion exchange regarding annual auditing plans, progress updates, quarterly reviews, and audit results. They also discuss issues and areas for improvement in order to achieve efficient and effective auditing.

Furthermore, the Audit & Supervisory Committee works closely with internal auditing departments to investigate the Company's operations and financial assets. They share information on annual auditing plans and monthly audit reports during quarterly meetings that involve all committee members, including outside directors who are members of the Audit & Supervisory Committee. Daily communication is also carried out by the full-time committee member. These are taken to enhance the effectiveness and efficiency of the auditing process.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nominating Committee	7	0	3	4	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Compensation Committee	7	0	3	4	0	0	Outside Director

Supplementary Explanation

We have established the "Nominating Committee" and the "Compensation Committee," both of which have a majority of Independent Outside Directors as members.

The Nominating Committee discusses the succession plans for CEO and other executives, and examines the election and retirement of directors and candidates.

The Compensation Committee discusses the compensation amount paid to officers including directors, as well as calculation criteria and relevant policies.

To ensure their effectiveness, the Company conducts regular evaluations of both committees through surveys.

Matters Concerning Independent Directors

Number of Independent Directors	4
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Other Matters Concerning Independent Directors

The Company's independent directors, Masashi Oshita, Hiroshi Moriya, Chiaki Tsuji, and Chieko Ogawa, meet the requirements for "outside director" as stipulated by the Companies Act and comply with the "independence standards" set by the TSE. Accordingly, we have designated these four directors as independent directors in accordance with TSE regulations and have duly notified the organization.

The Company has designated all outside directors who meet the criteria for independence as independent directors.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Other
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Supplementary Explanation for Applicable Items

In the 75th Ordinary General Meeting of Shareholders held in June 2020, approval was granted for the implementation of a compensation system which involves granting shares with transfer restrictions in exchange for new share subscription rights given as stock options. The annual total remuneration for granting shares with transfer restrictions was capped at 120 million yen, which aligned with the remuneration for new share subscription rights given as stock options. The total number of common stock shares to be granted was limited to 120,000 or less per year. This system aims to provide incentives and raise the morale of executive directors so as to further enhance the Company's medium- and long-term business performance while promoting shared value with shareholders.

The compensation system ensures that the efforts of executive directors in improving the Company's performance over the medium- to long-term are tied to their remuneration. In addition, we believe that not only the benefits but also risks associated with changes in stock prices are shared between the executive directors and shareholders.

Persons Eligible for Stock Options	
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Supplementary Explanation for Applicable Items

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Director Remuneration

Status of Disclosure of Individual Director's Remuneration	Individual director's remuneration is not disclosed.
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Supplementary Explanation for Applicable Items (Updated)

Remuneration paid to directors in fiscal 2023 is as follows.

Number of directors paid: 9

Total amount paid: 315 million yen

Policy on Determining Remuneration Amounts and Calculation Methods (Updated)	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(1) The basic policy of making decisions on details of each director's remuneration, etc.

- Method to determine the basic policy

The Company has established the basic policy to effectively provide an incentive that will contribute to the sustainable enhancement of the corporate value. This policy was developed through discussions and opinions from the Compensation Committee (hereinafter, the "Compensation Committee"), which was voluntarily established to ensure objectivity and transparency, and then approved at the Board of Directors Meeting.

- Summary of the basic policy

The basic policy for directors' remuneration is aimed at providing an incentive for directors, effectively leading to sustainable enhancement in corporate value, interlinked with shareholders' profits. The policy also takes into account the individual responsibilities of each director when determining their remuneration, ensuring that appropriate levels of remuneration are maintained.

Additionally, the Director Compensation and Bonus Policy has been established to enable each director perform his/her ability in playing duty execution and management oversight functional roles.

Based on the Director Compensation and Bonus Policy, the Compensation Committee evaluates and discusses the remuneration amounts that fall within the range approved by shareholders during the shareholders meeting. Subsequently, the Board of Directors determines each director's remuneration.

(a) Policy on determining the amount or calculation methods of each director's remuneration, etc. (except for (b) below)

The fixed remuneration of directors includes basic remuneration, short-term incentives in the form of bonuses, and medium- to long-term incentives in the form of stock remuneration.

