

The status of YAMASHIN's corporate governance is as follows.

## Basic Policy on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

### 1. Basic approach

The Group believes that it is important to build strong relationships of trust with its stakeholders, including shareholders, business partners, employees, and local communities, and to enhance its corporate value while contributing to society through the filter business. Accordingly, we recognize the importance of compliance with laws, regulations, and related rules, ensuring sound, appropriate, and transparent management, and a timely and appropriate information disclosure system as key issues in corporate governance, and we are committed to ensuring these systems.

Information on corporate governance is available on our website (<https://www.yamashin-filter.co.jp/eng/sustainability.html>)

### Reasons for not implementing principles of the Corporate Governance Code

Based on the above basic approach, YAMASHIN has been continuously implementing initiatives to strengthen corporate governance, and has implemented all of the individual principles of the Corporate Governance Code.

### Disclosure based on each principle of the Corporate Governance Code

#### Principle 1.4 Cross-Shareholdings

##### 1. Policy on cross-shareholdings

We do not hold cross-shareholdings because of changes in the environment surrounding the Corporate Governance Code and the risk of stock price fluctuations that could significantly impact our financial situation.

#### Principle 1.7 Related Party Transactions

YAMASHIN's Board of Directors is required to approve in advance any competing transactions or transactions with conflicts of interest between YAMASHIN and its directors or other related parties.

Related party transactions are reported to the Board of Directors on a regular basis and disclosed in accordance with the Companies Act, the Financial Instruments and Exchange Act, other applicable laws and regulations, and the rules established by the Tokyo Stock Exchange.

#### Supplementary Principle 2.4.1 Ensuring Diversity in the Promotion of Core Human Resources

##### 1. Policy to ensure diversity

YAMASHIN's management policy is based on diversity management, in which all employees respect each other's experiences, abilities, and ideas, regardless of nationality, age, gender, culture, religion, or any other differences. Based on this management policy, we encourage a wide range of employees to play an active role in YAMASHIN and strive to build and strengthen an organizational culture that can respond quickly and flexibly to changes in the external environment by strengthening the development of the human resources necessary to build a management foundation.

##### (1) Promotion of women to middle managerial positions

Although the ratio of women in our affiliated corporate management positions is currently high at 51.7% and ratio of women in management positions is 24.7% (both as of April 2023), the ratio of women in management positions is low at 5.2% in our company and 0% in our subsidiary AQC Corporation. In order to improve this situation, we have identified "creating a workplace where diverse human resources can demonstrate their abilities" as one of our materiality (key sustainability issues), and have set the following medium- and long-term goals for promoting women's activities.

- Five-year goal: By the end of FY2028, the ratio of female employees will be 35%, the ratio of female employees and female managers in our affiliated corporate management will be maintained at or above the levels as of April 2023.

- Ten-year goal: By the end of FY2033, the ratio of female employees will be at or above the levels set forth in the above five-year goal.

The status of non-consolidated and subsidiary companies regarding diversity is described in the Annual Securities Report. Other initiatives related to human resource development policies and internal environmental improvements to ensure diversity are described in our Sustainability Report and on our website.

##### (2) Promotion of foreign nationals and midcareer hires to middle managerial positions

YAMASHIN is promoting the hiring of core human resources to management positions according to their abilities and track record, based on the premise of putting the right person in the right position regardless of nationality, age, gender, and whether or not they are mid-career hires. The ratio of non-Japanese employees in management positions was 0% at the end of FY2023, with a goal of 5% by the end of FY2028. The ratio of mid-career hires in management positions was 85.4% at the end of FY2023, and YAMASHIN will continue to actively recruit such employees.

##### 2. Policies for human resource development and internal environment development to ensure diversity

YAMASHIN began its zero-overtime initiative in October 2015 and has invested in the necessary operational infrastructure to achieve this goal. As a result, we have established a work system that, in principle, does not require overtime work since FY2017. In addition, since FY2021, we have been implementing a hybrid work style reform that also incorporates remote work, and we are continuing to improve the life-work balance. We will continue to promote further work style reforms to create a corporate culture of well-being, as the improvement of the workplace environment will lead to increased productivity and efficiency of our management through support for employees to balance work with childcare and nursing care, and increased learning opportunities for career development.

#### Principle 2.6 Roles of Corporate Pension Funds as Asset Owner

The General Affairs Department serves as the main department in charge of proper management and administration of YAMASHIN's corporate pension plan, receiving regular reports on the investment status from the pension plan's investment management institutions.

In order to strengthen the monitoring function of YAMASHIN's corporate pension fund investment management institutions, professionals with expertise in human resources are hired and assigned to this department.

### Principle 3.1 Full Disclosure

#### 1. Business principles, business strategies, and business plans

##### (1) Business policy

The management philosophy of our group is *Rokajinitsukafuru (The Specialist in Filtration)*. This management philosophy embodies the will of our founder, Masahiko Yamazaki, to contribute to society through the filter business. Based on this unchanging DNA, the Group, through its filter business, will work to solve problems to realize a sustainable society with the themes of "Environment," "Air quality," and "Health" and we will strive to further strengthen our corporate sustainability and maximize our corporate value.

##### (2) Target management indicators

We have established our own management index, MAVY's. MAVY's is a quantitative indicator of the value added generated from business earnings through invested capital, and is the most important management indicator for determining the sustainable growth of our corporate value.

In addition, we will strive for long-term sustainable growth by setting MAVY's Spread targets for each period and constantly working to optimize weighted cost of capital (WACC) and maximize earning power (ROIC). Under MAVY's management, ROE and P/B ratio are set as key management indicators in terms of key goal indicators (KGI), and key performance indicators (KPI) are specifically set to achieve each KGI. By setting clear quantitative and qualitative key success factors (KSF) for each department and targets for each employee to achieve KGI and KPI, the entire company is united in its efforts to enhance corporate value.

##### (3) Medium- to long-term management strategies and issues to be addressed by YAMASHIN

###### ① Sustainable enhancement of corporate value through efficient capital management

YAMASHIN's management is based on the sustainable expansion of MAVY's as a corporate value indicator. However, YAMASHIN's weighted average cost of capital (WACC) for FY2022 was approximately 7.5%, and ROIC was approximately 3.1%, which was below the cost of capital. Therefore, improving ROIC to 8.0% or more is an urgent priority.

In order to achieve this, we will promote business structure improvement in our mainstay construction machinery filter business, and at the same time, we will aggressively deploy advanced materials based on nanofiber technology in our construction machinery filter and air filter businesses, and create higher value-added businesses by entering new business fields, etc. This business plan will be disclosed in the medium-term management plan. In addition, we will strive to improve P/B ratio by clearly demonstrating the long-term sustainable growth potential that we are aiming for through the formulation and disclosure of a business plan that reflects our equity story.

###### ② Initiatives to achieve a sustainable environment and society

Our efforts to achieve a sustainable environment and society include climate change initiatives and proactive investment in human capital. Specifically, we have expressed our support for the Task Force on Climate-related Financial Disclosures (TCFD) and disclosed our efforts to reduce carbon dioxide emissions and address climate change through the CDP. In addition, we will continue our efforts to obtain SBT (Science Based Targets) certification by setting specific mid- to long-term greenhouse gas emission reduction targets. Furthermore, as for investment in human capital, we will strive to realize a "well-being" society for our employees and others by investing in "human capital with diverse values."

(Note) Sustainability Report (<https://www.yamashin-filter.co.jp/eng/sustainability.html>)

###### ③ Enhancement of corporate governance functions

The Group has established the Governance Committee as an advisory body to the Board of Directors to discuss a wide range of matters related to corporate governance and management issues and to continuously improve the corporate governance functions. The Committee evaluates the effectiveness of the Board of Directors' management oversight function, advises the Board of Directors on issues, proposes improvements, submits reports, and notifies executive officers. To ensure transparency and objectivity, the Committee consists of independent outside directors.

In addition, we have established the Business Operation Oversight Committee, an advisory body to the Representative Director, as an internal committee for the purpose of monitoring and checking risks related to business execution by group companies and providing support for evaluation work conducted by internal audits. Through the expansion and strengthening of this internal control organization, we will further improve the governance and compliance of the entire consolidated group. Based on the activities of the Governance Committee and the Business Operation Oversight Committee, we will strive to improve the transparency and quality of management by appropriately supervising the execution of business operations through more enhanced checks and balances, and to strengthen corporate governance by more clearly demonstrating accountability.

