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Securities code: 7220  
June 2, 2021

To our shareholders:

Hiroshi Otsuka  
Representative Director and President  
**Musashi Seimitsu Industry Co., Ltd.**  
39-5 Daizen, Ueta-cho, Toyohashi-shi, Aichi

## **NOTICE OF CONVOCATION OF THE 94TH ANNUAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 94th Annual Meeting of Shareholders of Musashi Seimitsu Industry Co., Ltd. (the “Company”).

The Company recommends that you exercise your voting rights either in writing or via the Internet to avoid risk of infection of a novel coronavirus disease (the “COVID-19”) at the meeting. Please review the Reference Documents for the Annual Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Monday, June 21, 2021.

### **Meeting Details**

- 1. Date and Time:** Tuesday, June 22, 2021 at 10:00 a.m. (Reception will open at 9:00 a.m.; Japan Standard Time)
- 2. Venue:** Conference Room of the Company’s Head Office  
39-5 Daizen, Ueta-cho, Toyohashi-shi, Aichi

**3. Purposes:**

**Items to be reported:**

1. Business Report and Consolidated Financial Statements, as well as the audit reports of the Financial Auditor and the Audit and Supervisory Committee for Consolidated Financial Statements, for the 94th fiscal term (from April 1, 2020 to March 31, 2021)
2. Non-consolidated Financial Statements for the 94th fiscal term (from April 1, 2020 to March 31, 2021)

**Items to be resolved:**

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of Seven (7) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
- Proposal 4:** Election of Two (2) Directors Serving as Audit and Supervisory Committee Members

### **Requests to Ensure the Health and Safety of Our Shareholders**

We seek the understanding and cooperation of our shareholders regarding the following precautions being taken due to the spread of the COVID-19 infection.

- We ask that any shareholder considering the possibility of attending the meeting sufficiently check on the status of the epidemic along with his or her own physical condition on the day of the meeting. We furthermore ask that shareholders wear protective masks and otherwise take the utmost precautions to prevent infection.
- Seating capacity may be insufficient given that seats will be arranged so that there is greater distance between shareholders. As such, you may be refused admission upon arriving at the venue if seating fills to capacity.
- To prevent contact transmission, we will not serve beverages in the reception room nor will it provide gifts to shareholders at the venue. Moreover, the Company will not hold its exhibition of corporate activities.
- In order to prevent the spread of the COVID-19 infection, we will not be providing a dedicated shuttle bus. If you are a shareholder who is considering attending the meeting, please come by your own car or taxi, or use public transportation.
- We will implement measures necessary to prevent infection in alignment with the status of COVID-19 on the day of the meeting.

- If any changes have been made to the Reference Documents for the Annual Meeting of Shareholders, Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements, such changes will be posted on the Company's website.
- The Company will provide notification on its website if it makes substantial operational changes with respect to the Annual Meeting of Shareholders due to developments going forward.

The Company's website: (<http://www.musashi.co.jp>)

### **Instructions for Exercising Voting Rights, etc.**

Voting right at the annual meeting of shareholders is an important right of shareholders.  
Please exercise your voting rights.

### **There are three methods exercising your voting rights.**

#### **[Exercising Voting Rights in writing]**

Complete the enclosed Voting Rights Exercise Form by indicating your approval or disapproval of the proposals and return it early.

Votes to be received by:

Monday, June 21, 2021 at 5:00 p.m.

#### **[Exercising Voting Rights via the Internet]**

Access the voting rights exercise website from a PC or a smartphone. If you are using a smartphone, you can exercise your voting rights directly with the QR code. Please see the next page for details.

Votes to be given by:

Monday, June 21, 2021 at 5:00 p.m.

#### **[Attending the Annual Meeting of Shareholders]**

Present the Voting Rights Exercise Form to the receptionist at the meeting.

Date and Time:

Tuesday, June 22, 2021 at 10:00 a.m.

Venue:

Conference Room of the Company's Head Office  
39-5 Daizen, Ueta-cho, Toyohashi-shi, Aichi

#### **Handling of Multiple Exercises of Voting Rights**

- 1) If you exercise your voting rights twice, in writing and via the Internet, we will treat those via the Internet as valid.
  - 2) If you exercise your voting rights more than once via the Internet, we will treat the last vote as valid.
- \* The costs incurred for accessing the site for exercising voting rights (such as Internet connection fees) will be borne by the shareholders.
  - \* Depending on the Internet use environment of the shareholders, it may not be available.
  - \* QR code is a registered trademark of DENSO WAVE Inc..

## **Exercising Voting Rights via the Internet**

### **Voting by a smartphone**

1. By scanning the QR code located on the bottom right of the Voting Rights Exercise Form, you can simply exercise your voting rights.
2. Please follow the directions that appear on the screen to input approval or disapproval to each proposal.

**Note:** If you need to change your votes after exercising your voting rights, please log in the Website for Exercising Voting Rights for a PC by using your Login ID and Password provided on the Voting Rights Exercise Form and exercise your voting rights again.

\* Please note that it is not possible to complete this procedure via some mobile phones (feature phones, etc.).

### **Voting by a PC**

1. Please access the Website, <https://www.net-vote.com/> for Exercising Voting Rights.
2. You see the Top screen.
3. Then at the Login Screen, please enter the Login ID and Password provided on the Voting Rights Exercise Form, and choose the “Login” button.

### **Information for electronic voting platform**

Institutional investors who have already applied to use of the electronic voting platform operated by ICJ Inc., may also use this platform to exercise their voting rights, in addition to internet platforms listed above.

### **Inquiries for System, etc.**

IR Japan Inc., Transfer Agency Services Department

Helpline: 0120-975-960

Reception: 9:00 a.m. - 5:00 p.m. (excluding Saturdays, Sundays and public holidays)

## Reference Documents for the Annual Meeting of Shareholders

### Proposal 1: Appropriation of Surplus

Returning profit to shareholders is recognized as one of the highest priorities in the Company's management, and the payment of stable, continuous dividends commensurate to business results is our basic policy. Regarding the appropriation of surplus for the 94th fiscal term, taking into account such factors as our business results for the fiscal year under review, the strengthening of our management structure and future business development, and considering to secure internal reserves on one hand, we propose the following.