The fixed remuneration is determined by considering various factors such as the Company's performance, individual's Key Performance Indicator (KPI) achievements, staff salary levels, and years of service, as well as positions, duties, and the business plan (KPI) applied to each individual. This determination from a comprehensive perspective is based on the Director Compensation and Bonus Policy and the Compensation System Granting Shares with Transfer Restrictions Policy.

For outside directors responsible for supervising functions and directors who are members of the Audit & Supervisory Committee, only basic compensation is provided in consideration of the nature of their duties.

(b) Contents of performance indicators related to performance-linked remuneration and the policy on determining the calculation methods of performance-linked remuneration

Director's performance-linked remuneration includes monetary bonuses that reflect the performance results of the business year and non-monetary stock remuneration that reflects the performance results of the medium-term business plan.

The performance-linked remuneration is paid annually at a designated time, considering the achievement levels of the consolidated operating income targets for the business year and specified in the medium-term business plan, based on the Director Compensation and Bonus Policy and Compensation System Granting Shares with Transfer Restrictions Policy to make directors to be aware of the performance improvement.

The target performance indicators and those numerical values are established in alignment with the fiscal-year business plan and the medium-term business plan. These indicators are reviewed based on the opinions provided by the Compensation Committee, taking into account changes in the environment.

(c) Details of non-monetary remuneration and the policy on determining the calculation methods

The medium- to long-term incentive in the form of stock remuneration consists of two parts: one part is fixed remuneration unrelated to the Company's performance, depending on the basic remuneration mentioned in (a), while the other part is performance-linked remuneration mentioned in (b) that reflects the performance of the medium-term business plan. The evaluation is based on the Compensation System Granting Shares with Transfer Restrictions Policy.

The performance-linked remuneration is paid annually at a designated time based on the Compensation System Granting Shares with Transfer Restrictions Policy according to the achievement level of the consolidated operating income target specified in the medium-term business plan on a fiscal-year basis.

The target performance indicators and those numerical values are set in alignment with the fiscal-year business plan and the

medium-term business plan. These indicators are reviewed based on the opinions provided by the Compensation Committee, taking into account changes in the environment.

(d) Policy to determine the individual director's remuneration by type

Regarding the distribution ratio of remuneration, the performance-linked remuneration is weighted more towards higher-level directors, based on the benchmark that considers companies of similar size in the related industry sector and business type. The Compensation Committee studies regularly and provides opinions to the Board of Directors.

(e) Decisions on the details of each director's remuneration

Opinions on individual remuneration are presented to the Board of Directors based on the relevant policies and evaluations of individual performance, including qualitative evaluation. These opinions are developed through planning, explanations, and proposals provided to the Compensation Committee by representative directors, followed by discussions at the Compensation Committee. The Board of Directors highly values the opinions of the Compensation Committee and determines the details of each director's remuneration accordingly.

The Company's Compensation Committee members consists of seven directors elected at the Board of Directors Meeting and the majority of them are outside directors who are independent directors meeting the TSE standards. The chairperson is an outside director appointed among the members.

- Reasons as to why the Board of Directors decided that the details of remuneration, etc. paid to each director (excluding members of the Audit & Supervisory Committee) in this fiscal business year meet the requirements in the said policy
Each director's remuneration amount is calculated in accordance with each decision-making policy specified in the Summary of the basic policy and the details of each director's remuneration are discussed and evaluated at the Compensation Committee. The Company confirmed that the remuneration amount proposed in the said consolidated accounting fiscal year through consultation with the Compensation Committee was evaluated and determined based on the payment criteria for each position of directors, so it was approved at the Board of Directors Meetings held in April 11, 2023 and July 11, 2023.

A. Regarding Indicators

The performance target achievements are calculated using the operating income ratio (on a consolidated basis, the same applies hereinafter in this item) as the performance-linked indicator. The performance-linked remuneration is established based on achievements in the annual business plan and determined by the attainment of the performance indicator targets. If there are specific reasons, such as impairment losses, management-related factors (free cash flow, etc.), significant fraud, or other particularly concerning issues including accidents, it is necessary to consult with the Compensation Committee.

The actual value of the performance target achievement coefficient, represented by the operating income ratio, is compared to the target value. If they are at the same level, the remuneration is paid 100%.