(Note) Securities Report (<https://www.yamashin-filter.co.jp/ja/ir/library/securities.html>)

#### 2. Basic views on corporate governance

The Group believes that it is important to build strong relationships of trust with its stakeholders, including shareholders, business partners, employees, and local communities, and to enhance its corporate value while contributing to society through the filter business. Therefore, we recognize the importance of compliance with laws, regulations, and related rules, ensuring sound, appropriate, and transparent management, and ensuring a timely and appropriate information disclosure system as key issues for corporate governance, and we are working to ensure these systems.

#### 3. Policies and procedures in determining the remuneration of the senior management and directors

The amount of remuneration for each director (excluding directors who are members of the Audit and Supervisory Committee) is determined by the Board of Directors within the maximum amount of remuneration approved at the General Meeting of Shareholders. Remuneration consists of "basic remuneration" as fixed remuneration, "performance-linked remuneration" as a short-term incentive, and "restricted stock remuneration" as a medium- to long-term incentive. YAMASHIN has established a Compensation Committee, which is an advisory body to the Board of Directors and consists of a majority of outside directors, to ensure the appropriateness and transparency of director remuneration through fair deliberations.

The amount of remuneration for directors who are members of the Audit and Supervisory Committee is within the limit of remuneration, and only fixed remuneration is determined upon consultation with the Audit and Supervisory Committee.

#### 4. Policies and procedures in the appointment of the senior management and the nomination of directors

In the selection and dismissal of senior management and the nomination of possible directors (excluding directors who are members of the Audit and Supervisory Committee), YAMASHIN comprehensively considers the right person for the right job from the perspective of accurate and prompt decision-making, appropriate risk management, supervision of business execution, and a balance that enables coverage of each function of YAMASHIN, including sales, development, and production. In nominating candidates for directors who are members of the Audit and Supervisory Committee, YAMASHIN comprehensively considers them from the perspective of putting the right person in the right place, while ensuring a balance between the diverse perspectives on corporate management possessed by each candidate, taking into consideration their knowledge of finance, accounting, legal affairs, etc., as well as diversity factors such as gender, nationality, and race.

In order to enhance transparency, objectivity, and fairness, the Nominating Committee, which is an advisory body to the Board of Directors and consists of a majority of outside directors, deliberates on the selection and dismissal of senior management and nomination of candidates for directors before the Board of Directors makes these decisions.

## 5. Explanations with respect to the individual appointments/dismissals

Reasons for individual selection, dismissal and nomination of directors, including those other than independent outside directors, are disclosed in the Notice of the Ordinary General Meeting of Shareholders. The Notice of Convocation of the Ordinary General Meeting of Shareholders for the 60th through the 68th meetings are disclosed on YAMASHIN's website. <http://www.yamashin-filter.co.jp/ja/ir/stock/meeting.html>

### Supplemental Principle 3-1-3: Enhance disclosure of information on sustainability

<Sustainability Initiatives>

The Group's management philosophy, *Rokajini Tsukafuru (The Specialist in Filtration)*, is the Group's Sustainability Policy.

In order to realize a sustainable society, we will contribute to solving social issues related to "Environment," "Air quality," and "Health" by leveraging our strengths cultivated in the filter business.

The Yamashin Group has established the YSS (Yamashin Sustainable Solutions) Committee as an advisory body to the President and CEO to discuss issues related to sustainability, including climate change, and to identify materiality that the Group must address in response to social issues. In particular, climate change has become a pressing global issue, and we have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and are taking initiatives and disclosing information in accordance with its recommendations.

The Group's sustainability initiatives, including its sustainability policy, materiality, and response to TCFD recommendations, are disclosed in the Sustainability Report and on the Group's website.

<Investments in human capital and intellectual properties>

Based on the policies of "creating a workplace that is rewarding to work in" and "creating a workplace where diverse human resources can demonstrate their abilities," the Group implements talent management in order to develop next-generation leaders, including future candidates for executive positions. In addition, YAMASHIN implements measures to increase motivation and assign the right personnel to the right positions based on potential evaluation. We are investing in training programs, especially for executive personnel, that include not only skills development but also exchanges with external personnel, as well as other internal and external training programs. Our human capital initiatives and various data are presented in our Sustainability Report.

With regard to intellectual property, we have made sufficient investment in development, including capital investment in R&D facilities, based on our motto, "Innovation in filter technology and contribution to new social issues." We have identified "Environment," "Air quality," and "Health" as social issues that our group should contribute to solving, and we are working to create high value-added products as a comprehensive filter manufacturer, focusing on filters for construction machinery and air filters, etc. In addition, the Group is working to protect its intellectual property and strengthen its brand power through the secrecy of expertise and the acquisition of intellectual property rights for core technologies and other proprietary technologies developed by the Group. The number of patents obtained is shown in the Sustainability Report.

### Supplementary Principle 4.1.1 Scope of Delegation from Directors to Management

The Board of Directors makes decisions on matters stipulated in the laws such as Companies Act and the Articles of Incorporation, as well as other important matters concerning management as stipulated in the Board of Directors Regulations.

Decisions on other matters are delegated to the Management Committee and directors, etc., in accordance with the Rules on Administrative Authority.

### Principle 4.8 Effective Use of Independent Directors

YAMASHIN has appointed five outside directors who meet the criteria for independent directors as stipulated in the listing rules of the Tokyo Stock Exchange and are registered with the Tokyo Stock Exchange as independent directors. The ratio of independent outside directors to the current total number of directors (10) is 50%.

The Independent Outside Directors use their experience and wide range of insight to provide useful opinions from outside perspectives in decision-making regarding YAMASHIN's management and business execution.

### Principle 4.9 Independence Standards and Qualification for Independent Directors

In nominating independent outside directors, YAMASHIN has nominated them in accordance with the independence standards stipulated by the Tokyo Stock Exchange.

### Supplementary Principle 4.10.1 Number of Independent Outside Directors

YAMASHIN has appointed five independent outside directors, which is half of the Board of Directors. Nomination and remuneration of directors are subject to deliberation by a voluntary advisory committee (Nominating Committee and Compensation Committee), the majority of which are composed of outside directors (4 directors, including 3 Audit and Supervisory Committee members), thereby strengthening the independence and objectivity of the Board of Directors' functions.

### Supplementary Principle 4.11.1 Diversity and Size of the Board

YAMASHIN's Board of Directors has a skills matrix of the knowledge, experience, and abilities of each director to balance between skills and diversify of the Board.

Our Board of Directors consists of five internal directors and five independent outside directors. Outside directors have abundant and outstanding knowledge through corporate management, etc., while internal directors have specialized skills and expertise in the execution of YAMASHIN's development, production, sales, administration, and other operations.

This skill matrix is also disclosed in the Notice of Convocation of the Ordinary General Meeting of Shareholders.

### Supplementary Principle 4.11.2 Status of Concurrent Director Positions

Directors hold concurrent positions only to the extent reasonable to ensure that they have the time and energy necessary to fulfill their responsibilities in YAMASHIN's operations. The status of directors holding concurrent positions is disclosed in the Notice of Convocation of the Ordinary General Meeting of Shareholders.

### Supplementary Principle 4.11.3 Analysis and Evaluation of the Effectiveness of the Board

Each year, the Board of Directors of YAMASHIN conducts a self-evaluation by each director, analyzes and evaluates the effectiveness of the Board of Directors as a whole with reference to such evaluation, and shares the results of such analysis and evaluation. Specifically, a questionnaire is sent to all directors, including Audit and Supervisory Committee members, which is then verified by the Board of Directors Secretariat and the Audit and Supervisory Committee in an effort to ensure objectivity.

In the current fiscal year, the results of the analysis and evaluation concluded that the effectiveness of the Board of Directors was generally ensured in terms of the composition of the Board of Directors, the way it operates, and the role of outside directors on the Board of Directors. In addition, we will strive to further improve the effectiveness of the Board of Directors in all aspects by strengthening the expertise and diversity regarding business execution of each director, appropriately incorporating the performance evaluation of senior management in personnel and remuneration, and providing early sharing of information and prior explanations as appropriate concurrently with the review of agenda items to be discussed at the Board of Directors meetings.

Meanwhile, the enhancement of discussions using various indicators (P/B ratio, WACC, ROIC, etc.) for the realization of the medium- to long-term management plan, an issue recognized in the current fiscal year, will be addressed and implemented at future Board of Directors meetings.