#### Matters relating to year-end dividends

- i) Type of dividend property  
Cash
- ii) Dividend amount to be allocated
  - Per share of common stock: ¥ 30
  - Total dividends: ¥ 1,957,231,290
- iii) Effective date of dividends of surplus  
June 23, 2021

**Proposal 2:** Partial Amendments to the Articles of Incorporation

1. Reason for Amendments

In order to reflect more accurately the current business activities of the Company and clarify the purposes of business, the Company proposes to add new business items in the provision of Article 2 (Purposes) of the current Articles of Incorporation so that the Company could respond to the diversification of the business in the future.

2. Details of amendments

The details of amendments are as follows.

(Amendments are underlined.)

Current	Proposed amendments
Article 2 (Purposes) The purpose of the Company shall be to engage in the following businesses:	Article 2 (Purposes) (Unchanged)
1) Design, manufacture, sales, repair and inspection of each of the following products along with components and accessories thereof	1) (Unchanged)
1. ~4. (Omitted)	1. ~4. (Unchanged)
(New)	<u>5. Electricity storage devices as well as products and equipment related to electricity storage devices</u>
<u>5. ~19.</u> (Omitted)	<u>6. ~20.</u> (Unchanged)
2) (Omitted)	2) (Omitted)
3) (Omitted)	3) (Unchanged)
(New)	<u>4) Electric power generation using renewable energy, etc. and electric power sales</u>
(New)	<u>5) Purchase and sale of emission rights for greenhouse gases, etc., and intermediary and consulting services</u>
(New)	<u>6) R&amp;D, manufacture, sales and import-export of cosmetics, foodstuffs, pharmaceuticals, quasi-drugs, agricultural chemicals, fertilizer, feed and raw materials thereto</u>
(New)	<u>7) Contract research and development of biotechnology</u>
(New)	<u>8) Composition analysis, functional analysis and genetic analysis of plant composition, microorganisms, animal cells, etc.</u>
(New)	<u>9) Acquisition, leasing, licensing and administration thereof with respect to copyrights, neighboring rights, patents, utility model rights, design rights, trademarks and other intellectual property rights</u>
(New)	<u>10) Acquisition, holding, investment and sales of securities</u>
(New)	<u>11) Human resources development, skills development, skills improvement training, consulting, as well as planning and staging events</u>
<u>4)~7)</u> (Omitted)	<u>12)~15)</u> (Unchanged)

**Proposal 3:** Election of Seven (7) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

The terms of office of seven (7) Directors (excluding Directors serving as Audit and Supervisory Committee Members; the same is applied throughout this proposal) shall expire upon the conclusion of this Annual Meeting of Shareholders.

Therefore, the Company proposes the election of 7 (seven) Directors.

As for this proposal, the Audit and Supervisory Committee has judged that all the candidates for Director are qualified.

The candidates for Director are as follows:

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions	Number of the Company's shares held
1	<p>Hiroshi Otsuka (Jul. 6, 1965)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 8/8</p> <p>Number of years since appointment as a director 20 years (at the conclusion of this meeting)</p>	<p>Jul. 1993 Entered the Company</p> <p>Apr.1997 President and Director of TAP Manufacturing Ltd. (currently Musashi Auto Parts UK Ltd.)</p> <p>Feb. 2000 President and Director of Musashi Hungary Manufacturing, Ltd.</p> <p>Jun. 2001 Director of the Company</p> <p>May 2002 Senior General Manager of Sales Division of the Company</p> <p>Jun. 2004 Managing Director of the Company</p> <p>Jun. 2005 Senior General Manager of Sales and Management Divisions of the Company</p> <p>Jun. 2005 Senior Managing Director of the Company</p> <p>May 2006 Representative Director and President of the Company (present post)</p> <p>Apr. 2015 President Executive Officer of the Company</p> <p>Apr. 2019 Chief Executive Officer of the Company(present post)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hiroshi Otsuka, who was appointed Representative Director and President in 2006, has supervised the entire group with a wealth of experience and broad insight. Holding future vision for the group, he has shown strong leadership through developing policy and long-term strategy and furthermore implementing innovative strategies such as creation of a new business utilizing AI technology. Given his long-term excellent management performance, we determined him a right person to enhance corporate value and nominated him as a candidate for Director.</p>	1,478,100

2	Takayuki Miyata (Nov. 8, 1965)  Reappointment  Number of Board of Directors' meetings attended during the fiscal year under review 8/8  Number of years since appointment as a director 6 years (at the conclusion of this meeting)	Dec. 1989	Entered the Company	27,500
		Apr. 2010	President and Director of Musashi Auto Parts Michigan Inc.	
		Apr. 2013	Executive Officer of the Company	
		Apr. 2015	Managing Executive Officer of the Company	
		Apr. 2015	Head of Machinery & Tools Division and Purchasing Division of the Company	
		Jun. 2015	Director of the Company	
		Oct. 2015	Head of Power Train (PT) Division and Forging Engineering Division of the Company	
		Mar. 2016	President and Director of Musashi Holdings Europe GmbH (present post)	
		Dec. 2017	Head of China Regional Operations of the Company	
		Apr. 2018	Senior Managing Executive Officer of the Company(present post)	
		Apr. 2018	CEO of China region of the Company	
		Apr. 2020	Representative Director(present post)	
		Apr. 2020	Chief Technical Officer(present post)	
		Apr. 2020	CEO of Europe region of the Company (present post)	
		Apr. 2020	President and Director of Musashi Europe GmbH (present post)	
	(Significant concurrent position)			
	President and Director of Musashi Holdings Europe GmbH President and Director of Musashi Europe GmbH			
	Reasons for nomination as a candidate for Director			
	Mr. Takayuki Miyata has extensive experience and insight in the PT Business, which is a core business of the Company. He concurrently serves as President and Director of Musashi Holdings Europe GmbH, and has a track record of increasing profit in existing businesses and creating new demand. The Company has determined, in view of his superior management ability cultivated through experience in supervision at multiple divisions that he is necessary to improve the future corporate value of the Group, and nominated him once again as a candidate for its Director.			



