

Securities Code: 6482
June 3, 2019

Dear Shareholders,

**Notice of Convocation for
the 46th Ordinary General Meeting of Shareholders**

We would like to express our deepest condolences.

Notice is hereby given that the 46th Ordinary General Meeting of Shareholders of Yushin Precision Equipment Co., Ltd. will be held as set out below:

If you do not expect to attend the meeting in person, you may exercise your voting rights in writing or via electromagnetic means (the Internet and others). Please refer to the enclosed Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5 p.m. on Thursday, June 20, 2019 at the latest.

Please confirm the “Information on Exercise of Voting Rights via the Internet” on page 2 and 3 when voting via electromagnetic means.

Details

- 1. Date and Time:** Friday, June 21, 2019 at 10 a.m.
- 2. Place:** Conference Room on the 6th Floor,
Head Office of Yushin Precision Equipment Co., Ltd.
555 Kuzetonoshiro-cho, Minami-ku, Kyoto
- 3. Objectives of the Meeting:**
Matters to be reported:
 - a) Business Report and Consolidated Financial Statements for the 46th Fiscal Year (from April 1, 2018 to March 31, 2019) as well as the audit reports from the Accounting Auditor and the Board of Corporate Auditors on the Consolidated Financial Statements
 - b) Report on the Non-Consolidated Financial Statements for the 46th Fiscal Year (from April 1, 2018 to March 31, 2019)

Agenda for resolution:

Proposal : Election of Seven (7) Directors

Sincerely Yours,

Mayumi Kotani
President and Representative Director
YUSHIN PRECISION EQUIPMENT CO., LTD.
555 Kuzetonoshiro-cho, Minami-ku,
Kyoto, Japan

Notes:

- * You are kindly requested to present the enclosed “Form for Exercising Voting Rights” to the receptionist upon your arrival at the Meeting.
- * If any changes have been made to the matters appearing in the Reference Documents for the General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements or Consolidated Financial Statements, such changes will be posted on our website: (<https://www.ype.co.jp>)

<Information on Exercise of Voting Rights via the Internet>

Shareholders exercising voting rights via the Internet are asked to kindly note the following matters. Exercising the voting rights by post or via the Internet is unnecessary if you attend the meeting in person.

1. About the voting rights exercise site

(1) Shareholders can exercise their voting rights only by accessing on the voting rights exercise site designated by the Company (<https://www.evotet.tr.mufg.jp/>) via PC, smartphone or mobile phone. (However, please note that you cannot exercise your voting rights via the Internet on the designated website between the hours of 2:00 a.m. and 5:00 a.m.)

(2) Please note that you may not be able to exercise your voting rights via PC or smartphone depending on the Internet settings configured on your PC or smartphone, such as firewalls, etc. that are in place to regulate your Internet connections, anti-virus software that has been installed on your PC or smartphone, the use of a proxy server or not designating TLS.

(3) When exercising voting rights via mobile phone, for security reasons, you cannot vote using mobile handsets that cannot send TLS encrypted information or that cannot send information of the mobile phone used.

(4) A voting deadline is 5:00 p.m. on June 20, 2019. Shareholders are cordially requested to exercise their voting rights as early as possible. Please call Help Desk as mentioned below with any inquiries.

2. Methods of exercising of voting rights via the Internet

(1) PC, mobile phone method

- On the voting rights exercise site designated by the Company (<https://www.evotet.tr.mufg.jp/>), please enter the “login ID” and “temporary password” indicated on the enclosed Voting Rights Exercise Form and enter your approval or disapproval of each of the proposals in accordance with instructions on the screen.

- Please note that, in order to prevent unauthorized access to the designated website by individuals other than shareholders (persons impersonating shareholders) and to prevent the alteration of votes, we request that you change your “temporary password” to a permanent password on the designated website for the exercise of voting rights, when you exercise your voting rights via the Internet.

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

(2) Smartphone method

- Please scan the QR code® located on the Voting Rights Exercise Form. You can simply login to the website for exercising voting rights without entering your voting code and password.

- Note that your voting rights can be exercised only once by using the QR code® method for security reason. Please enter “login ID” and “temporary password” when you use QR code® for second and subsequent times.

- Depending on the model of your smartphone, you may not be able to log in with the QR code®. If you cannot do login with the QR code®, please exercise your voting rights by 2. (1) PC, mobile phone method.

*“QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

3. Treatment when you exercise your voting rights more than one time

(1) If you exercise your voting rights both by post and via the Internet, the voting via the Internet shall be deemed valid.

(2) If you exercise your voting rights more than once via Internet, the last exercise of voting rights shall be

deemed valid. If you exercise your voting rights redundantly via PC, smartphone and mobile phone, the last exercise of voting rights shall be deemed valid.

4. Costs associated with accessing the website for the exercise of voting rights

All costs associated with accessing the website for the exercise of voting rights (cost of Internet connections etc.) are to be borne by the shareholder. Also, when voting via mobile phone etc. all packet communication fees and other costs incurred in the use of a smartphone or a mobile phone are also to be borne by the shareholder.

Inquiries about the system

Mitsubishi UFJ Trust and Banking Corporation

Transfer Agent Department (Help Desk)

Phone: 0120-173-027 (9:00 a.m. to 9:00 p.m. (Japan Time); toll free only within Japan)

<For Institutional Investors>

Institutional investors may use “The Platform for Electronic Exercise of Votes for Institutional Investors” of ICJ Ltd.as another way of exercising voting rights.

Business Report

(from April 1, 2018 to March 31, 2019)

1. Current Business Conditions

(1) Progress and achievements

Regarding the global economy during this fiscal year under review, the moderate economic expansion continued despite concerns on trade friction between United States and China is rising. In the United States, employ environment continues to improve and personal consumption remained steady. In Europe as well, the economy remained generally firm due to improvement of employment and income conditions. In Asian region, although the economy as a whole remained steady, the slowdown in China became evident.

Under these circumstances, Yushin Group has continued to develop new customer base on global scale. Regarding the outcome for this fiscal year under review, sales of Take-out robots were good in Japan, North America, etc. despite slowdown in China, and resulted at the same level as previous fiscal year. Net sales increased by 4.6% year on year to 21,833 million yen as a result of strong sales of custom-ordered equipment both in Japan and overseas. Operating income increased by 17.0% year on year to 2,760 million yen, owing to reductions in depreciation expenses and normalization of development costs that was concentrated to new product development etc. although there was purchase price increase due to difficulties in procuring parts in the first half. Ordinary income increased by 14.7% year on year to 2,791 million yen, and net income attributable to shareholders of the parent increased by 17.0% year on year to 1,903 million yen.

In this fiscal year, our high-end Take-out robot "FRA" was highly valued for its active vibration control function, and was awarded "The Japan Society of Mechanical Engineers Medal for New Technology". In addition, FRA was awarded "red dot design award" which is internationally authoritative award and "Machine Design Award" sponsored by Nikkan Industrial Newspaper for its valued product design. Furthermore, it was also awarded "the JMF's Energy-Efficient Machinery award" for its energy saving performance being highly evaluated.

Consolidated net sales by product category

(Thousands of yen)

| Years ended March 31, | 2018 | | 2019 | | Change |
|-------------------------------|------------|-------|------------|-------|--------|
| Product | Amount | % | Amount | % | % |
| Take-out robots | 15,449,729 | 74.0 | 15,512,592 | 71.0 | 0.4 |
| Custom-ordered equipment | 2,204,986 | 10.6 | 2,880,736 | 13.2 | 30.6 |
| Parts and maintenance service | 3,223,934 | 15.4 | 3,440,070 | 15.8 | 6.7 |
| Total | 20,878,651 | 100.0 | 21,833,399 | 100.0 | 4.6 |

(2) Capital investment

The total amount of capital investment for Yushin Group effectuated over the course of the period under review was 256 million yen mainly for the development of the head office north parking lot at 80 million yen.

(3) Financing activities

No material items to report.