### Supplementary Principle 4.14.2 Training Policy for Directors

YAMASHIN provides opportunities for directors to acquire the knowledge necessary to fulfill their roles and responsibilities, and YAMASHIN pays for their expenses.

YAMASHIN strives to promote the acquisition of knowledge necessary for directors (excluding directors who are members of the Audit and Supervisory Committee) and an understanding of their roles and responsibilities as directors by regularly holding seminars by outside experts on legal, financial, and other relevant laws and regulations, as well as on content appropriate to current conditions, and by providing opportunities to participate in outside seminars and social gatherings.

Directors who are Audit and Supervisory Committee members participate in outside seminars and social gatherings as necessary to acquire the knowledge and skills necessary to serve as Audit and Supervisory Committee members, including corporate law, financial accounting, and auditing methods, and to promote an understanding of the roles and responsibilities of Audit and Supervisory Committee members.

For outside directors, each division provides explanations of its business and operations to deepen their understanding of YAMASHIN's group, and they are given opportunities to inspect major business sites.

#### Principle 5.1 Policy for Constructive Dialogue with Shareholders

In order to achieve sustainable growth and increase corporate value over the medium to long term, we believe it is important to hold dialogues with our shareholders and incorporate their opinions into the management of YAMASHIN which will lead to YAMASHIN's growth.

Based on this policy, YAMASHIN actively engages in dialogue with its shareholders.

- 1) YAMASHIN has appointed a director in charge of IR, and the director in charge of IR oversees the divisions related to IR activities in the Administration Division (Accounting Department and General Affairs Department) to ensure day-to-day coordination among these divisions.
- 2) The relevant internal departments that assist in constructive dialogue with shareholders, such as the departments related to IR activities in the Administration Division (Accounting Department and General Affairs Department), actively work together to prepare and review disclosure materials and share necessary information in order to realize constructive dialogue.
- 3) As a means of dialogue other than individual meetings, YAMASHIN holds quarterly financial results briefings for analysts and institutional investors, at which the President, Director in charge of IR, and others provide explanations. In addition, YAMASHIN actively accepts and responds to IR interviews such as telephone interviews and small meetings from investors.
- 4) Shareholder opinions and other information obtained through dialogue are shared and utilized by providing feedback to directors, management and related departments by means such as reporting at meetings and distributing reports, as necessary.
- 5) Regarding insider information, YAMASHIN has established Insider Trading Control Regulations and strives to appropriately manage important facts and prevent insider trading. In addition, the period prior to the announcement of financial results is a silent period during which dialogue with investors is restricted.

#### Measures to Achieve Management with Awareness of Cost of Capital and Stock Prices

The most important management issue for YAMASHIN is to improve and expand profits, as MAVY's, which indicates the added value of management, continues to show profits (ROIC) below the cost of capital (WACC) for the past five years, and improving and expanding profits is an urgent and the most important management issue.

<Current Evaluation>

YAMASHIN's ROIC for FY2022 is 3.1%, WACC is approximately 7.5%, and MAVY's (EVA spread = ROIC - WACC), the difference between ROIC and WACC, is -4.4%, indicating a negative MAVY's for the last five years. In addition, the market capitalization for the same fiscal year is 24.3 billion yen, and the actual P/B ratio has dropped nearly 1x to 1.2x. YAMASHIN believes it is urgent to improve investment efficiency as well as quickly implement measures to raise the market capitalization.

KGI	FY2018	FY2019	FY2020	FY2021	FY2022
MAVY's (Spread) (%)	0	-6.6	-11.3	-2.8	-4.4
ROIC (%)	7.8	3.3	-1.4	4.7	3.1
WACC (%)	7.8	9.9	9.9	7.5	7.5
PER (fold)	34.6	81.1	82.5	529.0	37.7
P/B ratio (fold)	2.7	2.7	3.0	1.2	1.2
Market capitalization (millions of yen)	48,917	49,332	62,917	24,920	24,332

Looking back at the changes in WACC and ROIC in the trends over the past five years

① Regarding WACC, for the growth of our business, we raised funds from the stock market, and WACC was about 7.5% in FY2022, backed by new and expanded development bases as well as renewal and new investment in domestic and overseas production bases.

② Meanwhile, with respect to the expansion of earnings from investments to expand and strengthen businesses, there has been a significant delay in the improvement of ROIC due to changes in the external environment associated with the COVID-19 pandemic and increases in raw material costs, logistics costs, and labor costs due to soaring prices.

<Policy and Goals>

YAMASHIN will indicate its business policy in its medium-term management plan to be disclosed in May 2024. YAMASHIN has traditionally set a target of achieving ROIC of 8.0% or higher.

<Initiatives>

In FY2023, we are working to reform our profit structure through measures such as implementing price revisions and reducing fixed costs, and we are currently formulating a medium-term management plan for FY2026, which we will realize as soon as possible.

(Reference)

We are taking steps to realize management that is conscious of cost of capital and stock price. Specifically, we have established the management indicator MAVY's. MAVY's is a quantitative indicator of the added value generated from business earnings through invested capital, and is the most important management indicator for determining the sustainable growth of our company's corporate value. In addition, we set a MAVY's Spread, a quantitative target calculated from the difference between ROIC and WACC, for each fiscal year, and will strive for long-term sustainable growth by constantly optimizing the cost of capital (WACC) and improving earning power (ROIC).

Under MAVY's management, ROE and the P/B ratio are set as key goal indicators (KGI) to be achieved, and key performance indicators (KPI) to achieve each KGI are set individually and specifically. At the same time, by clearly establishing quantitative and qualitative key success factors (KSF) for each department to achieve KGI and KPI, the entire company is united in its efforts to enhance corporate value.

Details are listed on our home page ([https://www.yamashin-filter.co.jp/ja/news/news\\_20240205\\_001/main/00/link/20240205\\_Setsumei.pdf](https://www.yamashin-filter.co.jp/ja/news/news_20240205_001/main/00/link/20240205_Setsumei.pdf)).

## 2. Capital Composition

Percentage of shares held by foreigners

Less than 10%

## Major Shareholders

Name	Number of shares held	Percentage (%)
YAMABIKO CORPORATION	12,055,950	16.84
Asama Holdings	12,000,000	16.76
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,812,100	8.12
Hiroaki Yamazaki	2,038,695	2.84
Takaaki Yamazaki	2,017,101	2.81
Minato Holdings Inc	1,800,000	2.51
Custody Bank of Japan, Ltd. (Trust Account)	1,182,200	1.65
Atsuhiko Yamazaki	1,129,258	1.57
Sumitomo Mitsui Banking Corporation	900,000	1.25
KEYAKI HD.	900,000	1.25

Controlling shareholders (excluding parent company)	—
Parent company	None

#### Additional explanation

- Of the shares held by The Master Trust Bank of Japan, Ltd. (trust account), 2,744,500 shares are related to trust operations. The breakdown of these shares is 2,707,700 shares for investment trusts and 36,800 shares for pension trusts.
- The number of shares held by The Custody Bank of Japan, Ltd. (Trust Account) related to trust business is 825,400 shares. These consist of 786,100 shares for investment trusts and 39,300 shares for pension trusts.
- In the revision report made available for public viewing on February 22, 2023, it is stated that Nomura Securities Co, Ltd. and their joint holders Nomura International plc and Nomura Asset Management Co., Ltd. are listed as holding shares of YAMASHIN as of February 15, 2023, but YAMASHIN is unable to confirm the number of shares actually held as of March 31, 2023, and therefore they are not included in the above list of major shareholders.

### 3. Corporate Attributes

Listed exchanges and market segments	Tokyo Prime
Fiscal Year end	March
Industry	Machinery
Number of (consolidated) employees at the end of the immediately preceding fiscal year	500 or more but less than 1,000
Consolidate sales in the immediately preceding fiscal year	10 billion yen or more but less than 100 billion yen
Number of consolidated subsidiaries as of the end of the immediately preceding fiscal year	Less than 10

### 4. Guidelines Concerning Minority Shareholders Protection Policy in Transactions with Controlling Shareholders

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### 5. Other Special Circumstances that may Have a Substantial Impact on Corporate Governance

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## II Status of Management Organization and Other Corporate Governance Systems Related to Management Decision-Making, Execution, and Supervision

### 1. Matters Pertaining to Institutional Structure, Organizational Operation, etc.

Organizational structure	Company with Audit and Supervisory Committee
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## Directors

Number of directors under the Articles of Incorporation	11
Appointment period of directors under the Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of directors	10
Appointment of outside directors	Appointed
Number of outside directors	5
Number of outside directors designated as independent directors	5

### Relationship with YAMASHIN (1)

Name	Attribute	Relationship with YAMASHIN (*)												
		a	b	c	d	e	f	g	h	i	j	k		
Hideaki Morita	From another company													
Miyoko Yoshikawa	From another company													
Shinya Fukuzaki	Attorney													
Hiroshi Itano	From another company													
Naruhiko Takatsuji	From another company													

\*Selected items regarding relationship with YAMASHIN.