B. Reasons for selecting the indicator

The operating income ratio was chosen as the performance-linked indicator because it accurately reflects the profit generated from the main business conducted by the entire Group.

C. Method to determine the amount of performance-linked remuneration

The method of determining the amount of directors' remuneration follows the process outlined in (d) Policy to determine the distribution ratio of each type of director's remuneration.

(2) Resolutions of the General Shareholders Meeting related to remuneration of directors who are members of the Audit & Supervisory Committee

The 70th Ordinary General Meeting of Shareholders held on June 10, 2015 approved to set the monetary remuneration of directors at 600 million yen or less per year (however, the salary as staff paid to those who are both a director and staff of the Company is excluded). The number of directors was four (with zero outside directors) as of the end of the said Ordinary General Meeting of Shareholders. Also at the 75th Ordinary General Meeting of Shareholders on June 26, 2020, resolution passed to pay 120 million yen or less per year as stock remuneration, separately from the aforementioned monetary remuneration (however, outside directors and directors who are members of the Audit & Supervisory Committee were not eligible). The number of directors was four (excluding outside directors) as of the end of the said Ordinary General Meeting of Shareholders.

The monetary remuneration of directors who are members of the Audit & Supervisory Committee was determined by the resolution of the 70th Ordinary General Meeting of Shareholders held on June 10, 2015, to be set at 100 million yen or less per year. The number of directors who are members of the Audit & Supervisory Committee was three as of the end of the said Ordinary General Meeting of Shareholders.

Support System for Outside Directors

The Company has established an information sharing system, which facilitates the smooth execution of duties by outside directors. This system enables the timely sharing of important internal and external information related to the Company Group between relevant departments, such as the General Affairs Department, and outside directors.

For the outside directors who are members of the Audit & Supervisory Committee, the full-time Audit & Supervisory Committee member actively participates in ensuring information sharing by promptly releasing business audit reports and important internal and external information related to the Company Group.

Furthermore, the Company has implemented a support system for outside directors, which includes assignment of a dedicated department or person responsible for arranging business tasks of outside directors, provision of opportunities for learning and updating knowledge necessary for their duties, and coverage of associated expenses.

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

- The Company sets an Audit & Supervisory Committee, and the directors who are Audit & Supervisory Committee members hold regular and extraordinary Audit & Supervisory Committee meetings, as well as attend the Board of Directors meeting and other important meetings such as the medium-term business plan meetings, along with holding interviews regularly with representative directors, etc.

- The Company holds its Board of Directors meeting once every three months and whenever necessary to decide on the basic management policies, matters stipulated in laws and regulations, and other important matters concerning corporate management. The Company positions the Audit & Supervisory Committee as an organization that oversees the execution of business by directors and executive officers.

- By setting the number of directors excluding Audit & Supervisory Committee members as ten or less, and the number of Audit & Supervisory Committee members as five or less, the Company maintains an appropriate scale of Board of Directors as a company with an audit and supervisory committee ensuring flexibility of the Board of Directors and effectiveness of the Audit and Supervisory Committee.

- In selecting directors, the Company gives consideration to a balanced board room, by including those who can demonstrate their strengths across a wide range of business areas, those who are suited to business management, those who have international experience, and those are expected to contribute to the Company's sustainable growth and the improvement of corporate value. The Company ensures diversity and ensures that the depth of knowledge, experience, and capability of the Board of Directors as a whole are demonstrated to the maximum extent.

Independent Directors are persons who satisfy the requirements of an "outside director" set forth in the Companies Act and "independence criteria" prescribed by the Tokyo Stock Exchange and must have the nomination or approval of at least one independent director or independent Audit & Supervisory Committee member.

- Dismissal of directors is discussed at the Nominating Committee and determined at the Board of Directors meeting in the event of the following circumstances where the director:

- a) Is in breach of laws and regulations or the Articles of Incorporation, causing significant loss or disruption to its business
- b) Has caused disruption to business
- c) Becomes difficult to continue its duties
- d) Does not meet the quality designated as a selection criteria
- e) Applies to any of the disqualification items under Article 331 (1) of the Companies Act

- With respect to appointment of directors (who are not Audit & Supervisory Committee members), based on the policy

in the preceding paragraph, a person that matches the policy is nominated after discussion in the Nominating Committee and deliberation at the Board of Directors meeting, to be finally elected at the general meeting of shareholders.