(4) Assets and operating results 2016 - 2019

| Years ended March 31, | 2016 | 2017 | 2018 | 2019 |
|--|------------|------------|--------------------|------------|
| Net sales (thousands of yen) | 21,148,591 | 19,346,399 | 20,878,651 | 21,833,399 |
| Ordinary income (thousands of yen) | 2,921,754 | 2,058,192 | 2,432,690 | 2,791,364 |
| Net income attributable to shareholders of the parent (thousands of yen) | 1,908,626 | 1,380,273 | 1,626,768 | 1,903,435 |
| Net income per share (yen) | 109.14 | 78.93 | 46.51 (Note 2) | 54.54 |
| Total assets (thousands of yen) | 29,409,602 | 30,761,736 | 32,572,888 | 33,197,260 |
| Net assets (thousands of yen) | 24,715,668 | 25,451,718 | 26,472,034 | 27,117,484 |
| Net assets per share (yen) | 1,401.54 | 1,444.38 | 750.37 (Note 2) | 783.03 |

Notes:

- 1 The net income per share is calculated based on the average number of issued shares during the fiscal year and the net assets per share are calculated based on the number of issued shares at the end of the fiscal year.
- 2 The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. Accordingly, Net income per share and Net assets per share has been calculated presuming that this stock split was carried out at the start of the consolidated fiscal year ended on March 31, 2018.

(5) Issues to be addressed

As for the business environment surrounding Yushin Group, there are many uncertain factors including problems of trade policies in the US and China, and the outlook for the economy will continue to be uncertain.

Under these circumstances, Yushin Group aims to develop itself further as a number-one company across the board in the take-out robot industry with Yushin Group philosophy “Through the ongoing creation of innovative technology, we make a far-reaching contribution to society on a global scale”

As for issues to be addressed, In the take-out robot, we will expand sales of Take-out robots which is differentiated by strengthening product power and strengthen our sales capabilities worldwide. In the new business area, Yushin Group must develop and bring new products to the market in the business area where Yushin Group can manifest technological and/or sales synergies in order to establish multiple core businesses. In addition to these efforts, we will strengthen organizational development and human resource development, and strive for sustainable growth.

Specific effort for the 47th (FY2020), Yushin Group will strive to expand sales of differentiated Take-out robots and improve brand value. In addition, by establishing a European subsidiary, we will expand sales channels and expand our service in Europe. In Custom-ordered equipment business, we will continue to expand sales and develop new businesses to meet the growing automation needs in and outside Japan. Furthermore, we will strengthen collaboration among divisions to improve productivity, work styles, and accelerate cost reduction activities.

(6) Status of major subsidiaries

| Name | Location | Capital stock | Percentage of shareholding | Major operations |
|---|------------------------------|------------------|----------------------------|---|
| Yushin Korea Co., Ltd. | Siheung-Shi, South Korea | KRW350 million | 100% | Sales and maintenance & repair of Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment |
| Yushin Precision Equipment Trading (Shanghai) Co., Ltd. | Shanghai, China | US\$200,000 | 100% | Sales and maintenance & repair of Company products |
| Yushin Precision Equipment Trading (Shenzhen) Co., Ltd. | Shenzhen, Guangdong, China | US\$400,000 | 100% | Sales and maintenance & repair of Company products |
| Yushin Precision Equipment (Taiwan) Co., Ltd. | Taipei City, Taiwan (R.O.C.) | NT\$5 million | 100% | Sales and maintenance & repair of Company products |
| PT. Yushin Precision Equipment Indonesia | Bekasi, Indonesia | IDR2,841 million | 99% | Sales and maintenance & repair of Company products |
| Yushin Precision Equipment (Vietnam) Co., Ltd. | Hanoi, Vietnam | US\$300,000 | 100% | Sales and maintenance & repair of Company products |
| Yushin Precision Equipment Sdn. Bhd. | Selangor, Malaysia | MYR1 million | 100% | Sales and maintenance & repair of Company products |
| Yushin Precision Equipment (Thailand) Co., Ltd. | Bangkok, Thailand | THB8 million | 49% | Sales and maintenance & repair of Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment |
| Yushin Precision Equipment (India) Pvt. Ltd. | Chennai, India | INR7.4 million | 95% | Sales and maintenance & repair of Company products |
| Yushin Automation Ltd. | Worcestershire, U.K. | GBP150,000 | 95.6% | Sales and maintenance & repair of Company products |
| Yushin America, Inc. | Rhode Island, U.S.A. | US\$8,000 | 100% | Sales and maintenance & repair of Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment |
| Guangzhou Yushin Precision Equipment Co., Ltd. | Guangzhou, Guangdong, China | RMB13.7 million | 100% | Manufacturing of Company products |

(7) Major operations (as of March 31, 2019)

Yushin Group is mainly engaged in the development, manufacture and sale of take-out robots for plastic injection molding products and stock systems as well as factory automation systems for molding plants.

(8) Main sales offices and factories (as of March 31, 2019)

| Name | Location |
|------------------------------------|---------------------------|
| Head Office | Minami-ku, Kyoto-city |
| Fushimi Factory | Fushimi-ku, Kyoto-city |
| Technical Center | Minami-ku, Kyoto-city |
| Higashi-Nihon General Sales Office | Kita-ku, Saitama-city |
| Nishi-Kanto Sales Office | Atsugi-city, Kanagawa |
| Nagano Sales Office | Shiojiri-city, Nagano |
| Tohoku Sales Office | Fukushima-city, Fukushima |
| Tsukuba Sales Office | Tsukuba-city, Ibaraki |
| Chubu General Sales Office | Toyokawa-city, Aichi |
| Shizuoka Sales Office | Suruga-ku, Shizuoka-city |
| Nagoya-Nishi Sales Office | Kuwana-city, Mie |
| Nishi-Nihon General Sales Office | Minami-ku, Kyoto-city |
| Toyama Sales Office | Toyama-city, Toyama |
| Hiroshima Sales Office | Nishi-ku, Hiroshima-city |
| Fukuoka Sales Office | Hakata-ku, Fukuoka-city |
| Philippines Representative Office | Makati City, Philippines |

(9) Employees (as of March 31, 2019)

| Number of employees | Increase from the end of previous FY |
|---------------------|--------------------------------------|
| 683 (62) | No change |

Note: The number of employees represents full-timers only (including seconded employees to the Company). Part-timers and other irregular employees are represented separately as their average annual number indicated in parentheses ().

(10) Major creditors (as of March 31, 2019)

No items to report.

(11) Other important matters pertaining to the status

No items to report.

2. Matters Pertaining to the Shares of the Company (as of March 31, 2019)

- (1) **Number of shares authorized:** 80,000,000
(2) **Total number of issued shares:** 35,638,066
(3) **Number of shareholders:** 4,307
(4) **Major shareholders:**

| Name | Number of shares held (thousand) | Percentage of shares held (%) |
|---|-------------------------------------|----------------------------------|
| Yushin Industry Co., Ltd. | 11,992 | 35.0 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,499 | 7.3 |
| The Nomura Trust and Banking Co., Ltd. (Trust Account 3071019) | 1,549 | 4.5 |
| The Master Trust Bank of Japan, Ltd. (Retail Trust Account 620021158) | 1,549 | 4.5 |
| The Kyoto Chuo Shinkin Bank, Ltd. | 1,088 | 3.2 |
| Mayumi Kotani | 1,054 | 3.1 |
| Japan Trustee Service Bank, Ltd. (Trust Account) | 933 | 2.7 |
| The Bank of Mitsubishi UFJ, Ltd. | 849 | 2.5 |
| The Bank of Kyoto, Ltd. | 704 | 2.1 |
| SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement benefit Trust Account) | 684 | 2.0 |

Note:

1. The company holds 1,333,548 shares of treasury stock but is excluded from this number.
2. Shareholding ratio is calculated by deducting treasury stockholding.