\*If the director applies to each item in the "current/recent" category, a ○ is displayed, and if the director applies to each item in the "past," a △ is displayed.

\*If a close relative applies to each item in the "current/recent" category, a ● is displayed, and if a close relative applies to each item in the "past" category, a ▲ is displayed.

- a An executive officer of the listed company or its subsidiary
- b An executive or non-executive director of the parent company of a listed company
- c A person who executes the business of a sibling company of the listed company
- d A person who is a major business partner of the listed company or a person who executes the business of the listed company
- e A major business partner of the listed company or a person who executes the business of the listed company
- f Consultants, accounting experts, or legal experts who receive a large amount of money or other assets from the listed company other than remuneration as an officer
- g A major shareholder of a listed company (if such major shareholder is a corporation, an executive officer of such corporation)
- h An executive officer of a business partner of the listed company (not falling under any of d, e, or f) (only the individual concerned)
- i An executive officer of the party with whom the outside officer has a reciprocal appointment (only the individual concerned)
- j An executive officer of the recipient to whom a listed company has made a donation (only the individual concerned)
- k Other

### Relationship with YAMASHIN (2)

Name	Audit and Supervisory Committee	Independent Director	Supplemental explanation of conformance	Reason for appointment
Hideaki Morita		○	Outside Director/Board Member, AQC Corp.	Hideaki Morita has been appointed to provide useful opinions and guidance to the management of YAMASHIN's group based on his extensive experience in corporate management at other companies.
Miyoko Yoshikawa		○	Representative Director, Office M&G Co. Visiting Professor, Faculty of Sociology, Kyoto Sangyo University	Miyoko Yoshikawa has been appointed to provide useful opinions and suggestions to our Group management based on her extensive experience in compliance and gender-related work at other companies.

Shinya Fukuzaki	○	○	Attorney, Fukuzaki Law Office Outside Director/Board Member, COLOWIDE CO., LTD. Outside Director/Board Member, FORESIGHT Co., Ltd.	Shinya Fukuzaki has professional knowledge and broad insight as a lawyer, and has been appointed outside director as a member of the Audit and Supervisory Committee so that he can incorporate his knowledge and insight into the supervision and auditing of YAMASHIN.
Hiroshi Itano	○	○	Outside Director/Board Member, Data Applications Co., Ltd.	Hiroshi Itano has abundant experience and knowledge as a representative director of a business corporation, and has been appointed outside director as a member of the Audit and Supervisory Committee so that he can incorporate his experience and knowledge into the supervision and auditing of YAMASHIN.
Naruhiko Takatsuji	○	○	Visiting Researcher, Tama University Center for Social Investment Outside Director, Punch Industry Co., Ltd Visiting Professor, Professional University of Information and Management for Innovation Director & Economic Analyst, Japan Governance & Valuation Institute Part-time Instructor, Faculty of Liberal Arts and Sciences, Tokyo City University  Outside Director/Board Member, NITTOKU CO., LTD.	Naruhiko Takatsuji has been appointed to ensure the soundness of YAMASHIN's management by appropriately evaluating YAMASHIN's performance and other matters from an independent and objective standpoint, utilizing his knowledge and insight as an expert in economic and corporate analysis, the machinery industry, and investor relations.

## Audit and Supervisory Committee

### Composition of Committee Members and Attributes of the Chairperson

	Total Committee members	Standing Committee members	Internal directors	Outside directors	Chairperson
Audit and Supervisory Committee	4	1	1	3	Internal director

Presence of Directors and Employees to assist the Audit and Supervisory Committee in its duties

Yes

### Matters Concerning the Independence of Such Directors and Employees from the Executive Directors

- In order to enhance the effectiveness and efficiency of the Audit and Supervisory Committee's audits, employees are assigned to assist the Audit and Supervisory Committee at the request of the directors who are members of the Audit and Supervisory Committee.
- In order to ensure the independence of employees who assist the Audit and Supervisory Committee and the execution of instructions to such employees, personnel transfers, evaluations, and disciplinary actions against such employees are subject to the approval of the Audit and Supervisory Committee.

### Collaboration among the Audit and Supervisory Committee, Accounting Auditor, and Internal Audit Department

The Audit and Supervisory Committee exchanges information with the Internal Audit Office and the Independent Auditor to ensure mutual cooperation.

## Voluntary Committee

Voluntary Committees Equivalent to Nominating Committee or Remuneration Committee

Yes

### Establishment of a Voluntary Committee, Composition of Committee Members and Attributes of the Chairperson

Committee name	Total Committee members	Standing Committee members	Internal directors	Outside directors	Outside professionals	Other	Chairperson
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Voluntary Committee equivalent to a Nominating Committee	Nominating Committee	6	0	2	4	0	0	Outside director
Voluntary Committee equivalent to a Remuneration Committee	Remuneration Committee	6	0	2	4	0	0	Outside director

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Additional Information

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Refer to Principle 3-1.4 for the procedures for nominating candidates for directors and appointing senior management, and Principle 3-1.3 for the procedures for determining the remuneration of directors and senior management.



## Independent Directors

Number of independent directors	5
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Other Items Related to Independent Directors

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YAMASHIN designates all outside directors who meet the qualifications for independent directors as independent directors.

## Incentives

Status of measures to provide incentives to directors	Other
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Additional Information about Applicable Items

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The amount of performance-linked remuneration is determined on an individual basis according to YAMASHIN's overall performance, and restricted stock is granted as an incentive to increase shareholder value over the medium to long term.

Persons to whom stock options are granted	
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Additional Information about Applicable Items

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## Director Remuneration

Disclosure status (of individual director remuneration)	Individual disclosure of only some
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Additional Information about Applicable Items

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Disclosure is made in accordance with the provisions of the Companies Act, Financial Instruments and Exchange Act, Cabinet Office Ordinance on Disclosure of Corporate Information, and other related laws and regulations.

Existence of policy for determining the amount of remuneration or its calculation method	Yes
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Details of Disclosure of Policy for Determining Amount of Remuneration and Method of Calculation of Remuneration

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The amount of remuneration for each director (excluding directors who are members of the Audit and Supervisory Committee) is determined by the Board of Directors within the limit of remuneration approved at the General Meeting of Shareholders. Remuneration consists of "basic remuneration" as a fixed remuneration, "performance-linked remuneration" as a short-term incentive, and "restricted stock remuneration" as a medium- to long-term incentive, in accordance with the role of each director. YAMASHIN has established a Compensation Committee, which is an advisory body to the Board of Directors and consists of a majority of outside directors, to ensure the appropriateness and transparency of directors' remuneration through fair deliberations.

Remuneration for directors who are members of the Audit and Supervisory Committee is determined by the Audit and Supervisory Committee through discussions on the amount of fixed remuneration only within the maximum amount of remuneration approved at the General Meeting of Shareholders.

## Support System for Outside Directors

The Administration Division provides support to the outside directors of YAMASHIN, including the distribution of notices and materials related to Board of Directors meetings and other necessary support.

## 2. Items Related to Functions such as Business Execution, Audit, Supervision, Nomination, and Remuneration Decisions (Outline of the Current Corporate Governance Structure)

### 1. Overview of the Current Corporate Governance Structure (Reference material: Refer to the Corporate Governance Structure Diagram)

At the 61st Ordinary General Meeting of Shareholders held on June 23, 2016, YAMASHIN's Articles of Incorporation were approved to change to a Company with Audit and Supervisory Committee, and as a result, YAMASHIN changed from a Company with Board of Corporate Auditors to a Company with Audit and Supervisory Committee effective the same date. The purpose of this transition is to further strengthen the supervisory function of the Board of Directors and corporate governance, to realize more transparent management, and to improve management mobility. After the transition to a company with Audit and Supervisory Committee, the Board of Directors consists of 10 directors (including 4 directors who are Audit and Supervisory Committee members), of which 5 are outside directors (including 3 outside directors who are Audit and Supervisory Committee members).

