

"Corporate Governance Principles"

Basic Concepts Concerning Corporate Governance

Based on interests of its stakeholders including shareholders, customers, employees, business partners, creditors and local communities including foreign countries, YLK has determined the following principles in recognition of the fact that development and building of a corporate governance system, not only to ensure transparency of management and to reinforce management supervision functions, but to promote swift and decisive decision-making, is important.

In accordance with these Principles, YLK will uphold the trust from a diversity of stakeholders, and strive for sustainable growth and improvement of corporate value.

Securing the Rights and Equal Treatment of Shareholders

Article 1 (Securing the Rights and Equal Treatment of Shareholders)

- 1 YLK shall take following measures for the sake of proper handling to secure the rights of shareholders effectively, and for the development of an environment where shareholders can exercise the rights properly.
 - (1) YLK shall perform timely and proper information disclosure, to contribute to the exercise of rights of shareholders, including proper exercise of voting rights by shareholders at the general meeting of shareholders, and to ensure equal treatment of shareholders effectively.
 - (1) YLK shall strive to ensure a proper period before the day when the general meeting is held after sending a convening notice for general shareholder meetings, and publicize the contents of the notice promptly after transmittal via the YLK website, or by other means that can facilitate the shareholders obtaining the information. In addition, the contents of the notice shall be translated into English in abstract, and publicized.
- 2 For the company proposal that is actually passed at the general meeting of shareholders but for which a considerable amount of votes against the proposal were cast, the reasons behind opposing votes and why a large number of shareholders opposed must be analyzed, and whether or not to make explanations to shareholders shall be considered.

Article 2 (Capital Policy)

- 1 YLK will aim at achievement of its medium-to-long term ROE (return on equity) goal without changing the capital equity ratio drastically. In addition, while aiming at maintaining a benchmark of consolidated dividend payout ratio, YLK will perform investment for stable dividends and sustainable growth.
- 2 As for capital measures that will bring diversification or significant dilution of control, YLK will examine the necessity and reasonableness thereof so as not to harm existing shareholders improperly, and ensure proper procedures, as well as make sufficient explanations to shareholders.

Article 3 (Cross-Shareholdings)

- 1 When YLK is to hold shares of other listed companies as cross-shareholdings, YLK will take into account the ratio thereof to its total consolidated assets, business connections, and the importance in the aspect of business strategies, etc.
- 2 If YLK is holding shares of other listed companies as cross-shareholdings, the Board of Directors shall reexamine the cross-shareholdings as necessary from the viewpoint of various factors under the preceding paragraph.
- 3 As for the exercise of voting rights as to cross-shareholdings, when cross-shareholding of shares of listed companies is judged to be inappropriate in the light of factors under paragraph 1, or when regulations concerning the management of the company issuing the relevant listed shares are judged to be inadequate, proposals to the general meeting of shareholders of the listed company pertaining to the relevant cross holding shall be closely examined, and voting rights must be exercised properly.

Article 4 (Related Party Transactions)

- 1 When YLK engages in transaction with a Director or Audit & Supervisory Board Member(*Kansayaku*) (Directors and Audit & Supervisory Board Members<*Kansayaku*> shall be collectively referred to as the "Executives" hereinafter), this transaction shall be performed in accordance with a resolution of the Board of Directors, to which information has been provided properly.
- 2 When YLK engages in transaction with a major shareholder (party that directly or indirectly owns 10% or greater of the total voting rights of YLK) or a subsidiary or affiliate thereof, whether or not to perform the transaction shall be judged within the following framework, so as not to harm the common interests of its shareholders.
 - (1) In the case where transaction conditions that should be used for reference from the market or a quotation, etc., which are related to the relevant transaction, market trends and other transaction-related circumstances are to be judged comprehensively, whether or not to perform the transaction shall be judged in

accordance with the laws and regulations.

- (2) In the case of a transaction other than in cases under the preceding item, if the opinion of a third party are judged necessary due to business customs relating to the relevant transaction, having obtained the opinion of a disinterested third party, whether or not to conduct the transaction shall be judged in accordance with resolutions of the Board of Directors, based on respect for the opinions of outside directors.
- 3 A summary of the transactions under item 1 of the preceding paragraph shall be reported to the Board of Directors every interim term.