3. Matters Pertaining to Officers of the Company

(1) Directors and Corporate Auditors (as of March 31, 2019)

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

Notes:

1. Directors, Yasuo Nishiguchi, Hiroshi Matsuhisa and Reiko Nakayama are Outside Directors stipulated in Item 15, Article 2 of the Companies Act.
2. Corporate Auditors, Yasuhiro Orita, Hiroho Kamakura and Michitoshi Morimoto are Outside Corporate Auditors stipulated in Item 16, Article 2 of the Companies Act.
3. Corporate Auditor, Hiroho Kamakura is a Certified Public Accountant and has specialist knowledge in finance and accounting.
4. The Company has designated Director, Hiroshi Matsuhisa, Director, Reiko Nakayama, Corporate Auditor, Yasuhiro Orita, Corporate Auditor, Hiroho Kamakura and Corporate Auditor, Michitoshi Morimoto as Independent Officers as prescribed by the Tokyo Stock Exchange and submitted notices to this effect to the exchange.
5. Change of Directors during the period under review

| Name | Before change | After change | Date of change |
|-------------------|---|------------------|----------------|
| Hiroshi Matsuhisa | Outside Corporate Auditor at Technology Seed Incubation Co., Ltd. | Retired | June 22, 2018 |
| Reiko Nakayama | - | Outside Director | June 22, 2018 |

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

| Classification | Number of Directors/ Corporate Auditors | Total amount (Thousands of yen) |
|--------------------|--|------------------------------------|
| Directors | 8 | 203,060 |
| Corporate Auditors | 4 | 24,000 |
| Total | 12 | 227,060 |

Notes:

1. The 43rd Ordinary General Meeting of Shareholders held on June 20, 2016 resolved total remuneration for all Directors within 500,000 thousand yen per year (including remuneration for Outside Directors within 100,000 thousand yen) and total remuneration for all Corporate Auditors within 100,000 thousand yen per year.
There are currently no Directors who have concurrent employment positions.
2. Total remuneration amounts provided above include the following amount in addition to fixed monthly compensation amounts.
- Provision for directors' bonuses: 37,520 thousand yen (37,520 thousand yen for five directors).
3. With respect to the liability for retirement benefits to Directors and Corporate Auditors, the plan for retirement benefits for Directors and Corporate Auditors was terminated at the 33rd Ordinary General Meeting of Shareholders held on June 29, 2006, and no additional provision has been recorded since then. Therefore, the balance as of March 31, 2019 (66,780 thousand yen) is provided in proportion to the term that present Directors and Corporate Auditors had been in their respective positions before June 2006.
4. The total amount of remuneration for the three (3) Outside Directors is 15,300 thousand yen.
5. The total amount of remuneration for the three (3) Outside Corporate Auditors is 12,000 thousand yen.

(3) Outside Directors and Corporate Auditors

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

- Yasuo Nishiguchi is the Outside Director at YAMADA Consulting Group Co., Ltd. There is no special relationship between the Company and YAMADA Consulting Group Co., Ltd.
- Hiroshi Matsuhisa is a professor emeritus at Kyoto University. There is no special relationship between the Company and Kyoto University.
- Reiko Nakayama is the Director of LUCKLAND CO., LTD (Audits Committee). There is no special relationship between the Company and LUCKLAND CO., LTD.
- Kamakura is the Outside Corporate Auditor at Trusco Nakayama Corporation and at FUJIO FOOD SYSTEM CO., LTD. There is no special relationship between the Company and Trusco Nakayama Corporation and FUJIO FOOD SYSTEM CO., LTD.

b. The following describes the activities during the period under review.

| Status and Name | Attendance and Remark |
|--|--|
| Director, Yasuo Nishiguchi | In the period under review, Yasuo Nishiguchi attended all of 13 Meetings of Board of Directors. Based on his wide knowledge and experience across the running a company which he had cultivated through holding prominent corporate positions such as President and Representative Director, and Chairman of the Board and Representative Director at Kyocera Corporation, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions. |
| Director, Hiroshi Matsuhisa | In the period under review, Hiroshi Matsuhisa attended 12 of 13 Meetings of Board of Directors. Based on the specialized knowledge by the person with academic standing in engineering of Kyoto University, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions. |
| Director, Reiko Nakayama | Since assuming the post of Director on June 22, 2018, Reiko Nakayama attended all of 10 Meetings of Board of Directors. Based on her experience of securities company underwriter, and management executive officer and outside officers of operating companies, she asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions. |
| Corporate Auditor, Yasuhiro Orita | In the period under review, Yasuhiro Orita attended 12 of 13 Meetings of Board of Directors and all of 7 Meetings of the Board of Corporate Auditors. Based on the specialized legal knowledge, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions. Additionally, he perused the reports of the internal auditing results, exchanged opinions concerning auditing, and participated in joint discussions on important matters. In addition to receiving the Accounting Auditor's detailed report on regular basis, he also regularly exchanged opinions with top management. |
| Corporate Auditor, Hiroho Kamakura | In the period under review, Hiroho Kamakura attended all of 13 Meetings of Board of Directors and all of 7 Meetings of the Board of Corporate Auditors. Based on the specialized knowledge as a Certified Public Accountant, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions. Additionally, he perused the reports of the internal auditing results, exchanged opinions concerning auditing, and participated in joint discussions on important matters. In addition to receiving the Accounting Auditor's detailed report on regular basis, he also regularly exchanged opinions with top management. |
| Corporate Auditor, Michitoshi Morimoto | In the period under review, Michitoshi Morimoto attended all of 13 Meetings of Board of Directors and all of 7 Meetings of the Board of Corporate Auditors. Based on the specialized knowledge of corporate information technology/system strategy, he asked questions to clarify ambiguities that arose with respect to matters reported or resolved, and provided opinions. Additionally, he perused the reports of the internal auditing results, exchanged opinions concerning auditing, and participated in joint discussions on important matters. In addition to receiving the Accounting Auditor's detailed report on regular basis, he also regularly exchanged opinions with top management. |

Note:

In addition to the frequency of convening meetings of the Board of Directors described above, there were 5 times of written resolutions adopted, deeming that there have been resolutions of the Board of Directors Meetings pursuant to Article 370 of the Companies Act and Article 24 of the Articles of Association.

4. Matters Pertaining to Accounting Auditor

(1) Name of Accounting Auditor: Deloitte Touche Tohmatsu LLC

(2) Amount of compensation and other payments for the Accounting Auditor

| | |
|--|---------------------|
| The amount of compensation and other payments payable to the Accounting Auditor for the reporting year | 33,200 thousand yen |
| Total amount of monetary and other property benefits payable by the Company and its subsidiaries | 36,670 thousand yen |

Notes1: In the audit contract between the Company and the Accounting Auditor, audit fees pursuant to the Companies Act and those pursuant to the Financial Instruments and Exchange Act are not clearly separated and this separation is practically impossible. Therefore, the amount of compensation and other payments to the Accounting Auditor is represented as the total payment.

2: Upon receipt of the necessary materials and reports from the Directors, in-house related departments and Accounting Auditor, the Board of Corporate Auditors acknowledged the details of the audit and status of the course of accounting duties by the Accounting Auditor, the grounds for calculation of the estimated remuneration for auditing, and reviews of the audit calculation. As a result, the Board of Corporate Auditors believes that the audit remuneration presented by the Accounting Auditor was appropriate and gave consent under Paragraph 1, Article 399 of the Companies Act.

(3) Non-audit services

Advice and guidance on international operations.

(4) Policy for making decisions regarding the dismissal or non-reappointment of Accounting Auditor

The Board of Corporate Auditors will determine the content of the proposals relating to the dismissal or non-reappointment of the Accounting Auditor, to be submitted to the General Meeting of Shareholders, should the execution of the Accounting Auditor's duties be impeded, is deemed necessary by the Board of Corporate Auditors,

The Board of Corporate Auditors will dismiss the Accounting Auditor should it determine that same corresponds to the provisions in each item of Paragraph 1, Article 340 of the Companies Act, with the agreement of all the members of the Board of Corporate Auditors. In such a case, a Corporate Auditor appointed by the Board of Corporate Auditors will report the fact of and the reason for the dismissal of the Accounting Auditor to the first General Meeting of Shareholders called after the dismissal.

(5) Overview of limited liability contract

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

5. Matters Pertaining to the Development of Systems to Ensure a Properness of Operations

The Company has established the basic policy of Internal Control System for the development of a system to ensure that the execution of duties by Directors conforms to laws and regulations, and the Articles of Association as well as other systems that ensure the properness of operations of the Company, as follows. (Board of Directors Resolution on June 12, 2015) The main points of the basic policy are as follows.

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

The Company raises the awareness for and holds training on legal compliance to increase awareness of compliance as well as establishes "Whistle-Blowing Regulations" providing the procedure for reporting violations.

(2) System for keeping and managing the information on business execution of the Company's Directors.

Information is kept and managed according to laws and regulations, and internal regulations (including "Document Regulations," "Internal Information Management Regulations" and "Information System Management Regulations").