### 2. Description of YAMASHIN's Institutions

#### (1) Board of Directors

The Board of Directors consists of six directors (excluding directors who are members of the Audit and Supervisory Committee) and four directors who are members of the Audit and Supervisory Committee, including three outside directors. In addition to regular monthly meetings of the Board of Directors, extraordinary meetings of the Board of Directors are held as necessary to make decisions on YAMASHIN's management policies, management strategies, business plans, acquisition and disposal of important assets, important organizational and personnel matters, and to supervise the execution of business by YAMASHIN and its subsidiaries. The term of office of directors (excluding those who are members of the Audit and Supervisory Committee) is one year, and the term of office of those who are members of the Audit and Supervisory Committee is two years, in order to clarify management responsibility for each fiscal year.

#### (2) Audit and Supervisory Committee

The Audit and Supervisory Committee, consisting of one internal director and three external directors, effectively monitors and audits management decision-making and business execution. In addition to the Board of Directors meetings, Audit and Supervisory Committee members attend and express their opinions at important meetings such as the Management Conference. One Audit and Supervisory Committee member among the outside directors is experienced in corporate management and has considerable knowledge of corporate management strategies and business plans, while another Audit and Supervisory Committee member has knowledge and insight into corporate analysis as an expert in international economics, and another Audit and Supervisory Committee member is an attorney and has considerable knowledge in the field of compliance.

#### (3) Nominating Committee and Compensation Committee

In order to improve corporate governance, YAMASHIN has established the Nominating Committee which is responsible for selecting senior management and deciding on candidates for directors and Audit and Supervisory Committee members, and the Compensation Committee which is responsible for calculating the remuneration of directors and other officers as advisory bodies to the Board of Directors. In order to ensure transparency and objectivity, the majority of the members of both committees are outside officers.

#### (4) Governance Committee

YAMASHIN has established the Governance Committee as an advisory body to the Board of Directors for the purpose of discussing a wide range of corporate governance and business matters and continuously improving corporate governance, including evaluating the effectiveness of the Board of Directors' management oversight functions, providing advice to the Board of Directors on issues, proposing improvements, making reports, and notifying executive officers. To ensure transparency and objectivity, the committee is composed of independent outside directors.

#### (5) Management Conference

YAMASHIN holds regular Management Conference once a month and extraordinary ones as necessary. The Management Conference is composed of directors and executive officers. The Management Conference discusses and resolves important management matters for the purpose of strengthening corporate governance and promoting business execution, and was established to facilitate the smooth operation of the Board of Directors. The Management Conference deliberates on proposals to be submitted to the Board of Directors, thereby clarifying the decision-making process and ensuring transparency.

#### (6) YSS Committee

Aiming at management based on a sustainability perspective, we have launched the SDGs promotion project YSS (Yamashin Sustainable Solutions) and established the YSS Committee, an advisory body to the President, to promote the project. Through the activities of this Committee, we are striving to contribute to society by realizing our management philosophy "*Rokajini Tsukafuru*" (*The Specialist in Filtration*), creating new value by leveraging our technological capabilities, and solving social issues such as decarbonization, TCFD, renewable energy, and resource recycling.

#### (7) Business Operation Oversight Committee

The Business Operation Oversight Committee, an advisory body to the President, has been established as an internal committee for the purpose of monitoring risks related to business execution by group companies and supporting the evaluation work conducted by internal audits. Through this committee, we will strive to improve the transparency and quality of management through appropriate supervision of business execution by further strengthening the check-and-balance function, etc., and to strengthen corporate governance by more clearly demonstrating accountability.

#### (8) Cost Planning Committee

YAMASHIN has established a Cost Planning Committee, an advisory body to the President, with the aim of strengthening the earnings management system for the entire group. The committee monitors the performance of existing products to manage profitability and promote cost reduction activities, as well as conducts cost planning, VA (Value Analysis), and VE (Value Engineering) activities to achieve the quality and functionality demanded by customers at the lowest possible cost, starting from the new product development stage. Through the activities of this Committee, we will strive to further strengthen our earnings base and secure an overwhelming competitive edge over our customers.

#### (9) Internal Audit Office

The purpose of internal audits is to ensure that the business activities of each department are properly and efficiently executed in accordance with laws, the Articles of Incorporation, and internal regulations, as well as to audit whether the organization, systems, and procedures for business management are appropriate. The Internal Audit Office is in charge of auditing, and conducts operational audits and internal control evaluations based on the Internal Audit Regulations.

The Internal Audit Office exchanges information with the Audit and Supervisory Committee and the accounting auditor to ensure mutual cooperation.

#### (10) Status of Accounting Auditors

YAMASHIN is audited and certified by Deloitte Touche Tohmatsu LLC, an accounting auditing firm, in accordance with the services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

The certified public accountants who performed the accounting audit services are as follows

- Kazutoshi Hosono (Continuous auditor for 6 years)
- Mitsutaka Yamazaki (Continuous auditor for 4 years)

### 3. Reasons for Choosing the Current Corporate Governance Structure

We have shifted to a company with an Audit and Supervisory Committee in order to further strengthen the supervisory function of the Board of Directors and corporate

The Audit and Supervisory Committee, consisting of a majority of outside directors, is responsible for auditing and supervising the legality and appropriateness of business execution, thereby realizing more transparent management and building a system that can more accurately meet the expectations of stakeholders in Japan and overseas. In addition, by delegating the authority of the Board of Directors to make business decisions to the directors, management decision-making and execution are expedited under the appropriate supervision of the Board of Directors.

## III Implementation of Measures Concerning Shareholders and Other Stakeholders

### 1. Status of Efforts to Vitalize General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Additional Information
Early dispatch of Notice of Convocation of General Meeting of Shareholders	We send out the financial statements early (more than two weeks prior to the date of the meeting) in order to accelerate the closing process.
Setting up General Meeting of Shareholders to avoid intensive days	We avoid days when other companies' general shareholders' meetings are expected to be focused, and set dates when it is easier for many shareholders to attend the meeting.
Exercise of voting rights by electromagnetic means	We participate in the Electronic Voting Platform for institutional investors operated by ICJ, Inc.

### 2. IR Activities

	Additional Information	Existence of explanation from representative
Regular briefings for analysts and institutional investors	In addition to holding quarterly financial results briefings, we will actively promote a deeper understanding of our company by holding individual meetings and small meetings with analysts and institutional investors on a quarterly basis.	Yes
Posting of IR materials on our website	We post information on our website including financial results, timely disclosure information other than financial results, and company presentation materials. We will continue to actively disclose various materials to deepen understanding of our company.	
Establishment of a department (person in charge) for IR	Accounting Department	

### 3. Initiatives to Ensure Due Respect for Stakeholders

	Additional Information
<b>Respecting the position of stakeholders through internal rules, etc.</b>	YAMASHIN has established a Basic Compliance Policy regarding various business operation risks such as legal affairs, labor, product quality and safety, etc., and has also established a Corporate Code of Conduct and Corporate Action Guidelines. We also recognize that thorough compliance is indispensable for improving corporate value, and we thoroughly ensure that all officers and employees comply with laws and regulations and conduct themselves in a highly ethical manner.
<b>Implementation of environmental preservation activities, CSR activities, etc.</b>	In order to protect the global environment, we will not only constantly strive to develop technologies which will reduce the burden on the environment through our own business activities, but will also work continuously to prevent environmental pollution and protect the environment.

## IV Matters Related to Internal Control System, etc.

### 1. Basic Policy and Status of Internal Control System

YAMASHIN's Board of Directors has established the following Basic Policies for Internal Control System regarding the system to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, as well as other systems to ensure the appropriateness of YAMASHIN's operations.