3	Tracey Sivill (Dec. 2, 1963)  Reappointment  Number of Board of Directors' meetings attended during the fiscal year under review 8/8  Number of years since appointment as a director 4 years (at the conclusion of this meeting)	Dec. 1997	Entered Musashi Auto Parts Canada Inc.	0
		Oct. 2013	Executive Officer (present post), Compliance Officer and Senior Manager of Accounting, Purchasing, IT, HR, Production Control of Musashi Auto Parts Canada Inc.	
		Nov. 2013	Director of Musashi Auto Parts Canada Inc. (present post)	
		Apr. 2015	Executive Office of the Company	
		Apr. 2016	In charge of Global IT Strategy of the Company (present post)	
		Apr. 2017	Senior Executive Officer of the Company	
		Apr. 2017	Head of Finance and Accounting Division of the Company	
		June. 2017	Director of the Company (present post)	
		Apr. 2018	Managing Executive Officer of the Company(present post)	
		Apr. 2018	CFO of Group of the Company(present post)	
Reasons for nomination as a candidate for Director				
Ms. Tracey Sivill has extensive experience and insight in finance and accounting and IT divisions. She has been responsible for the finance and accounting and IT divisions in the Group company, and has a track record of promoting efficiency of the Group's management and operations. The Company has determined, in view of her superior management ability cultivated through ample experience in overseas subsidiary, that she is necessary to improve the future corporate value of the Group, and nominated her once again as a candidate for its Director.				

4	<p>Goro Kamino (Aug. 29, 1960)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 8/8</p> <p>Number of years since appointment as a director 9 years (at the conclusion of this meeting)</p>	<p>Aug. 2000 Representative Director and President of Gastec Service, Inc. (currently Sala Energy Co., Ltd.)</p> <p>May 2002 Representative Director and President of Sala Corporation</p> <p>Mar. 2012 Representative Director and President of Chubu Gas Co., Ltd. (currently Sala Energy Co., Ltd.)</p> <p>Jun. 2012 Director of the Company (present post)</p> <p>Feb. 2018 Chairman and Representative Director of Gastec Service, Inc. (currently Sala Energy Co., Ltd.)</p> <p>Feb. 2018 Chairman and Representative Director of Chubu Gas Co., Ltd. (currently Sala Energy Co., Ltd.) (present post)</p> <p>Jan. 2020 Representative Director, President and Group CEO of Sala Corporation (present post)</p>	31,400
		(Significant concurrent positions) Representative Director and President of Sala Corporation Chairman and Representative Director of Sala Energy Co., Ltd.	
		Reasons for nomination as a candidate for Director	
		Mr. Goro Kamino has provided appropriate advice on the Company's management as its Outside Director based on his extensive experience and a high level of knowledge as a corporate manager of listed companies. The Company believes that he will continue to supervise the Company's management based on his experience and knowledge, and requests his election as Outside Director.	
5	<p>Hari N. Nair (Jan. 1, 1960)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 8/8</p> <p>Number of years since appointment as a director 4 years (at the conclusion of this meeting)</p>	<p>Aug. 1985 Entered General Motors Corporation</p> <p>Mar. 1987 Retired</p> <p>Mar. 1987 Entered Tenneco Automotive. (currently Tenneco Inc.)</p> <p>Aug. 1997 Same as above Vice President and Managing Director, Asia</p> <p>Aug. 1999 Same as above Vice President, Managing Director, South America and Asia</p> <p>Apr. 2000 Same as above Senior Vice President, Managing Director, International</p> <p>May. 2001 Same as above Executive Vice President, Managing Director, Europe</p> <p>Jun. 2005 Same as above Executive Vice President, Managing Director, Europe, South America and India</p> <p>Apr. 2009 Same as above Appointed to Board of Directors</p> <p>May. 2010 Same as above Chief Operating Officer</p> <p>Jul. 2013 Entered Owens-Illinois Inc. Board of Directors(present position)</p> <p>Jan. 2015 Retired from Tenneco Inc. Board of Directors</p> <p>Mar. 2015 Retired from Tenneco</p> <p>Jun. 2017 Director of the Company (present post)</p> <p>Dec. 2017 Director of Delphi Technologies PLC</p> <p>Feb. 2018 Chairman of the Board of Sintercom India. (present post)</p> <p>Jul. 2019 REE Automotive LTD Board of Directors (present post)</p>	0
		Reasons for nomination as a candidate for Director	
		Mr. Hari Nair has provided appropriate advice on the Company's management as its Outside Director based on his extensive experience and a high level of knowledge of an overseas auto part manufacturer. The Company believes that he will continue to supervise the Company's management based on his experience and knowledge, and requests his election as Outside Director.	

6	Keisuke Tomimatsu (May 2, 1974)  Reappointment  Number of Board of Directors' meetings attended during the fiscal year under review 8/8  Number of years since appointment as a director 6 years (at the conclusion of this meeting)	Apr. 1997	Entered SBC Warburg Japan Ltd. (currently UBS Securities Japan Co., Ltd.)	98,100
		Dec. 2001	Entered UBS Securities Japan Co., Ltd.	
		Mar. 2003	Director of UBS Securities Japan Co., Ltd.	
		Mar. 2006	General Manager/Executive Director, Financial Products Equities Dept. of UBS Securities Japan Co., Ltd.	
		Aug. 2008	Managing Director, Equities Dept. of Credit Suisse Securities (Japan) limited.	
		Nov. 2009	Executive Director, Equities Dept. of Morgan Stanley Japan Securities (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Sep. 2011	Resigned Morgan Stanley Japan Securities (currently Morgan Stanley MUFG Securities Co., Ltd.)	
		Jun. 2013	Audit & Supervisory Board Member of the Company	
		Jun. 2014	Director of IR Japan Inc.	
		Feb. 2015	Director of IR Japan Holdings, Ltd.	
		Jun. 2015	Director serving as an Audit and Supervisory Committee Member of the Company	
		Jun. 2017	Director of the Company (present post)	
		Reasons for nomination as a candidate for Director		
		Mr. Keisuke Tomimatsu has extensive experience at various companies such as securities industry and AI industry as well as considerable financial and accounting knowledge. Based on such experience and knowledge, he has provided appropriate advice on the Company's management. The Company believes that he will supervise the Company's management based on his experience and knowledge, and requests his election as Outside Director.		
7	Yoshie Munakata (Jun. 20, 1958)  Reappointment  Number of Board of Directors' meetings attended during the fiscal year under review 8/8  Number of years since appointment as a director 3 year (at the conclusion of this meeting)	Apr. 1981	Entered Dai Nippon Printing Co., Ltd.	9,200
		Dec. 1983	Entered Intel Japan K.K. (currently Intel K.K.)	
		Apr. 1999	Manager, Communication Product Business Headquarters of Intel K.K.	
		Apr. 2001	Executive secretary in charge of corporate planning/government relation of Intel K.K.	
		Apr. 2002	Manager, Business Development Headquarters of Intel K.K.	
		Apr. 2009	Director and executive deputy president of Intel K.K.	
		Apr. 2016	Advisor of Intel K.K.	
		Oct. 2016	Established B.Grove Inc., Representative Director of B.Grove Inc., (present post)	
		Jun. 2017	Director of SoftBank Technology Corp.(currently SB Technology Corp.) (present post)	
		Jun 2018	Director of the Company (present post)	
		Reasons for nomination as a candidate for Director		
		Mr. Yoshie Munakata has extensive experience cultivated in the management at a global company in the data telecommunications technology industry. Based on such experience and knowledge, he has provided appropriate advice on the Company's management. The Company believes that he will supervise the Company's management based on his experience and knowledge, and requests his election as Outside Director.		