(3) Regulations on and other systems for risk management of losses of the Company and our subsidiaries.

Risk of currently estimated losses is managed by setting a committee and making discussion according to degree of its significance. Events delivering losses to the Company would be reported to Directors and Corporate Auditors by the Executive in charge and discussed and managed by all executives.

(4) System to ensure effective business execution by Directors of the Company and our subsidiaries.

Effective business execution by Directors is ensured by followings.

- [1] The Board of Directors determines significant matters and oversees business execution by Directors.
- [2] Information is shared among Directors, Executives, and Corporate Auditors at executive meetings.
- [3] Notice of significant matters on management, understanding of status and business instructions are conducted at management meetings and YSM management conference.
- [4] At the subsidiaries conference, the information is shared on the Company and our subsidiaries and significant matters are discussed and determined.

(5) The systems to ensure appropriate works of the corporate group consisting of the Company and its subsidiaries, and to make reports to the Company on matters concerning business execution by Directors of subsidiaries.

The Internal Control System is developed as we as “Subsidiaries Management Regulations” obligate subsidiaries to make periodic reports relating to business results, fiscal conditions and other significant information of subsidiaries.

Significant matters are discussed to solve issues at the Board of Directors.

(6) System to ensure effective Corporate Auditors’ audit.

Corporate Auditors attend the Board of Directors meetings and required significant meetings including management conference as well as read major approval documents and other significant documents concerning business execution and receives explanation from Directors and employees of the Company and Directors of subsidiaries as necessary.

(7) System on employees assisting works of the Company’s Corporate Auditors when Corporate Auditors require allocation of the assisting employees.

Employees assisting the work of the Company’s Corporate Auditors can be allocated as staff as necessary. Corporate Auditor has the authority to give instructions and orders to his or her Corporate Auditor staff.

(8) System to ensure that those reporting to the Board of Corporate Auditors and Corporate Auditors, etc. are not unfavorably treated for the reason of the report.

The Company ensures that executives and employees reporting to Board of Corporate Auditors and Corporate Auditors are not treated unfavorably because of the report and thoroughly inform the whole company of this.

In the “Whistle-Blowing Regulations,” it is prescribed to prohibit dismissal and give other unfavorable treatment for the reason of the report.

(9) Matters on the policy for dealing with expenses or debts resulting from business execution of the Company’s Corporate Auditors.

The Company, when Corporate Auditors require the Company to make advance payment in respect of business execution according to Article 388 of the Companies Act, immediately deals with the relevant expenses and debts unless it is considered unnecessary to make advance payments.

(10) Systems on Eliminating Anti-Social Forces

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

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

the Basic Policy for Internal Control System, The Internal Control Regulations and the Committee of Internal Control Operations Regulations have been enacted.

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

6. Overview of the Business Operations of Systems to Ensure a Properness of Operations

Major operational status of the Internal Control System executed by the Yushin Group in the current consolidated fiscal year is as follows.

(1) Status of addressing compliance

The Company is endeavoring to spread awareness of compliance across the Yushin Group through education and workshops. “Yushin Organizational Knowledge Book “(Y-Book) is used as an organization’s knowledge collection to improve business quality, maintaining disciplines, and instill awareness of compliance. In addition, the Company has enacted the Whistle-Blowing Regulations that prescribes the procedures to report on violations and has set up an external contact point for internal reporting.

Moreover, efforts have been made to provide information concerning recent trends in relevant laws and regulations, as well as to develop and make thoroughly available internal regulations (Office Regulations, Internal Information Management Regulations, Information System Management Regulations, etc.) This fiscal year, we have enacted regulations for company seal management and personal information protection, and provided education and training for employees.

(2) Status of addressing the risk management of losses

For the risk management overall, the Committee of Internal Control offers consultations for implementation of companywide measures. If any event causing damage to the Company arises, the Director in charge immediately reports to the Board of Directors and the Board of Corporate Auditors, and all executives will offer consultations to take action, while efforts to avoid risks are also being enhanced by having the Corporate Auditors conduct inspections and hearings on any event that is seen to have the risk of causing damage.

(3) Status of addressing to conducting proper and efficient execution of assigned duties

Assigned duties of the Directors are executed efficiently as described below.

- [1] Significant matters are determined by the Board of Directors, and the Directors supervise the status of business execution.
- [2] Significant matters are discussed among Directors, Executives and Corporate Auditors at the executive meetings thereby sharing such significant information.
- [3] Significant matters relating to the corporate management are communicated at management meetings. The operating status of the Company is monitored and necessary guidance is provided.

(4) Status of addressing the proper operations of the business group consisting of the Company and its subsidiaries

In order to promote the development of the internal control system, the Internal Control Regulations and Committee of Internal Control Operations Regulations have enacted at the Board of Directors’ meeting held on February 7, 2018. Specifically, the scope of responsibilities of the Board of Directors and Corporate Auditors concerning internal control, as well as the system for implementation (supervision, actual system for implementation, etc.) and details of activities (policy, process to promote the development of operations, etc.) for executives and employees and the procedures for evaluation and reporting (scope of target, procedure, correction measures in case of deficiencies, etc.) were clarified by the Internal Control Regulations, while the structure of the committee aimed at facilitating internal control, as well as how to promote its mission and

activities (supervision, system for implementation, scope of target activities, education, etc.) were clarified in the Committee of Internal Control Operations Regulations. Based on Internal Control Regulations, along with the basic policy on the development and operation of Internal Control, we have enacted a basic plan for conducting evaluations and are promoting activities. Furthermore, the Company's subsidiaries hold meetings three times a year so as to share information relating to the Company and its subsidiaries and monitoring status of business operations.

(5) Ensuring of effectiveness of Corporate Auditors' audit

Corporate Auditors conduct audits pursuant to the audit policies and the audit schedule as prescribed by the Board of Corporate Auditors by attending the Board of Directors and executives, management and other meetings. Corporate Auditors conduct interviews on the status of execution of duties by the Directors and the Internal Audit Office and then inspect significant decisions as noted in the documentation, such as the approval documents, contracts and agreements. Corporate Auditors also investigate the statuses of business operations, corporate properties and fraudulent acts relating to the performance of Directors' duties, infringement of rights and violations of laws and regulations, and the Articles of Association.

At conducting audit, Corporate Auditors coordinates with the legal counsel such as the Certified Public Accountant and the lawyers, who are Outside Corporate Auditors, and keeps internal coordination with the Internal Control Department. Other than that, Corporate Auditors develops the standards and guidelines for the course of action by Corporate Auditors conducting audits of the Company's Internal Control System, including the "Audit Practice Standards relating to the Internal Control System," and Corporate Auditors conduct its audits pursuant to such practice standards.

7. Policy Concerning Decisions on the Dividends of Surplus

The Yushin Group manages its businesses considering the return of profits to shareholders as one of its important managerial issues.

To that effect, it is the basic policy of the Yushin Group to proactively return profits to shareholders by maintaining a stable operational base, improving its ROE and effectuating dividends based on the performance results of each respective fiscal year. Specifically, the Yushin Group has a target at the realization of 30% and more of dividend payout ratio to consolidated net income attributable to shareholders of the parent.

For this fiscal year, a full-year dividend is 9 yen per share, consisting of an interim dividend of 8 yen per share and a year-end dividend of 17 yen per share.