Appropriate Cooperation with Stakeholders other than Shareholders

Article 5 (Appropriate Cooperation with Stakeholders other than Shareholders)

YLK shall recognize the fact that the source of medium-to-long term corporate activities lies also in customers, employees, business partners, creditors and a variety of stakeholders such as local communities, including in foreign countries, and strive to have appropriate cooperation with those stakeholders who are other than shareholders.

Article 6 (Group Code of Conduct Establishment and Implementation)

Based on the recognition under the preceding article, the Board of Directors must stipulate a Code of Conduct that will be applicable to all directors, officers and employees of YLK and YLK Group companies, and cause it to penetrate deeply into business activities inside and outside Japan, and be observed.

Article 7 (Sustainability)

YLK recognizes the fact that issues around sustainability including social and environmental matters are important parts of risk management, and in response to requests and concerns about business companies by society, work actively and positively on social and environmental matters, as well as actively publicize the details of efforts.

Article 8 (Ensuring Diversity)

YLK recognizes that for its sustainable growth, diverse viewpoints and values are necessary, reflecting different experiences, skills, and characteristics inside the YLK, and make efforts so that each person can play an active role depending on the experience, skills, and characteristics possessed, unaffected by race, skin color, religion, gender or place of origin, etc.

Article 9 (Whistleblowing)

- 1 YLK will establish multiple contact points for whistleblowing window so that employees, etc. of YLK Group can convey information or sincere legitimate suspicion with respect to illegal or inappropriate acts of information disclosure to the Management (this means the Executive Directors and executive officers; the same shall apply hereinafter), in consideration of the feelings of whistleblowers, and one of which shall be an external contact point.
- 2 YLK shall develop a system so that information or legitimate suspicion brought to the contact point under the preceding paragraph will be examined objectively, and properly used.
- 3 The Board of Directors must supervise the operational status of the whistleblowing system of YLK such as whether or not the handling of the information or suspicion conveyed was proper, or whether or not the whistleblower has unfairly suffered disadvantages, etc.

Ensuring Appropriate Information Disclosure and Transparency

Article 10 (General Principles for Ensuring Information Disclosure and Transparency)

YLK will disclose, publicize or present information relating to financial affairs and business including risks, information relating to corporate philosophy, the business plan and governance, and policy concerning internal controls and compliance, in compliance with the Companies Act, Financial Instruments and Exchange Act, and other applicable laws and regulations, and applicable regulations of the financial instruments exchange, by a method which is easy to understand and convenient to obtain.

Responsibilities of Board of Directors, etc.

Article 11 (Outline of Governance System)

- 1 As YLK is a company with Audit & Supervisory Board(*Kansayaku-kai*), the Board of Directors shall assume responsibility for the management of YLK, and make important decisions for YLK, and the Audit & Supervisory Board Members(*Kansayaku*) and Audit & Supervisory Board(*Kansayaku-Kai*) will perform auditing. In addition, YLK will establish an Executive officers Board consisting of the Management in order to ensure swiftness and properness of decision-making in the execution of business, and discuss management of YLK.
- 2 The President shall evaluate the performance of the Management, and share information and discuss with independent outside directors as necessary with respect to personnel affairs and remuneration.

Article 12 (Roles and Responsibilities of the Board of Directors)

- 1 The Board of Directors shall recognize its fiduciary responsibilities to shareholders, and assume responsibility for efforts for sustainable growth and increased corporate value of YLK over the medium-to-long term. Specifically, the Board of Directors shall perform the following matters:
 - (1) Establishment of Corporate Philosophy
 - (2) Formulation of business plans, and performing causal analysis if goals are not achieved, and reflection of the analysis in the next business plan
 - (3) Development of environment and supervision of business execution system to sustain swift and decisive decision-making
 - (4) Development and supervision of internal controls and risk management system
 - (5) Supervision for timely and accurate information disclosure
 - (6) Performance evaluations and personnel affairs related matters
 - (7) Effectiveness analysis and evaluation of the Board of Directors
 - (8) Supervision of successor mentoring plan for management
 - (9) Supervision of transactions with executives, major shareholders and other related parties
 - (10) Decisions of material business execution and other matters provided in the laws and regulations, Articles of Incorporation, and Board of Directors Rules.