1. System to ensure that the execution of duties by directors and employees of YAMASHIN and its subsidiaries complies with laws and regulations as well as the Articles of Incorporation
  - (1) YAMASHIN shall establish regulations concerning the compliance system and establish a code of conduct for directors to conduct themselves in compliance with laws, regulations, the Articles of Incorporation, and the management philosophy of the Group.
  - (2) YAMASHIN shall establish the Corporate Action Guidelines to clarify the fundamental principles of corporate activities and provide compliance education for employees.
  - (3) YAMASHIN shall establish a compliance-related consultation desk in the General Affairs Department to provide a mechanism for reporting and consultation. The General Affairs Department and the Directors who are Audit and Supervisory Committee members shall cooperate with each other on a regular basis to develop a company-wide group compliance system.
2. System for the storage and management of information related to the execution of duties by directors and system for reporting to YAMASHIN matters related to the execution of duties by directors and others of subsidiaries
  - (1) Based on the Document Management Regulations, documents pertaining to the execution of duties by directors (including electromagnetic records; the same shall apply hereinafter) shall be stored in a manner that allows Directors to view them.
  - (2) Directors, etc. of subsidiaries shall report to YAMASHIN in accordance with the Affiliate Company Management Regulations.
  - (3) Information shall be shared at Management Conference and at meetings of all Group companies.
3. Regulations and other systems for managing risk of loss of YAMASHIN and its subsidiaries
  - (1) YAMASHIN shall establish Crisis Management Regulations to communicate information and establish an emergency system in the event of an emergency.
4. System to ensure that the directors of YAMASHIN and its subsidiaries execute their duties efficiently
  - (1) By adopting the headquarters system, directors shall concentrate on management functions, such as speeding up management and strengthening supervisory functions, and delegate authority for business execution to general managers to clarify their responsibilities for business execution and speed up business structure reform.
  - (2) In accordance with the Affiliate Company Management Regulations, the Rules on Segregation of Duties, and the Rules on Administrative Authority, the general manager in charge shall give instructions to and manage each responsible person, shall make reports at the Management Conference and other meetings as appropriate, and coordinate among the general managers in charge for matters that cross over between departments.
5. System to ensure the appropriateness of business operations of the corporate group consisting of YAMASHIN and its parent company and subsidiaries
  - (1) YAMASHIN shall establish Corporate Action Guidelines as a corporate group, maintain uniform principles for compliance, information security, etc., and assign a responsible person from YAMASHIN's directors to each subsidiary to manage its business in a comprehensive manner.
6. System to ensure reliability of financial reporting
  - (1) YAMASHIN shall evaluate, maintain, and improve internal control over financial reporting of the Group in accordance with the Financial Instruments and Exchange Law and other applicable domestic and foreign laws and regulations.
  - (2) Each division of YAMASHIN and YAMASHIN's subsidiaries shall strive to ensure the appropriateness of financial reporting by implementing checks and balances through segregation of duties and daily monitoring, etc. in the execution of their own operations.
7. Matters concerning employees to assist the Audit and Supervisory Committee in the performance of its duties when the Committee requests such assistance, matters concerning the independence of such employees from directors, and matters concerning the assurance of the effectiveness of instructions given to such employees
  - (1) YAMASHIN shall ensure that a system is in place that allows for the establishment of employees to assist the Audit and Supervisory Committee in its duties when requested by the Audit and Supervisory Committee.
  - (2) Personnel transfers, evaluations, and disciplinary actions of such employees must be approved by the Audit and Supervisory Committee.
  - (3) Such employees shall have the right to give instructions and orders to the Audit and Supervisory Committee.
8. System for reporting to the Audit and Supervisory Committee and system to ensure that a person who makes a report is not treated disadvantageously for making such a report
  - (1) Directors and employees of YAMASHIN and its subsidiaries, or those who receive reports from them, shall report or inform the Audit and Supervisory Committee of any occurrence or threat of occurrence of matters that may cause material losses to YAMASHIN, any discovery of violations of laws and regulations or misconduct, or any other matters that the Audit and Supervisory Committee specifies as requiring reporting.
  - (2) No one shall be treated disadvantageously by reason of such reporting.
9. Matters concerning the policy for the handling of expenses incurred in the performance of the Audit and Supervisory Committee's duties
  - (1) Expenses necessary for the execution of the Audit and Supervisory Committee's duties shall be paid promptly.
10. Other systems to ensure that Audit and Supervisory Committee audits are conducted effectively
  - (1) The Representative Director shall meet regularly with the Directors who are Audit and Supervisory Committee members to exchange opinions on issues to be addressed by YAMASHIN, risks surrounding accounting, the state of the Audit and Supervisory Committee's auditing environment, and important auditing issues.
11. Basic policy and system for eliminating antisocial forces
  - (1) As part of the system to ensure the appropriateness of business operations, YAMASHIN shall clarify its basic policy and develop a system to eliminate antisocial forces as follows.
  - (2) YAMASHIN's basic policy is to have no relationship with antisocial forces that threaten the order and safety of civil society, and to prohibit any interaction or involvement with such forces, including provision, cooperation, or complicity.
  - (3) The General Affairs Department shall comprehensively manage and deal with antisocial forces in cooperation with attorneys and the competent police department.

## 2. Basic Policy on Elimination of Antisocial Forces and Status of Improvement

As specific activities to prevent any relationship with antisocial forces, we have established the Antisocial Forces Countermeasure Regulations and educate our employees on how to avoid transactions with antisocial forces during in-house training sessions to prevent any relationship with antisocial forces. In addition, the Basic Compliance Policy and Compliance Regulations are posted on the intranet to ensure that all employees are familiar with them.

As a company-wide system for eliminating antisocial forces, we have notified the Kanagawa Prefectural Public Safety Commission of the appointment of a person responsible for preventing unjustified demands, and have appointed a person responsible who has taken a training course for preventing

unjustified demands. In the unlikely event that external contact is made by antisocial forces, the General Affairs Department shall respond, and if necessary, consult with legal counsel, the police, or other experts to take appropriate action. In addition, we have established a contact point for the internal reporting system for any other acts that violate corporate ethics, and have built a system in which internal checks and balances are in place.

In addition, at the start of a new transaction, YAMASHIN conducts a credit check using an external research organization, etc. Furthermore, YAMASHIN has established clauses in its contracts with business partners that allow it to terminate such contracts if any relationship with antisocial forces is revealed, or, with respect to business partners with which it has concluded basic contracts in the past, it has separately concluded new memorandums of understanding regarding the exclusion of antisocial forces.

## Other

### 1. Implementation of Anti-Takeover Measures

Implementation of Anti-Takeover Measures	None
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Additional Information about Applicable Items

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### 2. Other Matters Concerning Corporate Governance System, etc.

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Skills Matrix for Directors

Name	Position in YAMASHIN	Company Management	Sustainability and ESG	Development and Production	Sales and Marketing	Global	Finance and Accounting	Human Resources and Labor	Legal Affairs and Compliance
Atsuhiko Yamazaki	Representative Director / President	◎		○	○	○			
Hiroaki Yamazaki	Director / Senior Executive Vice President	○			◎				
Chikahisa Ioka	Director / Senior Managing Executive Officer	○	○				◎		
Takaaki Yamazaki	Director / Executive Officer			◎					
Hideaki Morita	External/Independent Director	◎			○				○
Miyoko Yoshikawa	External/Independent Director	○	○						◎
Kazuhiro Okoshi	Director, Audit and Supervisory Committee Member	○			○				
Shinya Fukuzaki	External/Independent Director, Audit and Supervisory Committee Member							○	◎
Hiroshi Itano	External/Independent Director, Audit and Supervisory Committee Member	◎			○				
Naruhiko Takatsuji	External/Independent Director, Audit and Supervisory Committee Member	○	◎				○		

\*The areas in which each director has expertise based on his/her experience are marked with a ○, and areas in which he/she is expected to demonstrate particular ability, such as in providing useful advice to executive divisions, are marked with a ◎.

\*The following are the requirements for consideration in selecting the areas in which each director has expertise and in which he/she is expected to demonstrate particular ability.

Area	Requirements for consideration
Corporate Management	Experience and knowledge of corporate management in listed companies (including group companies)
Sustainability and ESG	Experience and knowledge of sustainability and ESG related business
Development and Production	Experience and knowledge of R&D and technology development operations, or experience and knowledge of production operations, production management operations, production technology operations, and purchasing operations
Sales and Marketing	Experience and knowledge of sales and marketing operations
Global	Experience and knowledge of overseas assignments (including management of overseas corporations)
Finance and Accounting	Experience and knowledge of finance/accounting operations/IR operations, experience as an analyst, certified public accountant, etc.
Human Resources and Labor	Experience and expertise in human resources and labor affairs
Legal Affairs and Compliance	Experience and knowledge of legal and compliance operations, qualification as attorney-at-law, etc.