Consolidated Balance Sheets

(as of March 31, 2019)

(Thousands of yen)

| Account | Amount | Account | Amount |
|---------------------------------------|-------------------|--|--------------------|
| ASSETS | | LIABILITIES | |
| Current assets | 19,964,853 | Current liabilities | 5,860,064 |
| Cash and deposits | 6,362,933 | Notes and accounts payable - trade | 1,331,229 |
| Notes and accounts receivable - trade | 6,844,705 | Electronically recorded obligations - operating | 1,035,982 |
| Merchandise and finished goods | 717,394 | Accounts payable - other | 492,256 |
| Work in process | 1,696,139 | Accrued expenses | 194,758 |
| Raw materials and supplies | 3,619,833 | Income taxes payable | 523,827 |
| Consumption taxes receivable | 34,295 | Advances received | 1,755,449 |
| Prepaid expenses | 131,046 | Provision for bonuses | 273,647 |
| Other | 576,833 | Provision for directors' bonuses | 37,520 |
| Allowance for doubtful accounts | (18,327) | Provision for product warranties | 147,609 |
| Non-current assets | 13,232,406 | Other | 67,785 |
| Property, plant and equipment | 11,408,464 | Non-current liabilities | 219,710 |
| Buildings | 4,785,640 | Provision for directors' retirement benefits | 66,780 |
| Structures | 209,643 | Net defined benefit liability | 65,723 |
| Machinery equipment and Vehicles | 147,766 | Deferred benefit liabilities | 37,324 |
| Tools, furniture and fixtures | 118,651 | Other | 49,882 |
| Land | 6,130,716 | Total liabilities | 6,079,775 |
| Leased assets | 7,497 | NET ASSETS | |
| Construction in progress | 8,549 | Shareholders' equity | 26,549,936 |
| Intangible assets | 429,392 | Capital stock | 1,985,666 |
| Telephone subscription right | 11,430 | Capital surplus | 2,023,903 |
| Software | 351,090 | Retained earnings | 23,579,393 |
| Others | 66,872 | Treasury stock | (1,039,026) |
| Investments and other assets | 1,394,549 | Total accumulated other comprehensive income | 311,482 |
| Investment securities | 218,062 | Valuation difference on available-for-sale securities | 56,815 |
| Retirement benefit asset | 294,037 | Foreign currency translation adjustment | 184,923 |
| Deferred tax assets | 705,335 | Remeasurements of defined benefit plans | 69,743 |
| Other | 196,910 | Non-controlling interests | 256,066 |
| Allowance for doubtful accounts | (19,795) | Total net assets | 27,117,484 |
| Total assets | 33,197,260 | Total liabilities and net assets | 33,197,260 |

Consolidated Statements of Income

(from April 1, 2018 to March 31, 2019)

(Thousands of yen)

| Account | Amount |
|--|-------------------|
| Net sales | 21,833,399 |
| Cost of sales | 13,092,179 |
| Gross profit | 8,741,219 |
| Selling, general and administrative expenses | 5,980,416 |
| Operating income | 2,760,802 |
| Non-operating income | 109,943 |
| Interest and dividends income | 10,478 |
| Purchase discounts | 13,410 |
| Subsidy income | 49,499 |
| Rent income | 11,361 |
| Other | 25,193 |
| Non-operating expenses | 79,381 |
| Sales discounts | 1,105 |
| Foreign exchange losses | 77,406 |
| Other | 869 |
| Ordinary income | 2,791,364 |
| Extraordinary income | 2,423 |
| Gain on sales of non-current assets | 2,423 |
| Extraordinary loss | 10,138 |
| Loss on sales and retirement of non-current assets | 9,924 |
| Other | 214 |
| Income before income taxes | 2,783,649 |
| Income taxes - current | 930,324 |
| Income taxes - deferred | (110,525) |
| Net income | 1,963,849 |
| Net income attributable to non-controlling interests | 60,414 |
| Net income attributable to shareholders of the parent | 1,903,435 |

Consolidated Statements of Changes in Net Assets

(from April 1, 2018 to March 31, 2019)

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of April 1, 2018 | 1,985,666 | 2,023,903 | 22,270,517 | (354,848) | 25,925,238 |
| Changes in the current period | | | | | |
| Dividends of surplus | | | (594,559) | | (594,559) |
| Net income attributable to shareholders of the parent | | | 1,903,435 | | 1,903,435 |
| Acquisition of treasury stock | | | | (684,178) | (684,178) |
| Changes in items other than shareholders' equity, net | | | | | |
| Total changes in the current period | - | - | 1,308,876 | (684,178) | 624,697 |
| Balance as of March 31, 2019 | 1,985,666 | 2,023,903 | 23,579,393 | (1,039,026) | 26,549,936 |

| | Total accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|--|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance as of April 1, 2018 | 97,103 | 164,323 | 56,982 | 318,409 | 228,385 | 26,472,034 |
| Changes in the current period | | | | | | |
| Dividends of surplus | | | | | | (594,559) |
| Net income attributable to shareholders of the parent | | | | | | 1,903,435 |
| Acquisition of treasury stock | | | | | | (684,178) |
| Changes in items other than shareholders' equity, net | (40,288) | 20,600 | 12,760 | (6,927) | 27,680 | 20,752 |
| Total changes in the current period | (40,288) | 20,600 | 12,760 | (6,927) | 27,680 | 645,450 |
| Balance as of March 31, 2019 | 56,815 | 184,923 | 69,743 | 311,482 | 256,066 | 27,117,484 |

1. Basis of Preparing Consolidated Financial Statements

(1) Scope of consolidation

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

List of Subsidiaries

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

(2) Application of the equity method

There is no non-consolidated subsidiary or affiliate company.

(3) Accounting policies

a. Valuation of important assets

i) Securities

Available-for-sale securities classified as other securities

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

ii) Inventories

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

b. Depreciation

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

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

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

ii) Intangible assets (excluding leased assets)

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

iii) Leased assets: For leased assets under non-ownership transfer finance lease transactions, the Company applies a straight-line method with the lease period as useful life and the residual value as 0.

c. Estimation on important allowance and reserves

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

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

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

2. Notes of Change in Presentation

(Application of "Partial amendments to "Accounting standards regarding to tax effect accounting"")

According to "Partial amendments to "Accounting standards regarding to tax effect accounting" (Business Accounting Standard No. 28, February 16, 2018), etc., which we applied from the beginning of this fiscal year, deferred tax assets are classified as investments and other assets, and deferred tax liabilities are classified as Fixed liabilities.

(Consolidated statements of income)

"Rent income", which was included in "Others" in non-operating income until the previous fiscal year, has been separately presented from this fiscal year due to the increase in monetary importance. "Rent income" in the previous fiscal year is 1,084 thousand yen.

3. Notes to Consolidated Balance Sheet

Accumulated depreciation of property, plant and equipment: 5,739,641 thousand yen

4. Notes to Consolidated Statement of Changes in Net Assets

(1) Total number of issued shares

| Class of shares | Number of shares at the beginning of current FY | Number of increased shares of current FY | Number of decreased shares of current FY | Number of shares at the end of current FY |
|-----------------|---|--|--|---|
| Common stock | 17,819,033 | 17,819,033 | - | 35,638,066 |

Note: The increase in the number of shares of treasury stock (17,819,033 shares) is due to carry out a stock split on April 1,

2018, at a ratio of two shares per one common share

(2) Number of treasury stock

| Class of shares | Number of shares at the beginning of current FY | Number of increased shares of current FY | Number of decreased shares of current FY | Number of shares at the end of current FY |
|-----------------|---|--|--|---|
| Common stock | 331,982 | 1,001,566 | - | 1,333,548 |

Notes: Of the increase in the number of shares of treasury stock 331,982 shares is due to carried out a stock split on April 1, 2018, at a ratio of two shares per one common share, 669,400 shares is due to the purchase based on the board of directors resolution held on February 7, 2019, and 184 shares is due to the purchase of shares of less than one unit.

(3) Dividends of surplus

a. Payment of dividends

| Resolution | Class of shares | Total dividend (Thousands of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|-----------------|-----------------------------------|--------------------------|--------------------|------------------|
| The Board of Directors' Meeting on May 10, 2018 | Common stock | 314,766 | 18 | March 31, 2018 | June 5, 2018 |
| The Board of Directors' Meeting on November 5, 2018 | Common stock | 279,792 | 8 | September 30, 2018 | December 3, 2018 |

Note: The Company carried out a stock split on April 1, 2018, at a ratio of two shares per one common share. The stock split has an effective date of April 1, 2018. With regard to dividends based on March 31, 2018, the dividend per share is based on the number of shares as before the stock split.