- Regarding decision of remuneration for directors, it is determined within the extent of the annual amount resolved at the general meeting of shareholders through the following procedure. As for executive directors and non-executive directors (excluding directors who are Audit & Supervisory Committee members), the representative director prepares a draft, which is discussed and deliberated at the Compensation Committee, and finally discussed and determined at the Board of Directors meeting or the Audit & Supervisory Committee meeting in the case of directors who are members of the Audit & Supervisory Committee member.

- The Company concludes a limited liability insurance contract with the non-executive directors based on the Articles of Incorporation for liability for damages provided in Article 423.1 of the Companies Act within the minimum liability amount stipulated in Article 425.1.

- The Audit & Supervisory Committee receives reports, in a timely and appropriate manner, from the directors, executive officers, accounting auditor, auditing departments, and other relevant parties regarding matters necessary for audits, and shares the necessary information with relevant parties and makes efforts to improve the quality and efficiency of audits.

- The Company, in order to clarify the responsibilities and authorities for the execution of management, adopts the executive officer system, and by holding management meetings every month, has in place a system that is resilient to sudden changes in the business environment.

Further, a cross functional organization consisting of eight function groups (Corporate Strategy & ESG Function Group, Accounting Function Group, Management & DX Function Group, Manufacturing Function Group, Marketing & Sales Function Group, Purchasing & Project Control Function Group, Production Equipment Engineering Function Group, and Internal Auditing Function Group) to oversee each site based on the three regions (Japan, the Americas, and Asia).

- Other than above, an independent function, the Internal Auditing Office is established to keep the internal control activities in check and to implement monitoring functions.

- The Company, in order to strengthen independency and objectivity of the functions related to nomination and remuneration of each director, has set up the Nominating Committee and the Compensation Committee, chaired by an independent outside director and the majority composed of independent outside directors,

- In accordance with laws and regulations, the Company's accounting auditor, Ernst & Young ShinNihon LLC, has put a mechanism in place to restrict the terms of engagement in the Company's audit accounting; five accounting terms for chief functional employees and seven terms for functional employees. The Company has concluded a contract with the said accounting auditor regarding audit under the Companies Act and audit under the Financial Instruments and Exchange Act, and pays consideration based on the contract. As for the period ending March 31, 2024, the names of the certified public accountant performing the operation and the composition of the supporting team are as follows:

Shigeki Hiki, Limited Liability Partner, Executive Member

Yasuyuki Hagiwara

Composition of the supporting team engaged in accounting auditing operation: five CPAs, 19 others

3. Reasons for Adoption of Current Corporate Governance System

The Company transitioned to a company with an Audit & Supervisory Committee in the 70th General Meeting of Shareholders. By setting up an Audit & Supervisory Committee, the majority of which is made up of outside directors, the supervising function for the Board of Directors has been further strengthened, and by expediting the decision making of the Board of Directors by entrusting a whole or part of the decision on the execution of important operations to a director, the Company aims to further enhance its corporate governance.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights (Updated)