- Notes:
1. There are no special interests between the Company and the candidates.
  2. Mr. Goro Kamino, Mr. Hari N. Nair, Mr. Keisuke Tomimatsu and Mr. Yoshie Munakata are candidates for Outside Director.
  3. The Company, with respect to liability under Article 423, paragraph 1 of the Companies Act, entered into an agreement with Mr. Goro Kamino, Mr. Hari N. Nair, Mr. Keisuke Tomimatsu and Mr. Yoshie Munakata limiting the total amount of the liability to the amount stipulated in Article 425, paragraph 1 of the same Act. Should their election be approved,

- the Company plans to continue the aforementioned agreements limiting liability.
4. The Company has entered into a liability insurance contract with an insurance company for directors and officers, etc., as stipulated in Article 430-3, Paragraph 1 of the Companies Act, covering the insured persons including directors of the Company. The insurance policy will cover damages arising from the assumption of responsibility by the directors and officers, etc. for the performance of their duties or from the receipt of claims related to the pursuit of such responsibility. If each candidate is elected and assumes office as a director, he or she will be insured under the relevant insurance policy. The said insurance policy is scheduled to be renewed with the same contents at the next renewal.
  5. The Company registered Mr. Goro Kamino, Mr. Hari N. Nair and Mr. Yoshie Munakata as independent officers with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof. Should their election be approved, the Company would continue his service as Independent Officer. Although the Company has fuel purchasing transactions etc. with Sala Energy Co., Ltd. in which Mr. Goro Kamino serves concurrently. However, the average annual transaction amount of the last three fiscal years relating thereto accounts for less than 2% of the average sales of both the Company and Sala Energy Co., Ltd. over that period, and the annual transaction amount relating thereto accounts for less than 1% of sales of both the Company and Sala Energy Co., Ltd., we believe that there would be no conflicts of interest with general shareholders.

**Proposal 4: Election of Two (2) Directors Serving as Audit and Supervisory Committee Members**

The terms of office of three (3) of the four (4) Directors serving as Audit and Supervisory Committee Members shall expire upon the conclusion of this Annual Meeting of Shareholders (Ms. Michi Miyasawa, Mr. Yoshinori Morita, and Ms. Makiko Yamamoto).

Therefore, considering the composition of the Board of Directors as a whole, we request the election of two (2) Directors serving as Audit and Supervisory Committee Members. This proposal has been submitted with prior consent by the Audit and Supervisory Committee.

The candidates for Director serving as Audit and Supervisory Committee Members are as follows:

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions		Number of the Company's shares held
1	Michi Miyasawa (May 29, 1962)	Apr. 1985	Entered the Company	23,100
	Reappointment  Number of years since appointment as a director 2 years (at the conclusion of this meeting)	Apr. 2008	Senior Administrator of MCG Promotion Dept., General Affairs Division	
		Nov. 2012	Manager of CG & Legal Dept., General Affairs Division	
		Apr. 2016	General Manager of Sustainability Office	
		Apr. 2018	Acting General Manager of Human Resources Division	
Number of Board of Directors' meetings attended during the fiscal year under review 8/8	Jun. 2019	Director Serving as Audit and Supervisory Committee Members of the Company (present post)		
	Reasons for nomination as a candidate for Director			
	Ms. Michi Miyasawa has extensive knowledge and experience accumulated during her service in the Legal, Sustainability Promotion, and Human Resources sections. The Company believes that she is capable of performing the functions of supervision and audit, and proposes to elect her as Director serving as an Audit and Supervisory Committee Member.			
2	Makiko Yamamoto (May 29, 1971)	Jul. 1995	Entered TMI Associates	0
	Reappointment  Number of years since appointment as a director 2 years (at the conclusion of this meeting)	Apr. 1999	Legal Training and Research Institute of the Supreme Court of Japan	
		Oct. 2000	Registered Tokyo Bar Association	
		Sep. 2005	Simmons & Simmons (London)	
		Sep. 2006	TMI Associates	
	Number of Board of Directors' meetings attended during the fiscal year under review 8/8	Feb. 2012	Registered British Lawyer Solicitor	
		Jun. 2012	Simmons & Simmons (London)	
		Sep. 2014	TMI Associates (currently)	
		Jun. 2016	Outside Corporate Auditor of Starzen Co, Ltd	
	Number of Audit and Supervisory	Jun. 2018	Outside Director of SIGMAXYZ Inc.(present post)	
		Jun. 2019	Director Serving as Audit and Supervisory Committee Members of the Company (present post)	
		Feb. 2020	Registered Fukuoka Bar Association	
		Feb. 2020	Partner of TMI Partners, Representative of Fukuoka Office (present post)	
		Mar. 2020	Outside Director of ASICS Corporation (present post)	

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions	Number of the Company's shares held
	Committee attended during the fiscal year under review 12/12	<div>(Significant concurrent positions)</div> <div>Attorney at law (TMI Partners Legal Professional Corporation)</div> <div>Reasons for nomination as a candidate for Director</div> <div>Ms. Makiko Yamamoto is qualified as an attorney at law, in which area she has extensive experience, such as advising on cases involving corporate legal affairs in domestic and international legal firms, and a high level of specialized knowledge. Based on such extensive experience and a high level of specialized knowledge, she has provided appropriate advice on the Company's management. Although she has never been involved in corporate management except as advisor, based on her experience and knowledge explained above, we believe that he has the capabilities to implement his duties as Outside Director serving as an Audit and Supervisory Committee Member appropriately.</div>	