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

| Resolution | Class of shares | Total dividend (Thousands of yen) | Dividend funds | Dividend per share (Yen) | Record date | Effective date |
|---|-----------------|-----------------------------------|-------------------|--------------------------|----------------|----------------|
| The Board of Directors' Meeting on May 10, 2019 | Common stock | 308,740 | Retained earnings | 9 | March 31, 2019 | June 4, 2019 |

5. Notes to Financial Instruments

(1) Conditions of financial instruments

a. Management policy

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

b. Details of financial instruments and their risks

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

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

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

c. Risk management system for financial instruments

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

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

(2) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value, and their differences as of March 31, 2019 are shown as follows.

| | | Carrying value (thousands of yen) | Fair value (thousands of yen) | Differences (thousands of yen) |
|-----|---|--------------------------------------|----------------------------------|-----------------------------------|
| (1) | Cash and deposits | 6,362,933 | 6,362,933 | - |
| (2) | Notes and accounts receivable – trade | 6,844,705 | 6,844,705 | - |
| (3) | Consumption taxes receivable | 34,295 | 34,295 | - |
| (4) | Investment securities | | | |
| | Other securities | 218,062 | 218,062 | - |
| | Assets total | 13,459,996 | 13,459,996 | - |
| (1) | Notes and accounts payable - trade | 1,331,229 | 1,331,229 | - |
| (2) | Electronically recorded obligations - operating | 1,035,982 | 1,035,982 | - |
| (3) | Accounts payable - other | 492,256 | 492,256 | - |
| (4) | Income taxes payable | 523,827 | 523,827 | - |
| | Liabilities total | 3,383,295 | 3,383,295 | - |

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

(Assets)

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

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

(4) Investment securities

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

(Liabilities)

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

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

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

| | Due within one year (thousands of yen) | Due after one year through five years (thousands of yen) | Due after five years through ten years (thousands of yen) | Due after ten years (thousands of yen) |
|---------------------------------------|--|--|--|--|
| Cash and deposits | 6,362,933 | - | - | - |
| Notes and accounts receivable – trade | 6,844,705 | - | - | - |
| Consumption taxes receivable | 34,295 | - | - | - |
| Total | 13,241,934 | - | - | - |

6. Per Share Information

(1) Net assets per share: 783.03 yen
(2) Net income per share: 54.54 yen

Note: Amounts less than one thousand yen are truncated.

Balance Sheets
(as of March 31, 2019)

(Thousands of yen)

| Account | Amount | Account | Amount |
|---|-------------------|--|--------------------|
| ASSETS | | LIABILITIES | |
| Current assets | 15,497,309 | Current liabilities | 3,790,289 |
| Cash and deposits | 4,164,213 | Notes payable - trade | 92,685 |
| Notes receivable - trade | 1,636,788 | Electronically recorded obligations - operating | 1,035,982 |
| Accounts receivable - trade | 5,221,969 | Accounts payable - trade | 1,050,546 |
| Merchandise and finished goods | 312,441 | Accounts payable - other | 440,590 |
| Work in process | 867,422 | Accrued expenses | 136,047 |
| Raw materials and supplies | 2,503,369 | Income taxes payable | 453,935 |
| Prepaid expenses | 76,567 | Advances received | 165,194 |
| Consumption taxes receivable | 34,295 | Provision for bonuses | 268,000 |
| Other | 680,742 | Provision for directors' bonuses | 37,520 |
| Allowance for doubtful accounts | (500) | Provision for product warranties | 82,000 |
| | | Other | 27,787 |
| Non-current assets | 13,138,667 | Non-current liabilities | 71,283 |
| Property, plant and equipment | 10,543,413 | Provision for directors' retirement benefits | 66,780 |
| Buildings | 4,331,269 | Other | 4,503 |
| Structures | 209,643 | | |
| Machinery and equipment | 68,664 | Total liabilities | 3,861,572 |
| Vehicles | 2,316 | | |
| Tools, furniture and fixtures | 71,560 | NET ASSETS | |
| Land | 5,843,911 | Shareholders' equity | 24,717,588 |
| Leased assets | 7,497 | Capital stock | 1,985,666 |
| Construction in progress | 8,549 | Capital surplus | 2,023,903 |
| Intangible assets | 357,257 | Legal capital surplus | 2,023,903 |
| Telephone subscription right | 11,430 | Retained earnings | 21,747,045 |
| Software | 345,827 | Legal retained earnings | 286,314 |
| | | Other retained earnings | 21,460,730 |
| Investments and other assets | 2,237,995 | Reserve for dividend equalization | 1,000,000 |
| Investment securities | 218,062 | General reserve | 8,700,000 |
| Stocks of subsidiaries and affiliates | 808,896 | Retained earnings brought forward | 11,760,730 |
| Investments in capital of subsidiaries and affiliates | 297,873 | Treasury stock | (1,039,026) |
| Deferred tax assets | 562,882 | Valuation and translation adjustments | 56,815 |
| Other | 350,297 | Valuation difference on available-for-sale securities | 56,815 |
| Allowance for doubtful accounts | (15) | | |
| | | Total net assets | 24,774,404 |
| Total assets | 28,635,976 | Total liabilities and net assets | 28,635,976 |

Statements of Income
(from April 1, 2018 to March 31, 2019)

(Thousands of yen)

| Account | Amount |
|---|-------------------|
| Net sales | 17,474,221 |
| Cost of sales | 11,099,050 |
| Gross profit | 6,375,171 |
| Selling, general and administrative expenses | 4,329,833 |
| Operating income | 2,045,337 |
| Non-operating income | 527,285 |
| Interest income | 2,393 |
| Dividends income | 419,987 |
| Purchase discounts | 13,410 |
| Foreign exchange gains | 3,340 |
| Subsidy income | 49,499 |
| Other | 38,654 |
| Non-operating expenses | 1,928 |
| Sales discounts | 1,105 |
| Other | 822 |
| Ordinary income | 2,570,695 |
| Extraordinary loss | 10,118 |
| Loss on sales and retirement of non-current assets | 9,904 |
| Other | 214 |
| Income before income taxes | 2,560,577 |
| Income taxes - current | 720,207 |
| Income taxes - deferred | (48,861) |
| Net income | 1,889,231 |

Statements of Changes in Net Assets

(from April 1, 2018 to March 31, 2019)

(Thousands of yen)

| | Shareholders' equity | | | | | | | |
|---|----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|-----------------|-----------------------------------|-------------------------|
| | Capital stock | Capital surplus | | Retained earnings | | | | |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | | Total retained earnings |
| | | | | | Reserve for dividend equalization | General reserve | Retained earnings brought forward | |
| Balance as of April 1, 2018 | 1,985,666 | 2,023,903 | 2,023,903 | 286,314 | 1,000,000 | 8,700,000 | 10,466,058 | 20,452,373 |
| Changes in the current period | | | | | | | | |
| Dividends of surplus | | | | | | | (594,559) | (594,559) |
| Net income | | | | | | | 1,889,231 | 1,889,231 |
| Acquisition of treasury stock | | | | | | | | |
| Changes in items other than shareholders' equity, net | | | | | | | | |
| Total changes in the current period | - | - | - | - | - | - | 1,294,671 | 1,294,671 |
| Balance as of March 31, 2019 | 1,985,666 | 2,023,903 | 2,023,903 | 286,314 | 1,000,000 | 8,700,000 | 11,760,730 | 21,747,045 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|---|----------------------|----------------------------|---|---|------------------|
| | Treasury stock | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance as of April 1, 2018 | (354,848) | 24,107,095 | 97,103 | 97,103 | 24,204,198 |
| Changes in the current period | | | | | |
| Dividends of surplus | | (594,559) | | | (594,559) |
| Net income | | 1,889,231 | | | 1,889,231 |
| Acquisition of treasury stock | (684,178) | (684,178) | | | (684,178) |
| Changes in items other than shareholders' equity, net | | | (40,288) | (40,288) | (40,288) |
| Total changes in the current period | (684,178) | 610,493 | (40,288) | (40,288) | 570,205 |
| Balance as of March 31, 2019 | (1,039,026) | 24,717,588 | 56,815 | 56,815 | 24,774,404 |

1. Summary of Significant Accounting Policies

(1) Valuation of important assets

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

(2) Depreciation

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

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

(3) Estimation on allowance and reserves

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

(4) Employees' retirement benefits

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

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

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

2. Notes of change in presentation

(Application of "Partial amendments to "Accounting standards regarding to tax effect accounting"")

According to "Partial amendments to "Accounting standards regarding to tax effect accounting" (Business Accounting Standard No. 28, February 16, 2018), etc., which we applied from the beginning of this fiscal year, deferred tax assets are classified as investments and other assets, and deferred tax liabilities are classified as Fixed liabilities.