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Notice of the General Meeting of Shareholders is sent three weeks prior to the meeting to ensure that shareholders have sufficient time to review and make decisions on each agenda item. This year, the notice was sent on June 5, three weeks in advance of the meeting date. Furthermore, prior to the postal distribution, the notice was also posted on our company website. Moving forward, we will maintain this practice of promptly sending the Notice of the General Meeting of Shareholders.
Electronic Exercise of Voting Rights	We have established an electronic platform to facilitate the exercise of voting rights for all shareholders, regardless of their attendance at the general meeting. This system ensures that shareholders can appropriately exercise their voting rights.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We have participated in the Electronic Voting Platform offered by ICJ, Inc. to ensure that institutional investors have a conducive environment for exercising their voting rights effectively.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	To provide adequate information access to overseas shareholders and institutional investors and help informed decision-making, we have translated the majority of the Notice of General Meeting of Shareholders into English. This translated version is available on our company website, facilitating appropriate exercise of voting right.
Other	Similar to last year, we conducted a hybrid-type virtual shareholders meeting this year.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Individual Investors	We conduct public financial result briefings every six months. Furthermore, we engage in individual interviews with both domestic and overseas analysts and institutional investors through various channels, including face-to-face meetings, telephone conversations, and web conferences.	Held
Online Disclosure of IR Information	We have created dedicated webpages specifically designed for our shareholders and investors.	
Establishment of Department and/or Placement of a Manager in Charge of IR	We have assigned a responsible individual within the Accounting Group of the Accounting Department.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	<p>The Group's Charter of Corporate Behavior and the Yorozu Code of Conduct reflect our dedication to fostering trust with our stakeholders.</p> <p>In addition, we make our own Corporate Governance Guidelines available to the public on our company website.</p>
Implementation of Environmental Preservation Activities and CSR Activities, etc.	<p>The Yorozu Group is dedicated to fulfilling its social responsibilities by actively participating in business activities that contribute to society, in line with its CSR policy. One of our key priorities is the preservation of the global environment. We are fully committed to taking measures to address environmental issues and contribute to well-being of people around the world through our Environmental Philosophy and Yorozu Global Environmental Vision 2040, which form the foundation of our proactive environmental policies. Specifically, we will take the lead in mitigating climate change, promoting resource recycling, and ensuring compliance with social requirements including relevant laws and regulations.</p>
Formulation of Policies, etc. on Provision of Information to Stakeholders	<p>We are dedicated to providing stakeholders with accurate, fair, and timely corporate information, as outlined in our Group Charter of Corporate Behavior.</p> <p>Similarly, our Corporate Governance Guidelines emphasize our commitment to sharing corporate information in an accurate, fair, and timely manner, ensuring that information of the same quality is delivered to as many shareholders and investors as possible.</p>

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

The Company's policy on the development of internal control systems was initially established in 2006. Since then, it has undergone several phases of revision and now sets the following ideas.

1. System to ensure that the execution of duties of the Company Group's directors and staff conforms to laws, regulations, and the Articles of Incorporation

(1) The Group's directors and staff perform their duties in strict compliance with laws, regulations, and the Articles of Incorporation based on the Yorozu Group Charter of Corporate Behavior and the Yorozu Code of Conduct.

(2) The General Affairs Department has the following responsibilities.

(a) It oversees critical compliance issues and take a cross-functional approach to address them. The department also gives necessary education to directors and staff of the Company Group.

(b) It monitors the compliance status of each department, provides guidance for improvement as necessary, and tracks progress.

(c) It establishes a consultation desk called the Come Forward for Help Line including external consultation services. This ensures compliance with laws, regulations, and corporate ethics. The department proactively identifies and resolves issues related to such information at an early stage. Regular reports are submitted to the management meeting.

(3) The Internal Auditing Office is responsible for the following.

(a) It conducts audits of the compliance status and reports the findings to the Board of Directors.

(b) It evaluates the effectiveness of internal controls related to financial reports and maintains the reporting system for seamless utilization in accordance with evaluation standards for internal controls related to financial reports, which are considered generally appropriate, to ensure the production of reliable financial reporting.

2. System to store and control the information related to directors' execution of duties

(1) Information on directors' execution of duties is stored and controlled in compliance with laws, regulations, the Information Security Control Policy, and other applicable policies in an appropriate manner.

(2) The said information is stored in a location that is easily accessible and can be retrieved promptly when requested by directors or the director who is the member of the Audit & Supervisory Committee. The specific details of storage location and retrieval methods are outlined in the Document Handling Policy.

(3) The retention period for the said information aligns with the guidelines set forth in the Document Handling Policy, unless otherwise provided by laws and regulations.

3. Policies and other frameworks for managing the Company Group's risk of loss

(1) Based on the Crisis Management Policy, with preparatory assumption and classification of risks, the Company assesses risks, determines whether to take actions, and establishes efficient communication and emergency systems that can be activated swiftly during emergencies.

(2) In unforeseen circumstances, the Company establishes an emergency center led by the Chairman or President as the chief to prevent further damages, minimize harm, and take preventive measures, based on the Crisis Management Policy.

(3) The General Affairs Department monitors the crisis management status of each department, providing guidance for improvement where necessary, and tracks progress.

(4) The Internal Auditing Office conducts audits of the crisis management status and reports to the Board of Directors.