Notes:

1. There are no special interests between the Company and the candidates.
2. Ms. Makiko Yamamoto is a candidate for Outside Directors serving as Audit and Supervisory Committee Members.
3. Ms. Makiko Yamamoto is currently an Outside Director serving as an Audit and Supervisory Committee Member of the Company and her term of office will be 2 years at the conclusion of this Annual Meeting of Shareholders.
4. The Company, with respect to liability under Article 423, paragraph 1 of the Companies Act, entered into an agreement with Ms. Makiko Yamamoto limiting the total amount of the liability to the amount stipulated in Article 425, paragraph 1 of the same Act. Should her election be approved, the Company plans to continue the aforementioned agreements limiting liability.
5. The Company has entered into a liability insurance contract with an insurance company for directors and officers, etc., as stipulated in Article 430-3, Paragraph 1 of the Companies Act, covering the insured persons including directors of the Company. The insurance policy will cover damages arising from the assumption of responsibility by the directors and officers, etc. for the performance of their duties or from the receipt of claims related to the pursuit of such responsibility. If each candidate is elected and assumes office as a director, he or she will be insured under the relevant insurance policy. The said insurance policy is scheduled to be renewed with the same contents at the next renewal.
6. The Company registered Ms. Makiko Yamamoto as independent officers with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof. Should his election be approved, the Company would continue his service as Independent Officer.
7. Candidate Ms. Makiko Yamamoto is listed in the family register under the name of Makiko Yasukawa.

(Reference) Composition of the Board of Directors [Scheduled to be effective on June 22, 2021]

The abilities of the Directors of the Company are listed below.

Directors		Areas in charge	Corporate management	Manufacturing and engineering R&D	Sales and marketing	Advanced technology and IT	Financial affairs and financing	Governance, risk management and human resources	Global experience
Hiroshi Otsuka			●		●			●	●
Takayuki Miyata		PT & Engineering	●	●				●	●
Tracey Sivill		Financial affairs	●			●	●		●
Goro Kamino	Outside Director		●		●		●	●	
Hari N. Nair	Outside Director		●	●	●			●	●
Keisuke Tomimatsu	Outside Director					●	●		●
Yoshie Munakata	Outside Director		●			●			●
Michi Miyasawa		Audit and Supervisory Committee Member						●	
Makiko Yamamoto	Outside Director	Audit and Supervisory Committee Member						●	●
Kazutaka Okubo	Outside Director	Audit and Supervisory Committee Member	●			●	●	●	

(Reference 2) Independence criteria for Outside Officers

If the Outside Officers of the Company are judged to have fulfilled the requirements set out below, the Board of Directors deems them to be sufficiently independent of the Company.

1. They are not currently an executive, etc. <Note 1> of the Group, nor have they in the past been an executive, etc. or an Audit & Supervisory Board Member of the Group (excluding Outside Audit & Supervisory Board Members).  
Also, none of their close relations, etc. <Note 2> shall have been executives, etc. of the Group within the past three years.
2. They shall not come under any of the following categories currently, or within the past three years.
  - 1) Executives, etc. of other companies affiliated to the Company, or of other affiliated company groups
  - 2) Executives, etc. of major shareholders of the Company <Note 3>
  - 3) Executives, etc. of companies in which the Company is a major shareholder
  - 4) Executives, etc. of major business partners of the Company <Note 4>, or executives, etc. of companies that consider the Company a major business partner
  - 5) Individuals who execute duties for organizations that have received substantial <Note 5> donations or aid from the Group
  - 6) Executives, etc. of companies that have conducted mutual exchanges with the Group of Directors, Audit & Supervisory Board Members, or Executive Officers
  - 7) Executives, etc. of the Group's major lenders
  - 8) Certified Public Accountants (or Tax Accountants) who are Financial Auditors to the Group, or audit corporations (or tax accountant corporations) that are Financial Auditors to the Group, or partners, or others who are directly in charge of the Company in terms of being Financial Auditors to the Group
  - 9) Individuals who have received substantial monies or other financial profits, excluding Directors' remuneration, from the Group
  - 10) Individuals who are partners, etc. of specialist advisory firms, such as legal firms, that consider the Group a major business partner, but do not belong to categories 8) or 9) above, who are directly in charge of the Company
3. None of their close relations currently fall under categories 2-1 to 2-10.

<Notes >

1. Executives, etc.: Directors (excluding Outside Directors), Executives, Executive Officers
2. Close relations: Spouse, or other relative within the second degree of kinship, or family member who is living in the same household with the person
3. Major shareholder: A company, etc. holding shares with 10% or more of total voting rights
4. Major business partner: A company to which 2% or more of annual consolidated net sales of the Company were paid on average in the past three fiscal years
5. Substantial: Cases in which the amounts involved have exceeded 10 million yen annually on average over the previous three fiscal years



(Attached materials)

**Business Report**

(April 1, 2020 to March 31, 2021)

**1. Overview of the Group**

**(1) Business results for the fiscal year ended March 31, 2021**

1) Progress and results of business

During the fiscal year under review, the global economy was hit hard by the intermittent outbreaks of COVID-19 infection on a global scale. The automobile industry was also forced to suspend production or reduce production in all regions except China, especially at the beginning of the fiscal year. Toward the end of the fiscal year, the U.S. and Europe began to show signs of recovery, but at the same time, new problems such as the shortage of semiconductors arose, and a flexible production response was required for the year.

Under these circumstances, the Group focused on improving its structure to be able to generate profits even in a severe business environment through thorough control of variable and fixed costs, while at the same time actively working to build a management base for the future. In particular, we further accelerated the development of differential and reduction gear units for use in electric vehicles by promoting digitalization of these units, and we also developed a new gearbox-integrated motor unit for electric motorcycles based on our high-precision, high-strength gear technology. As a result, in terms of sales, orders for these products for four-wheeled electric vehicles were strong.