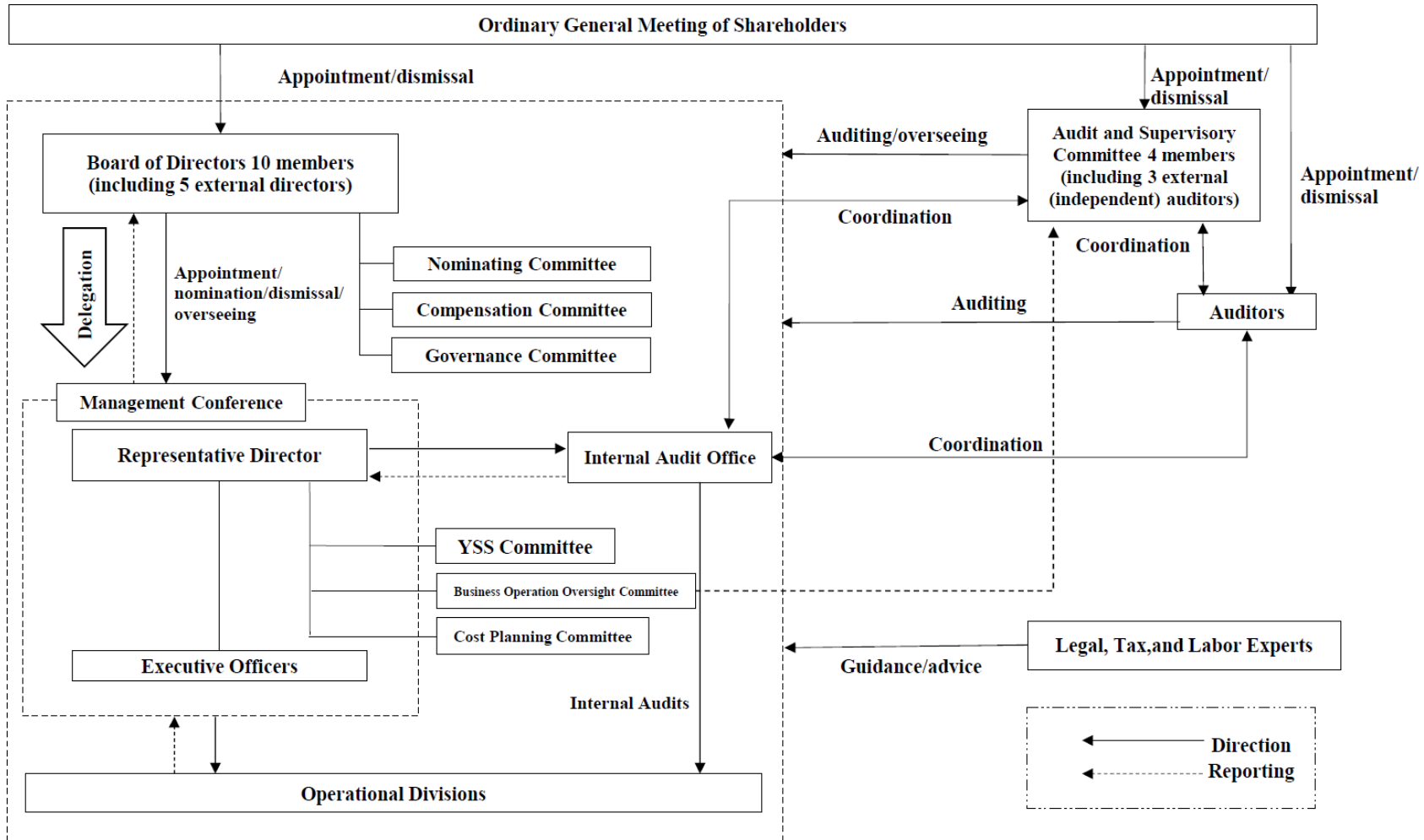
In conjunction with the above redefinition of the requirements for consideration in the selection process, the skills matrix for directors has been revised.

Reference

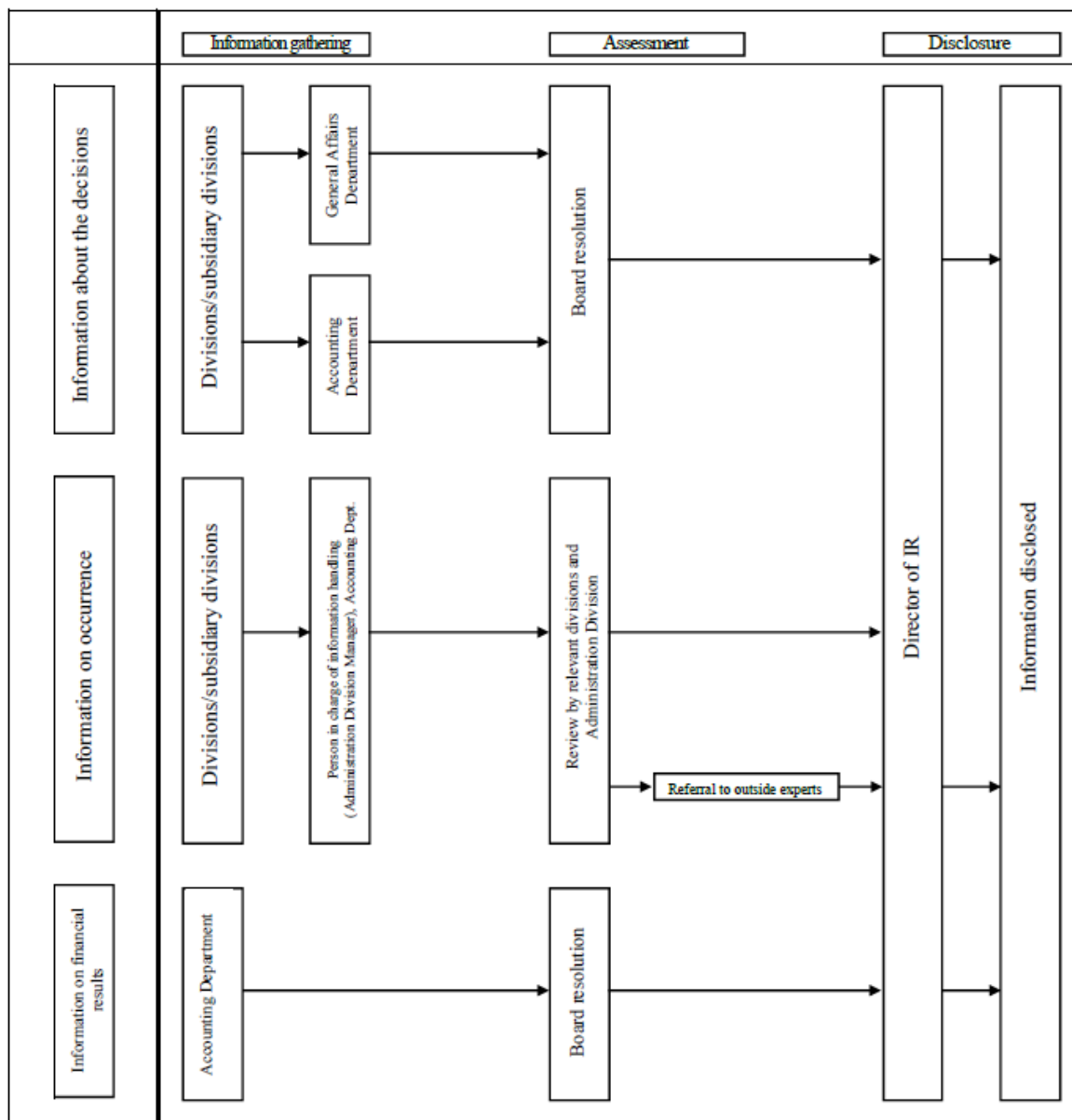
Executive Officer Skills Matrix

YAMASHIN has introduced an executive officer system. The skill matrix of executive officers who do not concurrently serve as directors is as follows.