4. Framework for ensuring efficient execution of the Company Group directors' duties

(1) The Company establishes specific policies for each organizational classification, based on the medium-term business plan and the fiscal-year business plan, to ensure consistent policy management.

(2) The executive officer system is adopted to delegate business execution authorities to executive officers, aiming for prompt decision-making.

(3) The Board of Directors is responsible for determining management policies, and addressing matters stipulated by laws and regulations and other important management matters. It oversees business execution status of both directors and executive officers.

(4) Management meetings, attended by executive officers, etc., are held at least once a month to swiftly address each management issue related to business execution.

5. Reporting system for matters related to business execution by directors of the Company's subsidiaries

(1) Directors of the Company's subsidiaries report the status of their business execution during management meetings on a regular basis.

(2) Functional managers exercise cross-functional control over the Company's subsidiaries. They are responsible for requesting business execution reports from the subsidiaries as necessary and staying updated on the situation.

6. Framework for ensuring appropriate business practices across the Group

(1) In conducting business, the Company's subsidiaries adhere to the Affiliated Company Management Policy established by the Company. However, they need approval from the Company's management meeting or other relevant authorities regarding specific matters.

7. Matters regarding directors and staff who should assist the Audit & Supervisory Committee, matters regarding independence of the said directors and staff from other directors (excluding directors who are members of the Audit and Supervisory Committee), and matters for ensuring effectiveness of the instructions given to the said directors and staff by the Audit and Supervisory Committee

(1) The Internal Auditing Office has its staff provide dedicated support to the Audit & Supervisory Committee fulfilling its duties.

(2) To maintain independence from directors (excluding directors who are members of the Audit & Supervisory Committee), any transfers, evaluation, or disciplinary actions involving the staff of the Internal Auditing Office must receive consent from the Audit & Supervisory Committee.

(3) The said staff prioritize their assistance to the Audit & Supervisory Committee over other business and follow instructions solely from the Audit & Supervisory Committee to ensure the effectiveness of their instructions.

8. Frameworks of reporting to the Company's Audit & Supervisory Committee, and other audit & supervisory committees from directors (excluding directors who are members of the Audit & Supervisory Committee) and staff, as well as subsidiaries' directors, auditors, equivalent persons, and staff, and persons who receive reports from the said persons

(1) Representative directors and executive directors provide their business execution reports at the Board of Directors Meeting on an as-needed basis.

(2) The General Affairs Department and the Internal Auditing Office regularly provide reports on the maintenance and operational status of matters outlined in this basic policy to ensure its effective implementation.

(3) The Group's directors (excluding directors who are members of the Audit & Supervisory Committee) and staff promptly and appropriately respond when requested by the Audit & Supervisory Committee to provide business reports or conduct investigation on business and assets.

(4) The Company's directors (excluding directors who are members of the Audit & Supervisory Committee) and staff provide reports to the Audit & Supervisory Committee when instances of fraud, non-compliance with laws and regulation, significant damage to the Company Group, or potential risks are identified.

(5) The Internal Auditing Office regularly provides the Audit & Supervisory Committee with reports on internal audit results and other activities within the Group.

(6) The General Affairs Department regularly updates the Audit & Supervisory Committee on the status of internal reporting within the Group.

9. Framework for ensuring that individuals reporting to the Audit & Supervisory Committee will not be subject to detrimental treatment by reason of having made the said report

(1) The Group's directors (excluding directors who are members of the Audit & Supervisory Committee) and staff may provide reports directly to the Audit & Supervisory Committee. The Company strictly prohibits any form of detrimental treatment towards persons who make such reports as forbidden by the internal regulations.

10. Policies for prepayment or reimbursement procedures for expenses arising from execution of duties by directors who are members of the Audit & Supervisory Committee (limited to the execution of duties related to the Audit & Supervisory Committee) and handling procedures for other expenses and liabilities arising from execution of such duties

(1) When the Audit & Supervisory Committee requests for prepayment of expenses related to their execution of duties in accordance with Article 399-2-4 of the Companies Act, the Company promptly handles the claimed expenses and liabilities.

However, expense and liabilities that are not necessary for the execution of duties by the directors who are members of the Audit & Supervisory Committee will not be covered.