In order to promote sustainability, we have clarified our materiality (key issues) under the SDGs and have expanded into new business areas such as AI solutions business, energy solutions business, and plant biotechnology business with the aim of realizing a sustainable society.

In the above environment, the Company's results for the fiscal year under review were affected by a downturn in sales such that consolidated net sales decreased by 13.4% year on year to 204,714 million yen over the twelve months of the fiscal year.

Meanwhile, operating profit increased 3.1% year on year to 7,507 million yen, ordinary profit increased 16.4% year on year to 8,277 million yen, and profit attributable to owners of parent amounted to 7,378 million yen, in comparison with a loss of 6,902 million yen in the previous fiscal year, due to initiatives to improve corporate structure.

## 2) Segment Overview

Net sales in Japan decreased 7.9% year on year to 32,543 million yen, and segment profit fell 42.7% year on year to 1,600 million yen. In the United States, net sales decreased 19.0% year on year to 45,296 million yen, and segment profit fell 31.0% year on year to 1,215 million yen. In Asia, net sales decreased 28.2% year on year to 44,262 million yen, and segment profit fell 40.7% to 2,556 million yen. In China, net sales increased 36.3% year on year to 29,987 million yen, and segment profit increased 149.4% year on year to 4,321 million yen. In Europe, net sales decreased 14.3 % year on year to 52,624 million yen, and segment loss amounted to 2,326 million yen, in comparison with a segment profit of 3,603 million yen in the previous fiscal year.

## 3) Group sales by product

(Unit: million yen)

Item	The 93rd fiscal year ended March 31, 2020		The 94th fiscal year ended March 31, 2021		Increase / Decrease	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Year on Year (%)
PT Business	158,970	67.2	141,879	69.3	△17,090	△10.8
L&S Business	17,871	7.6	17,336	8.5	△535	△3.0
Motorcycle Business	59,514	25.2	45,499	22.2	△14,015	△23.5
Total	236,355	100.0	204,714	100.0	△31,641	△13.4

Note: Figures are presented with amounts less than one million yen truncated.

## 4) Status of capital investment

During the fiscal year under review, the Group implemented capital investments totaling 12,469 million yen, for such purposes as manufacturing newly ordered products and responding to increases in output by customers.

## 5) Status of fund procurement

In the fiscal year under review, procurements of funds from financial institutions were conducted for routine purposes only, and there were no fund procurements made by means of capital increases or issuance of corporate bonds.

## 6) Initiatives toward achieving sustainability

Providing continuous value to society and fulfilling our corporate social responsibility toward the realization of a sustainable society is considered a significant matter for the Musashi Group's medium- and long-term growth.

Based on the “Musashi Group Basic Policy for the Realization of a Sustainable Global Society” and CSV\*1 / CSR\*2, which were resolved by the Board of Directors, as a company that is trusted by people around the world and contributes to the development of a sustainable global society We will promote initiatives for sustainability.

\*1 CSV=Creating Shared Value creating shared value for both society and the company

\*2 CSR=Corporate Social Responsibility

## (2) Issues to be handled

With the spread of COVID-19 infection, growing awareness of the SDGs and ESGs, and global trends toward carbon neutrality, the shift to a new normal society is accelerating. In the automotive industry as well, the industrial structure is about to change drastically with the evolution of technology represented by CASE.

The Musashi Group is considering these changes as an opportunity to break the conventional boundaries of an automotive parts manufacturer and become an "Essential Company" that provides indispensable value to society. Based on the Musashi Philosophy, we will work on the following issues to realize the "Musashi 100<sup>th</sup> Year Vision," which was newly set forth in April 2021.

### 1) Deepening of core business

- Expansion of orders for new products and improvement of profitability by seizing the opportunity of electrification.
- Evolution of technology and stabilization of quality in response to the sophistication of product functions

### 2) Creation of new businesses

- Create new businesses that can contribute to solving social issues through the power of technology.
- Create technological synergies through open innovation.

### 3) Process innovation through Digital Transformation (DX)

- Overall optimization of business processes and establishment of competitive advantage through digitalization.
- Creation of new value through the utilization of data.

### 4) Accelerate GX (Green Transformation) initiatives.

- Realization of "Green Operation 100" to achieve carbon neutrality in business activities.
- Concretize and implement strategies to save energy and expand the use of renewable energy.

### 5) Human resource development and evolution of operations

- Create a framework, environment, and corporate culture in which diverse human resources can be nurtured and play an active role to realize the Musashi 100<sup>th</sup> Year Vision
- Realization of global operations equipped with speedy management and strong governance.

## (3) Status of Group assets and income

(million yen, except for per share amounts)

Item	The 91st fiscal year ended March 31, 2018	The 92nd fiscal year ended March 31, 2019	The 93rd fiscal year ended March 31, 2020	The 94th fiscal year ended March 31, 2021
Net sales	237,910	255,934	236,355	204,714
Operating income	15,767	14,107	7,285	7,507
Ordinary income	15,929	14,791	7,113	8,277
Profit or loss(△) attributable to owners of parent	10,351	9,885	△6,902	7,378
Earnings or loss per share	¥ 165.85	¥ 155.55	¥ △105.95	¥ 113.14
Total assets	247,778	244,450	207,333	226,066
Net assets	100,350	108,333	82,511	95,914

(Note 1) Net sales, operating income, ordinary income, profit or loss (△) attributable to owners of parent, total assets, and net assets are presented with amounts less than one million yen truncated.

(Note 2) On October 1, 2018, we conducted a 1:2 share split of our common shares. For the 90th and 91st fiscal terms, we have calculated earnings or loss per share for each on the basis that the share split had been carried out.

#### (4) Status of parent company and major subsidiaries

##### 1) Status of the parent company

No items to report.

##### 2) Matters concerning to transactions with the parent company, etc.

With regard to transactions with Honda Motor Co., Ltd., a company defined as “other affiliate” of the Company, prices are determined similarly to ordinary transactions through negotiations based on market values. In addition, the Company’s Board of Directors deems that decisions pertaining to the business operation and management of the Company are made by its independent managerial determination, securing its independence, and therefore the interest of the Company is not impeded in transactions with the parent company, etc.