Name	Position in YAMASHIN	Company management	Sustainability and ESG	Development and Production	Sales and Marketing	Global	Finance and Accounting	Human Resources and Labor	Legal Affairs and Compliance
Yutaka Kagami	Executive Officer/ YAI Representative Director			○	○				
Tomohiro Kubo	Executive Officer/General Manager of Production Head Office			○		○			
Yutaka Tani	Executive Officer/General Manager of Sales Head Office				○	○			
Hiroyuki Watanabe	Executive Officer/General Manager of Administration Division		○				○		
Hideaki Yoshihara	Executive Officer/General Manager of Management Planning Office		○				○		



Schematic Diagram of Timely Disclosure System (Reference Material)





Key Goal Indicator (KGI)	Key Performance Indicator (KPI)	Key Success Factor (KSF)	Relevant Departments	Targets for FY2023 (Action plan)																																												
<b>MAVY's</b> Prv: -4.4% Cur: -3.7%	<b>Operating income</b> Prv: 6.6% Cur: 6.3%	<b>Gross profit ratio</b> Prv: 39.3% Cur: 41.5%	<b>Sales growth ratio</b> Prv: -1.1% Cur: -6.4%	<b>New product development</b> <b>Enhance market share of genuine products</b>	<b>Sales / R&amp;D</b>	<ul style="list-style-type: none"> <li>Promoting price pass-through</li> <li>Construction machinery:               <ul style="list-style-type: none"> <li>Expand share of major customers (long-life, sensors)</li> <li>Expand and accelerate entry into the Chinese market</li> </ul> </li> <li>Air filters: Expand sales through new products (NanoWhelp) (direct sales, domestic and overseas)</li> <li>Enter new business domains</li> </ul>																																										
							<b>SG&amp;A ratio</b> Prv: 32.7% Cur: 35.2%	<b>Cost to sales ratio</b> Prv: 60.7% Cur: 58.5%	<b>Enhance buying power</b> <b>Improve yield ratio</b>	<b>Production</b>	<ul style="list-style-type: none"> <li>PAC23</li> <li>Reform and improve purchasing power and reduce logistics costs</li> <li>Improve production management</li> </ul>																																					
												<b>Operating capital turnover rate</b> Prv: 2.7 Cur: 2.6	<b>Depreciation cost ratio</b> Prv: 4.4% Cur: 4.2%	<b>Investment plan</b>	<b>Management Planning / Finance and Accounting</b>	<ul style="list-style-type: none"> <li>M&amp;A (for revenue expansion, stabilizing management)               <ul style="list-style-type: none"> <li>Research potential M&amp;A targets</li> <li>Acquire nonwoven fabrics manufacturing entities (downstream)</li> <li>Acquire new material development entities (upstream)</li> </ul> </li> </ul>																																
																	<b>Investment capital turnover rate</b> Prv: 0.8 Cur: 0.8	<b>R&amp;D cost ratio</b> Prv: 2.8% Cur: 2.6%	<b>Narrowing down themes</b> <b>Prioritization</b>	<b>R&amp;D</b>	<ul style="list-style-type: none"> <li>Develop new materials (Recycling, Biomass, etc.)</li> <li>Actions to achieve IoT</li> <li>Develop aeration and other technologies</li> <li>Cost reduction from the development stage</li> </ul>																											
																						<b>FA turnover rate</b> Prv: 1.5 Cur: 1.4	<b>Personnel cost ratio</b> Prv: 14.7% Cur: 17.7%	<b>Optimal staffing</b>	<b>HR and General Affairs</b>	<ul style="list-style-type: none"> <li>Establish and implement the talent management system</li> </ul>																						
																											<b>Intangible fixed asset turnover rate</b> Prv: 90.8 Cur: 92.0	<b>Accounts receivable turnover rate</b> Prv: 4.1 Cur: 3.9	<b>Credit management</b>	<b>Sales / Finance and Accounting</b>	<ul style="list-style-type: none"> <li>Further optimize AR debt collection</li> <li>Promote paperless systems</li> </ul>																	
																																<b>Inventory turnover rate</b> Prv: 4.2 Cur: 4.5	<b>Inventory turnover rate</b> Prv: 4.2 Cur: 4.5	<b>Set appropriate inventory level</b>	<b>Production / Sales</b>	<ul style="list-style-type: none"> <li>Reduce company-wide inventory assets</li> </ul>												
																																					<b>Accounts payable turnover rate</b> Prv: 5.4 Cur: 6.6	<b>Accounts payable turnover rate</b> Prv: 5.4 Cur: 6.6	<b>Debt management</b>	<b>Production</b>	<ul style="list-style-type: none"> <li>Improve working capital</li> <li>Promote paperless systems</li> </ul>							
																																										<b>Tangible fixed asset turnover rate</b> Prv: 1.6 Cur: 1.5	<b>Tangible fixed asset turnover rate</b> Prv: 1.6 Cur: 1.5	<b>Facilities planning (R&amp;D, production)</b>	<b>Management Planning Administration / Production / R&amp;D</b>	<ul style="list-style-type: none"> <li>Optimize investment recovery effect (Return on Investment)</li> </ul>		
																																															<b>ROIC</b> Prv: 3.1% Cur: 3.8%	<b>Operating income</b> Prv: 6.6% Cur: 6.3%
<b>WACC</b> Prv: 7.5% Cur: 7.5%	<b>SG&amp;A ratio</b> Prv: 32.7% Cur: 35.2%	<b>Cost to sales ratio</b> Prv: 60.7% Cur: 58.5%	<b>Enhance buying power</b> <b>Improve yield ratio</b>	<b>Production</b>	<b>Production</b>	<ul style="list-style-type: none"> <li>PAC23</li> <li>Reform and improve purchasing power and reduce logistics costs</li> <li>Improve production management</li> </ul>																																										
							<b>ROE</b> Prv: 3.1% Cur: 3.6%	<b>Depreciation cost ratio</b> Prv: 4.4% Cur: 4.2%	<b>Investment plan</b>	<b>Management Planning / Finance and Accounting</b>	<ul style="list-style-type: none"> <li>M&amp;A (for revenue expansion, stabilizing management)               <ul style="list-style-type: none"> <li>Research potential M&amp;A targets</li> <li>Acquire nonwoven fabrics manufacturing entities (downstream)</li> <li>Acquire new material development entities (upstream)</li> </ul> </li> </ul>																																					
												<b>PBR</b> Prv: 1.16 Cur: 1.27	<b>R&amp;D cost ratio</b> Prv: 2.8% Cur: 2.6%	<b>Narrowing down themes</b> <b>Prioritization</b>	<b>R&amp;D</b>	<ul style="list-style-type: none"> <li>Develop new materials (Recycling, Biomass, etc.)</li> <li>Actions to achieve IoT</li> <li>Develop aeration and other technologies</li> <li>Cost reduction from the development stage</li> </ul>																																
																	<b>Operating capital turnover rate</b> Prv: 2.7 Cur: 2.6	<b>Personnel cost ratio</b> Prv: 14.7% Cur: 17.7%	<b>Optimal staffing</b>	<b>HR and General Affairs</b>	<ul style="list-style-type: none"> <li>Establish and implement the talent management system</li> </ul>																											
																						<b>Investment capital turnover rate</b> Prv: 0.8 Cur: 0.8	<b>Accounts receivable turnover rate</b> Prv: 4.1 Cur: 3.9	<b>Credit management</b>	<b>Sales / Finance and Accounting</b>	<ul style="list-style-type: none"> <li>Further optimize AR debt collection</li> <li>Promote paperless systems</li> </ul>																						
																											<b>Inventory turnover rate</b> Prv: 4.2 Cur: 4.5	<b>Inventory turnover rate</b> Prv: 4.2 Cur: 4.5	<b>Set appropriate inventory level</b>	<b>Production / Sales</b>	<ul style="list-style-type: none"> <li>Reduce company-wide inventory assets</li> </ul>																	
																																<b>Accounts payable turnover rate</b> Prv: 5.4 Cur: 6.6	<b>Accounts payable turnover rate</b> Prv: 5.4 Cur: 6.6	<b>Debt management</b>	<b>Production</b>	<ul style="list-style-type: none"> <li>Improve working capital</li> <li>Promote paperless systems</li> </ul>												
																																					<b>Tangible fixed asset turnover rate</b> Prv: 1.6 Cur: 1.5	<b>Tangible fixed asset turnover rate</b> Prv: 1.6 Cur: 1.5	<b>Facilities planning (R&amp;D, production)</b>	<b>Management Planning Administration / Production / R&amp;D</b>	<ul style="list-style-type: none"> <li>Optimize investment recovery effect (Return on Investment)</li> </ul>							
																																										<b>Intangible fixed asset turnover rate</b> Prv: 90.8 Cur: 92.0	<b>Intangible fixed asset turnover rate</b> Prv: 90.8 Cur: 92.0	<b>Investment plan</b>	<b>Management Planning / Finance and Accounting</b>	<ul style="list-style-type: none"> <li>Formulate IP strategies and action plans</li> </ul>		

\*KPI figures are based on the following.  
 Prv: Full-year results for FY2022  
 Cur: Revised budgets for FY2023 (disclosed on 2024/2/5)