3. Notes to Balance Sheet

| | |
|--|------------------------|
| (1) Accumulated depreciation of property, plant and equipment: | 4,843,717 thousand yen |
| (2) Monetary credit and debts to affiliates | |
| a. Short-term monetary credit: | 1,774,533 thousand yen |
| b. Short-term monetary debts: | 166,038 thousand yen |

4. Notes to Statements of Income

Transactions with subsidiaries and affiliates

| | |
|--|------------------------|
| a. Net sales: | 4,892,377 thousand yen |
| b. Purchases: | 24,674 thousand yen |
| c. Selling, general and administrative expenses: | 290,191 thousand yen |
| d. Non-operating transactions: | 423,681 thousand yen |

5. Notes to Statement of Changes in Net Assets

Number of treasury stock

| Class of shares | Number of shares at the beginning of current FY | Number of increased shares of current FY | Number of decreased shares of current FY | Number of shares at the end of current FY |
|-----------------|---|--|--|---|
| Common stock | 331,982 | 1,001,566 | - | 1,333,548 |

Notes: Of the increase in the number of shares of treasury stock 331,982 shares is due to carried out a stock split on April 1, 2018, at a ratio of two shares per one common share, 669,400 shares is due to the purchase based on the board of directors resolution held on February 7, 2019, and 184 shares is due to the purchase of shares of less than one unit.

6. Notes on Tax-effect Accounting

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

| | (Thousands of yen) |
|---|--------------------|
| Deferred tax assets | |
| Inventories | 46,570 |
| Excess depreciation of property, plant and equipment | 255,764 |
| Excess intangible assets depreciation | 159,075 |
| Provision for bonuses | 81,740 |
| Provision for product warranties | 25,010 |
| Provision for directors' retirement benefit | 20,367 |
| Other | 58,361 |
| Total deferred tax assets | <u>646,890</u> |
| Deferred tax liabilities | |
| Prepaid pension costs | 59,074 |
| Valuation difference on available-for-sale securities | 24,933 |
| Total deferred tax liabilities | <u>84,007</u> |
| Net deferred tax assets | <u>562,882</u> |

7. Transactions with Related Parties

Subsidiaries, etc.

| Type | Name | % of voting rights held | Relationship | | Type of transactions | Transaction amount (thousands of yen) | Account | Year-end balance (thousands of yen) |
|------------|--|-----------------------------------|----------------------------|---|----------------------|---------------------------------------|-----------------------------|-------------------------------------|
| | | | Concurrent Directors, etc. | Business relationship | | | | |
| Subsidiary | Yushin America, Inc. | 100% Directly held by the Company | Concurrent Directors: 3 | Sales and maintenance & repair of Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment | Sale of products | 1,609,759 | Accounts receivable - trade | 327,157 |
| | Yushin Korea Co., Ltd. | 100% Directly held by the Company | Concurrent Directors: 1 | Sales and maintenance & repair of Company products. Manufacturing, sales and maintenance & repair of custom-ordered equipment | Sale of products | 922,933 | Accounts receivable - trade | 307,576 |
| | Guangzhou Yushin Precision Equipment Co., Ltd. | 100% Directly held by the Company | Concurrent Directors: 3 | Manufacture of Company products | Sale of products | 434,371 | Accounts receivable - trade | 492,260 |

Transaction terms or method of determining transaction terms

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

8. Per Share Information

| | |
|---------------------------|------------|
| (1) Net assets per share: | 722.19 yen |
| (2) Net income per share: | 54.13 yen |

Note: Amounts less than one thousand yen are truncated.

INDEPENDENT AUDITOR'S REPORT

May 15, 2019

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

Deloitte Touche Tohmatsu LLC

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

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

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Hideki Yasuda [SEAL]

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2019 of Yushin Precision Equipment Co., Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2018 to March 31, 2019, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Yushin Precision Equipment Co., Ltd. and its consolidated subsidiaries as of March 31, 2019, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

INDEPENDENT AUDITOR'S REPORT

May 15, 2019

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

Deloitte Touche Tohmatsu LLC

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

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

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Hideki Yasuda [SEAL]

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2019 of Yushin Precision Equipment Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the 45th fiscal year from April 1, 2018 to March 31, 2019, and a summary of significant accounting policies and other explanatory information, and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Yushin Precision Equipment Co., Ltd. as of March 31, 2019, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

Audit Report

Regarding the performance of duties by the Directors for the fiscal year from April 1, 2018 to March 31, 2019, the Board of Corporate Auditors hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Corporate Auditor.

1. Auditing Methods adopted by the Corporate Auditors and Board of Corporate Auditors and Details of Such Methods
 - (1) The Board of Corporate Auditors established auditing policies, allocation of duties, and other relevant matters, and received reports from each Corporate Auditor regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel, and the Accounting Auditors regarding performance of their duties, and requested explanations as necessary.
 - (2) Each Corporate Auditor complied with the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, followed the auditing policies, allocation of duties, and other relevant matters, communicated with the Directors, the Internal Audit Office, other employees, and any other relevant personnel, and made efforts to optimize the environment for information collection and audit, and conducted audits as follows.
 - [1] Participated in the Board of Directors' Meetings and other important meetings, received reports from the Directors, employees, and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the head office and principal offices. In addition, with respect to subsidiaries, we communicated and exchanged information with Directors, Corporate Auditors, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.
 - [2] We received periodic reports and requested explanations as necessary from the Directors, other relevant personnel and expressed our opinion about conditions of construction and application on the content of the resolution of the Board of Directors and system actually placed as "Internal Control System" in accordance to this resolution, which is stipulated in Paragraphs 1 and 3, Article 100 of the Enforcement Regulation of the Companies Act as a system required to ensure the compliance of laws and regulations, and the Articles of Association in the execution of businesses by the Directors and necessity to ensure a properness of operation in the business group consisting of the Company and its subsidiaries written in the business report.
 - [3] We monitored and verified whether the Accounting Auditors maintained their independence and implemented appropriate audits, and we received reports from the Accounting Auditors regarding the performance of their duties and requested explanations as necessary. In addition, we received notice from the Accounting Auditors that "the system for ensuring that duties are performed properly" (matters set forth in each Item of Article 131 of the Company Accounting Rules) is appropriately established in accordance with "Quality Control Standard on Audit" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

Based on the above methods, we examined the business report and its supporting schedules, the non-consolidated financial statements (Balance Sheets, Statements of Income, and Statements of Changes in Net Assets) and its supporting schedules, and the consolidated financial statements (Balance Sheets, Statements of Income, and Statements of Changes in Net Assets) related to the relevant business year.

2. Audit Results

(1) Results of Audit of Business Report and Other Relevant Documents

- [1] In our opinion, the business report and supporting schedules are in accordance with the related laws and regulations and Articles of Association, and fairly represent the Company's condition.
- [2] With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Association.
- [3] In our opinion, resolutions of the Board of Directors for the Internal Control System are fair. And also the contents of the business report about the Internal Control System, and the Director's activities and implementation have no issues to be pointed out.

(2) Results of Audit of Financial Statements and Supporting Schedules

In our opinion, the methods and results employed and rendered by the Accounting Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by the Accounting Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 16, 2019

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

| | |
|-----------------------------|----------------------------|
| Full-time Corporate Auditor | Yoshihisa Nakanishi [SEAL] |
| Outside Corporate Auditor | Yasuhiro Orita [SEAL] |
| Outside Corporate Auditor | Hiroho Kamakura [SEAL] |
| Outside Corporate Auditor | Michitoshi Morimoto [SEAL] |

End of submitted documents

Reference Documents for the General Meeting of Shareholders

Proposal: Election of Seven (7) Directors

The terms of office of all the currently serving eight (8) Directors will expire at the conclusion of this Meeting. We propose to decrease the number of Director by one (1) and Shareholders are asked to vote for these seven (7) candidates for Directors.