##### 3) Status of major subsidiaries

Company name	Capital (million)	The Company’s ownership ratio (%)	Principal business
Kyushu Musashi Seimitsu Co., Ltd.	JPY 100	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Casting Co., Ltd..	JPY 45	100.0	Manufacturing of ductile cast iron material
Musashi Energy Solutions Co., Ltd.	JPY 300	80.0	Development, manufacturing and sales of equipment related to lithium ion capacitors and energy storage devices
Musashi AI Ltd.	JPY 4.5	51.0	Manufacturing and sales businesses of AI Inspection machine and SDV
Musashi Auto Parts Michigan Inc.	USD 40	89.5	Manufacturing of automobile parts
Musashi Auto Parts Canada Inc.	CAD 20	100.0	Manufacturing of automobile parts
Musashi Auto Parts Mexico, S.A. de C.V.	USD 12.3	100.0	Manufacturing of automobile parts
Musashi do Brasil Ltda.	BRL 105.1	74.9	Manufacturing of motorcycle and general-purpose engine parts
Musashi da Amazonia Ltda.	BRL 109	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts Co., Ltd.	THB 200	82.3	Manufacturing of motorcycle and general-purpose engine parts
P.T. Musashi Auto Parts Indonesia	USD 14	80.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts India Pvt. Ltd.	INR 10,100	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts Vietnam Co., Ltd.	USD 19	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts (Zhongshan) Co., Ltd.	USD 65.2	100.0	Manufacturing of automobile parts
Musashi Seimitsu Investment (Zhongshan) Co., Ltd.	USD 30	100.0	Regional Headquarters in China
Musashi Auto Parts (Nantong) Co., Ltd.	USD 30	(100.0)	Manufacturing of automobile parts
Musashi Auto Parts (Tianjin) Co., Ltd.	USD 20	(80.01)	Manufacturing of automobile parts

Company name	Capital (million)	The Company's ownership ratio (%)	Principal business
Musashi Hungary Manufacturing, Ltd.	EUR 20.1	100.0	Manufacturing of automobile parts
Musashi Holdings Europe GmbH	EUR 320	80.01	Holding shares of subsidiaries conducting manufacturing and sales businesses relating to automobile parts
Musashi Europe GmbH	EUR 0.1	(80.1)	Holding shares of subsidiaries conducting manufacturing and sales businesses relating to automobile parts
Musashi Bockenau GmbH & Co.KG	EUR 15	(80.1)	Manufacturing of automobile parts
Musashi Bad Sobernheim GmbH&Co.KG	EUR 0.001	(80.1)	Manufacturing of automobile parts
Musashi Hann. Muenden Holding GmbH	EUR 6.6	(80.1)	Manufacturing of automobile parts
Musashi Hann. Muenden Forging GmbH	EUR 5	(80.1)	Manufacturing of automobile parts
Musashi Spain Villalba S.L	EUR 8.7	(80.1)	Manufacturing of automobile parts

Notes: The figures shown in parentheses show the ownership ratio when including ownership by subsidiaries.

**(5) Principal business (As of March 31, 2021)**

The principal business of the Group consists of the manufacturing and sales of automobile power train parts, suspension parts, steering parts and transmission parts, among others, of which the main products are listed below.

PT	Planetary gear assemblies, differential gear assemblies, bevel gears, ring gears, camshafts, balance shafts
L&S	Suspension arm assemblies, suspension ball joints, steering ball joints, various connection joints
Motorcycle	Motorcycle transmission gear assemblies, motorcycle camshafts, motorcycle kickstarter parts, other motorcycle power train parts and general-purpose engine parts

**(6) Principal business locations and plants** (As of March 31, 2021)

1) Musashi Seimitsu Industry Co., Ltd.

Head Office and Ueta Plant	(Aichi)
Akemi Plant #1	(Aichi)
Akemi Plant #2	(Aichi)
Horai Plant	(Aichi)
Suzuka Plant	(Mie)

2) Principal subsidiaries

For the information on the major subsidiaries and their location, etc., please refer to “(4) Status of parent company and major subsidiaries 3) Status of major subsidiaries.”

**(7) Status of employees** (As of March 31, 2021)

## 1) Employees of the Group

Number of employees	Change from previous fiscal year-end
12,868(2,252)	△106(△1,008)

Note: Number of employees means the number of full-time employees currently at work only, and the average number of part-time and temporary employees for the year is indicated in parentheses.

## 2) Employees of the Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,134(133)	△4(△85)	40.3 years old	15.4 Years

Note: Number of employees means the number of full-time employees currently at work only, and the average number of part-time and temporary employees for the year is indicated in parentheses.

**(8) Status of major lenders** (As of March 31, 2021)

Lender	Balance of borrowings (million yen)
The Bank of Mitsubishi UFJ, Ltd.	30,158
Mizuho Bank, Ltd.	22,263
Sumitomo Mitsui Banking Corporation	17,767
Sumitomo Mitsui Trust Bank, Limited	3,000
Development Bank of Japan	2,420

Note: The balance of borrowings is the sum total by lender group.

## 2. Status of the Company

### (1) Status of shares (As of March 31, 2021)

- |   |             |
|---|-------------|
| 1) Total Number of Shares Authorized to be Issued | 140,000,000 |
| 2) Total Number of Issued Shares                  | 65,258,601  |
| 3) Number of Shareholders                         | 3,667       |
| 4) Major Shareholders (Top 10)                    |             |

Shareholder name	Number of shares (thousand shares)	Ownership ratio (%)
Honda Motor Co., Ltd.	16,364	25.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,604	7.0
Custody Bank of Japan, Ltd. (Trust Account 9)	2,755	4.2
JPMorgan Chase Bank, 385632	2,641	4.0
Joint Stock Company Otsuka Holdings	2,603	3.9
Custody Bank of Japan, Ltd. (Trust Account)	2,412	3.6
Hiroshi Otsuka	1,478	2.2
STATE STREET BANK AND TRUST COMPANY FOR STATE STREET BANK INTERNATIONAL GMBH LUXEMBOURG BRANCH ON BEHALF OF ITS CLIENTS	1,298	1.9
GOVERNMENT OF NORWAY	1,292	1.9
Juniper	1,100	1.6

- Notes:
1. Shares less than one thousand have been truncated.
  2. Ownership ratio is calculated excluding treasury shares (17,558 shares).