- 2 YLK shall hold a Board of Directors' meeting once per month, and hold extraordinary Board of Directors when necessary.

Article 13 (Chairman of the Board of Directors and President)

- 1 The Chairman of the Board of Directors assumes responsibility for efficient operation of Board of Directors, and strives to create an atmosphere that is respectful of free, active and constructive discussion and exchange of opinions, including raising of problems by outside directors and auditors.
- 2 The President shall represent the company and *control the company's business operation*.

Article 14 (Independent Outside Directors)

- 1 Candidates for independent outside director shall be designated based on comprehensive judgment that they possess deep knowledge or experience as managers, expert knowledge and experience of financial affairs, accounting or legal affairs, etc., independence from the YLK Group, and are capable of ensuring sufficient time for advice to and supervision of the YLK businesses, and diversity of the Board of Directors. For designation of candidates for independent outside director, the opinions of current independent outside directors shall be respected to the fullest extent.

- 2 The independence of candidates for independent outside director shall be judged based on the following rules:
 - (1) For 10 years before assuming the post of YLK, the person shall not have been a director, officer or an employee of YLK, or of a corporation that is part of a corporate group to which YLK belongs.
 - (2) The person is not a director, officer or employee of a business partner that records net sales in an amount equivalent to or greater than 2% of the net sales of YLK on the consolidated statement of income in the most recent business year.
 - (3) The person is not a director, officer or employee of a business partner whose sales from YLK in the most recent business year is an amount equivalent to or greater than 2% of the sales of the relevant business partner on the consolidated statement of income.
 - (4) The person is not a consultant, certified public accountant, tax accountant or other accounting expert, or lawyer (if the party that receives remuneration is a corporation or organization such as an association, etc., a person who is affiliated with the relevant organization) who has gained remuneration of 10 million yen per year on average other than remuneration as an executive from YLK in the past 3 years.
 - (5) The person is not a director, officer or employee of a major shareholder of YLK.
 - (6) The person is not a director or officer of a business partner that conducts mutual dispatches of outside directors or auditors with YLK in the most recent business year.
 - (7) The person is not a party who has received a donation in an amount of either of the two of which is higher: 5 million yen on average per year for the past three years, or 1% of total income of the most recent business year of the party, from the YLK Group, or directors, officers or employees thereof.
 - (8) The person is not a spouse, blood relation within the second degree of consanguinity, co-residing relative or person under the same livelihood, with any person who falls under any of the preceding items.
 - (9) There is no other reason for conflict of interest with general shareholders.
- 3 The independent outside director should recognize the fact that, from a standpoint independent from the Management and major shareholders, (1) to formulate a corporate philosophy and business plan for sustainable growth and increased corporate value over the medium to- long term in accordance not only with the provisions of the laws and regulations but also with his/her own knowledge, taking into account the joint interests of shareholders and the interests of stakeholders, (2) to supervise management through appointment and dismissal of the Executive Directors and other material decision-making, (3) to supervise conflicts of interest between YLK and the Managements, or major

shareholders, etc., and (4) to monitor excessive risk taking while welcoming proposals by the Managements based on a sound spirit of entrepreneurship, are his/her primary duties, and contribute to plain, active and constructive discussion by the Board of Directors.

- 4 YLK shall provide proper materials for matters to be discussed at Board of Directors to independent outside directors in a timely manner, to ensure fulfillment of the roles of the independent outside directors under the preceding paragraph in actuality, and when necessary, set up opportunities for meetings composed only of independent outside directors, or of independent outside directors and outside Auditors & Supervisory Board Members(*Kansayaku*).