The candidates for the position of Directors are as follows:

| No. | Name (Date of birth) | Career summary, position, areas of responsibility, and representation of other organizations | | Number of shares held |
|---|---------------------------------------|--|---|-----------------------|
| 1 | Mayumi Kotani (January 12, 1947) | October 1973 | Joined the Company | 1,054,102 shares |
| | | October 1982 | Director | |
| | | February 1989 | Executive Vice President and Director | |
| | | March 1993 | Executive Vice President and Director, General Manager of Sales H.Q. | |
| | | December 2002 | President and Representative Director | |
| | | April 2006 | President and General Manager of Sales and Customer Service H.Q. | |
| | | March 2011 | President and Representative Director | |
| | | | To the present | |
| Reasons for appointment: Mayumi Kotani has been engaged in management since the establishment of the Company and exercising strong leadership as a President and Representative Director for many years. She has extensive experience in business management. Because of the expectation that the functions of decision-making and oversight by the Board of Directors should be strengthened, she is a candidate for a Director of the Company. | | | | |
| 2 | Satoshi Kimura (April 1, 1954) | April 2005 | Joined the Company as Executive Officer and General Manager of Purchase Dept. | 6,000 shares |
| | | October 2005 | Executive Officer and General Manager of Purchase Dept. | |
| | | April 2006 | Senior Executive Officer and General Manager of Purchase H.Q. | |
| | | June 2006 | Managing Director and General Manager of Purchase H.Q. | |
| | | June 2008 | Executive Managing Director and General Manager of Purchase H.Q. | |
| | | | To the present | |
| Reasons for appointment: Satoshi Kimura has been involved in management and operations of purchasing and administration, thus having broad experience in the business. Because of the expectation of continuously strengthening the function of decision-making and supervision of the Board of Directors, he is a candidate for a Director of the Company. | | | | |
| 3 | Yasushi Kitagawa (August 12, 1958) | September 2007 | Joined the Company | 4,800 shares |
| | | November 2007 | Deputy General Manager of Manufacturing Dept. | |
| | | April 2008 | Deputy General Manager of Manufacturing Dept. and Quality Assurance Dept. | |
| | | April 2009 | Executive Officer, Deputy General Manager of Manufacturing H.Q. and Quality Assurance Dept. | |
| | | August 2009 | Executive Officer, General Manager of Manufacturing H.Q. and Quality Assurance Dept. | |
| | | June 2010 | Director and General Manager of Manufacturing H.Q. and Quality Assurance Dept. | |
| | | June 2013 | Managing Director and General Manager of Manufacturing H.Q. and Quality Assurance Dept. | |
| | | June 2017 | Executive Managing Director and General Manager of Manufacturing H.Q. and Quality Assurance Dept. | |
| | | | To the present | |
| Reasons for appointment: Yasushi Kitagawa has been engaged in management and operation of production, thus having broad experience in the business. Because of the expectation of continuously strengthening the function of decision-making and supervision of the Board of Directors, he is a candidate for a Director of the Company. | | | | |

| No. | Name (Date of birth) | Career summary, position, areas of responsibility, and representation of other organizations | | Number of shares held |
|---|--|---|---|--------------------------|
| 4 | Tomohiro Inano (December 13, 1962) | June 1989 | Joined the Company | 3,400 Shares |
| | | August 2003 | General Manager of Yushin Precision Equipment Trading (Shenzhen) Co., Ltd. | |
| | | April 2008 | General Manager of Chinese Area and Yushin Precision Equipment Trading (Shenzhen) Co., Ltd. | |
| | | July 2009 | Assistant to General Manager of Sales H.Q. | |
| | | February 2010 | Deputy General Manager of Sales H.Q. | |
| | | March 2011 | General Manager of Sales H.Q. | |
| | | March 2014 | Executive Officer and General Manager of Sales H.Q. | |
| | | June 2017 | Director and General Manager of Sales H.Q. | |
| | | To the present | | |
| Reasons for appointment: Tomohiro Inano has been involved in management and operation of sales, thus having broad experience in the business. Because of the expectation of strengthening the decision-making and supervising functions of the Board of Directors, he is a candidate for a Director of the Company. | | | | |
| 5 | Yasuo Nishiguchi (October 9, 1943) | March 1975 | Joined Kyoto Ceramic Co., Ltd.(currently Kyocera Corporation) | 19,100 Shares |
| | | June 1987 | Director | |
| | | June 1992 | Senior Managing Director and Representative Director | |
| | | June 1997 | Executive Vice president and Representative Director | |
| | | June 1999 | President and Representative Director | |
| | | June 2003 | President and Representative Director and President and Executive Officer | |
| | | June 2005 | Chairman of the Board and Representative Director, and Chief Executive Officer | |
| | | April 2006 | Advisor and Director | |
| | | June 2009 | Retired from the office of Director | |
| | | June 2014 | Outside Director of the Company | |
| | | To the present | | |
| | | March 2015 | Chairman and CEO of Socionext Inc. | |
| | | June 2016 | Outside Director of YAMADA Consulting Group Co., Ltd. | |
| | | To the present | | |
| | | March 2018 | Retired from Chairman and CEO of Socionext Inc. | |
| Reasons for nomination as an Outside Director: Yasuo Nishiguchi has held such positions as the President and Representative Director, and the Chairman and Representative Director at Kyocera Corporation. Based on his knowledge and experience in general management cultivated through prominent corporate positions, we asked him to give the Company advice and supervision of operations as an Independent Director. Thus, because we can expect to strengthen the function of the Company's Board of Directors, he is a candidate for an Outside Director of the Company. | | | | |

| No. | Name (Date of birth) | Career summary, position, areas of responsibility, and representation of other organizations | | Number of shares held |
|---|---------------------------------------|---|---|-----------------------|
| 6 | Hiroshi Matsuhisa (August 5, 1947) | June 1976 October 1987 April 1994 | Research Assistant of school of precision engineering in Faculty of Engineering at Kyoto University Assistant professor Professor (transferred to graduate school of department of Mechanical Engineering and Science by a reorganization in 1995) | 10,000 Shares |
| | | April 2012 June 2014 June 2016 June 2018 | Professor emeritus at Kyoto University Outside Director of the Company To the present Outside Corporate Auditor of Technology Seed Incubation Co., Ltd. Retired from Outside Corporate Auditor of Technology Seed Incubation Co., Ltd. | |
| Reasons for nomination as an Outside Director: Based on the specialized knowledge by the person with academic standing in engineering of Kyoto University, we asked him to give the Company advice and supervision of operations as an Independent Director. Thus, because we can expect to strengthen the function of the Company's Board of Directors, he is a candidate for an Outside Director of the Company. Although the person has no experience in direct corporate management, our belief is that he will be able to properly fulfill assigned duties as an Outside Director of the Company for the reasons cited above. | | | | |
| 7 | Reiko Nakayama (April 2, 1959) | April 1983 January 1997 March 2000 October 2004 October 2008 February 2009 March 2013 March 2015 March 2016 June 2018 | Joined Japan Associated Finance Co., Ltd. (currently JAFCO Co., Ltd) Joined Marusan Securities Co., Ltd. General Manager of Investment information General Manager of Underwriting Part-time Director of LivTech, Inc. Director and Head of Administrative H.Q. of LivTech, Inc. Retired from the office of Director of LivTech, Inc. Outside Director of LUCKLAND CO.,LTD Director of LUCKLAND CO.,LTD (Audits Committee) To the present Outside Director of the Company To the present | 5,062 Shares |
| | | Reasons for nomination as an Outside Director: Based on her experience of securities company underwriter, and management executive officer and outside officers of operating companies, we asked her to give the Company advice and supervision of operations as an Independent Director. Thus, because we can expect to strengthen the function of the Company's Board of Directors, she is a candidate for an Outside Director of the Company. | | |

Note:

- 1 The candidates for Directors have no special interests in the Company.
- 2 Yasuo Nishiguchi, Hiroshi Matsuhisa and Reiko Nakayama are candidates of Outside Directors.
- 3 Yasuo Nishiguchi, Hiroshi Matsuhisa and Reiko Nakayama are the present Outside Directors of the Company. Yasuo Nishiguchi and Hiroshi Matsuhisa term of office as Director of the Company is respectively five (5) years at the closing of this General Meeting of Shareholders, Reiko Nakayama term of office as Director of the Company is one (1) year at the closing of this General Meeting of Shareholders
- 4 The Company has registered Hiroshi Matsuhisa and Reiko Nakayama as Independent Officers provided in the rules of the Tokyo Stock Exchange and submitted notices to this effect to the Exchange. Hiroshi Matsuhisa and Reiko Nakayama will be continuously registered as Independent Officers if they are reappointed.

End of Reference Documents