(2) When the Audit & Supervisory Committee independently determines the need of an external expert to assist with the duties executed by directors who are members of the Audit & Supervisory Committee, the Company will bear the expenses unless it is deemed unnecessary for the execution of duties by the directors who are members of the Audit & Supervisory Committee.

11. Other frameworks for ensuring that the audits are effectively conducted by the Audit & Supervisory Committee

(1) The Company ensures that directors who are members of the Audit & Supervisory Committee attend major executive meetings, such as the management meetings and they are provided with opportunities to access important documents and, regularly or on an as-needed basis, engage in discussions with representative directors and accounting auditors.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Company declares in its code of conduct that all Group directors and staff stand against antisocial activities and stand firm against inappropriate requests or actions to fund any antisocial forces. Our strict compliance with this code of conduct allows no relationship whatsoever with antisocial forces. In addition, the General Affairs Department is responsible for preventing any contact with such forces by consistently gathering information and issuing warnings. A system is in place so that the General Affairs Department receives immediate reports on any suspected connections with antisocial forces, such as an inappropriate demand to directors or staff of the Company Group. The department cooperates with the police and other law enforcement agencies to swiftly shut down any connection with antisocial forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Adopted

Supplementary Explanation for Applicable Items (Updated)

The Company's policy on large-scale purchasing of its own shares (policy to deal with takeover) was resolved at its Board of Directors Meeting held on May 10, 2018 with the advice sought from the Company's Independent Advisory Committee established on April 1, 2015 and with a unanimous vote of members of the Committee. Subsequently, the policy was approved at the 73rd Ordinary General Meeting of Shareholders held on June 18, 2018. The purpose of this policy is to ensure continuous and sustainable growth of both the Company's corporate value and the common interests of shareholders. Furthermore, to reflect the opinions of all shareholders, the continuation of the policy has been subsequently approved by shareholders at the Ordinary General Meeting of Shareholders every three years.

To eliminate any arbitrary implementation of the management team, from the viewpoint of securing and enhancing the Company's corporate value and the common interests of shareholders, the policy to deal with takeover includes several key measures, which include setting a clear deadline for providing information to the Large-Scale Purchaser, establishing an Independent Advisory Committee to ensure fair judgement, respecting the recommendations of the Independent Advisory Committee, limiting the policy's validity to three years, and convening a general shareholder's meeting to assess the shareholders' intent. In addition, the requirements for exercising the policy to deal with takeover are restricted to specific situations, namely the high court four types and coercive two-step transaction.

These approaches prevent the policy to deal with takeover from being exercised by the management for their own protection while ensuring necessity and reasonableness of the policy to deal with takeover.

The content of the policy to deal with takeover is described in "Notice Regarding Partial Change and Continuation of Yorozu's Policy on Large-Scale Purchasing of Its Own Shares (Policy to Deal with Takeover)" that is posted on the Company's website (English version available: <https://www.yorozu-corp.co.jp/share/uploads/2024/06/Notice-of-Convocation-Annual-General-Meeting-2024.pdf>).

2. Other Matters Concerning the Corporate Governance System

The status of internal systems related to timely disclosure of company information is as follows.

1. Basic Policy on Timely Disclosure of Company Information

The Company is committed to proactively disclosing corporate information in an accurate, fair, and timely manner, as outlined in its Group Charter of Corporate Behavior.

2. Internal System Related to Timely Disclosure of Company Information

- The Accounting Department, the General Affairs Department, and the HR Department are responsible for the timely disclosure of the company information.
- The head of each department bears the responsibility for collecting, analyzing, and managing information related to their respective business areas. Particularly, important information is disseminated across responsible departments via reports and discussions as needed in order to determine whether it should be reported to stock exchanges, officially disclosed through media channels, and how it may affect the Company's business.
- The Company adheres to the principle that critical decisions and significant events must be promptly disclosed to the public after they have been resolved or approved at the Board of Directors Meeting or a management meeting.
- In reporting to each stock exchange, the Company uses the Timely Disclosure Network System (TDnet), etc. through responsible departments in an accurate and timely manner.
- The important information related to affiliated companies are also disclosed in an accurate and timely manner in accordance with the above procedures.
- With regard to the official disclosure through media channels, in principle, the General Affairs Department engages in discussions with the relevant departments and collectively determines the timing and method of disclosure.

Internal System for Timely Disclosure