Article 15 (Executive Directors)

- 1 YLK shall appoint a director to execute business (the "Executive Director") in addition to independent outside directors.
- 2 The Executive Directors shall execute business in accordance with resolutions of the Board of Directors, and supervise or monitor other members of the Managements. In addition, the Executive Directors shall be subject to supervision by the Board of Directors, through regular basis reporting on the execution status of the duties under their responsibility or management, to the Board of Directors.
- 3 The Executive Directors must make clear and accurate reports to the Board of Directors, to make the functions of business supervision of the Board of Directors effective.
- 4 The Executive Directors must collect adequate information about matters other than business under their responsibility or management, express opinions actively, and hold full discussions.

Article 16 (Board policies and Procedures for Appointment of Management)

The Executives and the Management, and candidates therefor shall be appointed by the Board of Directors, upon preparation of original drafts by the President with opinions of independent outside directors, considering their characters, insight, experience and knowledge related to business, globalism, judgmental ability, business execution skills, leadership, perspective for gaining an overview of the corporation, and state of health etc.

Article 17 (Audit & Supervisory Board Members(*Kansayaku*))

- 1 Although the primary roles of the Audit & Supervisory Board Member(*Kansayaku*) and Audit & Supervisory Board(*Kansayaku-kai*) are business auditing and accounting auditing, however, the Audit & Supervisory Board Member(*Kansayaku*) and Audit & Supervisory Board(*Kansayaku-Kai*) shall not consider their business excessively

narrowly, based on their fiduciary responsibility to shareholders, and strive to collect information based on actual inspections and exercise of investigative authority under the laws and regulations, and provide opinions about management actively.

- 2 Candidates for Audit & Supervisory Board Member(*Kansayaku*) shall be determined with the consent of the Audit & Supervisory Board(*Kansayaku-Kai*), upon presentation of original drafts by the President to the Board of Auditors, based on consultations with adequate respect for the opinions of the present outside auditors in consideration of their characters, insight, knowledge related to business, knowledge related to financial affairs and accounting, globalism, etc.
- 3 Candidates for outside Audit & Supervisory Board Member(*Kansayaku*) shall be designated via the procedures under the preceding paragraph, considering the factors provided in Article 14, paragraph 1.
- 4 Standards for independence of outside Audit & Supervisory Board Member(*Kansayaku*) shall be based on Article 14, paragraph 2.

Article 18 (Training Development of Executives)

- 1 YLK shall set up opportunities for training in financial affairs, accounting, legal affairs and other organizations and the YLK business for Executives.
- 2 YLK shall give explanations about management strategy and financial conditions and other important matters of YLK promptly to newly-appointed directors or Audit & Supervisory Board Members(*Kansayaku*) after assuming office, by the President or the Executive Directors designated by the President. In addition, when necessary, YLK shall provide them with opportunities to visit the primary business sites to expand their knowledge of the actual business operation.
- 3 The Audit & Supervisory Board(*Kansayaku-Kai*) shall provide opportunities for career development for Audit & Supervisory Board Member(*Kansayaku*) so that they can have proper knowledge of financial affairs and accounting, and at least one of the Audit & Supervisory Board Member(*Kansayaku*) will have proper knowledge of financial affairs and accounting.
- 4 The Executives should understand their duties and, not only be well-versed in the management strategies and financial condition of YLK, but also deepen their own knowledge and devote themselves to management, business, financial affairs and accounting, and laws and regulations, etc.
- 5 Expenses required for their training shall be borne by YLK.

Article 19 (Executive Support Structure)

- 1 YLK shall establish a support office for the Executives to fulfill their roles and responsibilities effectively.
- 2 The office under the preceding paragraph shall perform close examination of proposals to Board of Directors, provide information to the Board of Directors, assist mutual communications among outside Executives directors and Audit Supervisory Board Members(*Kansayaku*), collect information from internal departments, and strive to do all other things to make it possible for the Board of Directors to make decisions and supervise efficiently and accurately.
- 3 The Executives may obtain advice from outside experts at YLK expense, if considered necessary.

Article 20 (Board policies and procedures in determining of the remuneration of the Executives)

- 1 Annual remuneration for the Managements of YLK is composed of "fixed remuneration" and " performance-linked bonuses."
- 2 Annual remuneration for Audit Supervisory Board Members(*Kansayaku*) and independent outside directors shall be fixed remuneration.
- 3 Remuneration for the Executives and the Managements must be proper and fair, in consideration of whether or not it is sufficient to secure personnel who increase the corporate value of YLK to the maximum, whether or not it is excessive for performance, duties, and length of term in office.
- 4 Remuneration for the Managements shall be determined in accordance with procedures provided under the laws and regulations, upon preparation of original drafts by the President and based on advice from independent outside directors.
- 5 YLK shall take into account opinions of independent outside directors as to the ratio of fixed fees and performance-based fees, and the ideal state of medium-to-long term incentives, for the Management and study the ideal state of proper remuneration on a continuous basis.

Article 21 (Retirement Benefit for Executives)

- 1 YLK shall pay retirement benefits for executives to the Executives and The Managements.
- 2 The amount of retirement benefit for Managements shall be determined in accordance with the procedures under paragraph 4 of the preceding article, considering the post-payment character of remuneration, merits during the service of the person, their contribution to performance, etc. and other factors.
- 3 The amount of retirement benefits for Audit & Supervisory Board Members(*Kansayaku*) and independent outside directors shall be determined in accordance with procedures provided in the laws and regulations considering the factors under the preceding

paragraph, and upon consultations by the Audit & Supervisory Board Members(*Kansayaku*) for the payment to Audit & Supervisory Board Members(*Kansayaku*), and by resolution of the Board of Directors for the payment to independent outside directors.

- 4 Management will acquire the shares of the YLK through the Director Stock Ownership Plan, and maintain those for one year after retirement.

Article 22 (Outside Accounting Auditor)

- 1 The outside accounting auditor shall assume responsibility for proper auditing.
- 2 The Audit & Supervisory Board (*Kansayaku-kai*) shall confirm the fact that candidates for outside accounting auditor have independence and expertise in line with the evaluation standards set by the Board.
- 3 The Board of Directors and Audit & Supervisory Board(*Kansayaku-Kai*) shall ensure for the outside accounting auditor (1) a proper amount of time for auditing, (2) opportunities of interviews, etc. with the President and the Executives in charge of accounting, and (3) collaboration with Audit & Supervisory Board member(*Kansayaku*) and the Internal Audit Chamber..
- 4 The Board of Directors and Audit Supervisory Board(*Kansayaku-Kai*) shall establish a system to discuss response without delay with the department concerned for the case where the outside accounting auditor discovers an irregularity and request proper response, or points out some insufficiency or problem,

Constructive Dialogue with Shareholders

Article 23 (Policy concerning Constructive Dialogue with Shareholders)

- 1 The Director who serves as Chairman of the General Meeting of Shareholders should recognize the fact that the General Meeting of Shareholders is an important opportunity for dialogue with shareholders, and provide support in numerous ways, including ensuring sufficient time for questioning.
- 2 YLK emphasizes constructive dialogue with shareholders to contribute to sustainable growth and increased corporate value over the medium-to-long term, and appoint the Executives and departments in charge thereof, as well as holds explanatory briefings about accounts settlement and business plans, etc. of YLK on a regular basis.
- 3 In order to assist constructive dialogue with shareholders, the departments in charge of General Affairs and IR will play a central role in the provision of proper information to management, through collaboration by individual departments in charge of management and planning, financial affairs, accounting and legal affairs.
- 4 Constructive dialogue with shareholders shall be performed by the Managements themselves, when needed, and in other cases as well, such dialogue shall be shared among

the Executives such as reporting beneficial opinions and concerns of shareholders that were obtained through constructive dialogue with shareholders to Board of Directors, etc., to be of use for increasing corporate value.

- 5 In constructive dialogue with shareholders, YLK shall be careful to avoid provision of insider information or other information under confidentiality obligations by mistake, and so as not to create actual information gaps among shareholders. For the purpose, YLK shall prepare an IR Policy, and provide rules to prevent insider transactions and control material facts.
- 6 Directors in charge of General Affairs and IR shall administer the matters provided in this Article.

Other

Article 24 These Principles shall be revised or repealed by resolution of the Board of Directors.

Supplementary Provision

Established November 27, 2015