### 5) Status of shares granted to the Company's officers during the fiscal year under review as consideration for the execution of duties

	Number of Shares (shares)	Number of recipients
Directors (excluding Outside Directors and Audit and Supervisory Committee Members)	33,800	2
Outside Directors (excluding Audit and Supervisory Committee Members)	13,500	3
Directors serving as Audit and Supervisory Committee Member	-	-

- Notes: Details on the Company's share-based remuneration are presented under section "2.(3)2) Remuneration for Directors" on the Business Report.

### (2) Status of share subscription rights

- 1) Status of share subscription rights held by the Company's officers granted as a consideration for the execution of duties  
No items to report.
- 2) Status of share subscription rights granted to employees, etc. during the fiscal year under review as a consideration for the execution of duties  
No items to report.



### (3) Status of Corporate Officers

#### 1) Status of the Directors (As of March 31, 2021)

Position	Name	Areas of responsibility in the Company and significant concurrent positions
Representative Director and President	Hiroshi Otsuka	
Representative Director	Takayuki Miyata	CTO (Chief Technology Officer) CEO of Europe Region President and Director of Musashi Holdings Europe GmbH President and Director of Musashi Europe GmbH
Director	Tracey Sivill	CFO In charge of Global IT strategy
Director	Goro Kamino	Representative Director and President of Sala Corporation and Group CEO Chairman and Representative Director of Sala Energy Co., Ltd.
Director	Hari N. Nair	
Director	Keisuke Tomimatsu	
Director	Yoshie Munakata	
Director (Full-time Audit and Supervisory Committee Member)	Michi Miyasawa	
Director (Audit and Supervisory Committee Member)	Yoshinori Morita	
Director (Audit and Supervisory Committee Member)	Makiko Yamamoto	Attorney at law (TMI Partners Legal Professional Corporation)
Director (Audit and Supervisory Committee Member)	Kazutaka Okubo	Certified public accountant

- Notes:
1. Directors Goro Kamino, Hari N. Nair, Keisuke Tomimatsu, Yoshie Munakata and Directors (Audit and Supervisory Committee Members) Yoshinori Morita, Makiko Yamamoto and Kazutaka Okubo are Outside Directors.
  2. Director (Audit and Supervisory Committee Member) Makiko Yamamoto is qualified as a lawyer with high level of specialized knowledge in corporate legal affairs and compliance.
  3. Director (Audit and Supervisory Committee Member) Kazutaka Okubo is a certified public accountant and has a high level of expertise in finance and accounting.
  4. To strengthen the auditing and supervisory functions of the Audit and Supervisory Committee, the company has designated Ms. Michi Miyazawa as Audit and Supervisory Committee Member (full-time) so that information gathering from the Director (excluding Audit and Supervisory Committee Member), information sharing through attendance of important in-house meetings and sufficient cooperation with the internal audit section will be allowed.
  5. The Company designated Messrs. Goro Kamino, Hari N. Nair, Keisuke Tomimatsu, Yoshie Munakata, Yoshinori Morita, Ms. Makiko Yamamoto and Mr. Kazutaka Okubo as Independent Officers pursuant to the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange, and registered them as such.
  6. The retired Directors during the fiscal year under review are as follows.  
The terms of office of Directors Haruhisa Otsuka expired as of the conclusion of the 93th Annual Meeting of Shareholders held on June 30, 2020.

(Ref.) The Company has adopted the executive officer system. The executive officers as of April 1, 2021 are as follows.

Position	Name	Areas of responsibility in the Company and significant concurrent position
President and Executive Officer	Hiroshi Otsuka	CEO
Senior Managing Executive Officer	Takayuki Miyata	CTO (Chief Technical Officer) CEO of Europe Region President and Director of Musashi Holdings Europe GmbH President and Director of Musashi Europe GmbH
Senior Managing Executive Officer	Haruhisa Otsuka	CBO-L&S (Chief Business unit Officer -L&S) CEO of North and South America region President and Director of Musashi Auto Parts Canada Inc.
Managing Executive Officer	Tracey Sivill	CFO In charge of Global IT strategy
Managing Executive Officer	Koji Horibe	CQO (Chief Quality Officer)
Managing Executive Officer	Nobuo Takemasa	CRO (Chief R&D Officer)
Managing Executive Officer	Takeshi Isaku	CIO (Chief Innovation Officer)
Managing Executive Officer	Kenji Morisaki	CEO of Japan region Chief Risk Management Officer
Senior Executive Officer	Toshihisa Otsuka	CEO of China region Musashi Seimitsu Investment (Zhongshan) Co., Ltd. CFO
Executive Officer	Hideaki Asakura	CBO-MC (Chief Business unit Officer –MC) CEO of Asia region President and Director of Musashi Auto Parts India Pvt. Ltd. and Musashi Asia Co., Ltd.
Executive Officer	Yasunori Amano	CSO (Chief Sales Officer)
Executive Officer	Tatsuya Yanagisawa	Unicorn Project LPL
Executive Officer	Masaru Maeda	CHO (Chief Human resource and IT Officer) CPO (Chief Purchasing Officer) In charge of Corporate Planning Compliance Officer
Executive Officer	Hideaki Imoto	CBO-PT (Chief Business unit Officer –PT)
Executive Officer	Shinichi Takahashi	Deputy CFO (Deputy Chief Financial Officer) CFO of Japan region

## 2) Remuneration for Directors

### A. Policy on determining officer remuneration

After prior review by the Remuneration Committee, the Company adopted its decision-making policy for determining content of remuneration for individual Directors at its meeting of the Board of Directors held on February 9, 2021.

In addition, the Board of Directors confirmed that decision-making method for determining the content of remuneration for individual Directors and the determined content of such remuneration are in alignment with the aforementioned decision-making policy, and that the findings reported by the Remuneration Committee have been duly regarded, and deems that the remuneration for individual Directors for the fiscal year under review is in line with the aforementioned decision-making policy.

The Content of the decision-making policy for the content of remuneration for individual Directors is as follows:

#### i. Basic policy

As a matter of basic policy, when it comes to remuneration for the Company's Directors (excluding Directors serving as Audit and Supervisory Committee Members; same shall apply hereafter), the Company shall enlist a remuneration structure that links such remuneration to shareholder interests so that such remuneration will adequately serve as incentive for the recipient to persistently increase corporate value, and furthermore the Company shall set standards that appropriately factor in respective duties when making decisions on remuneration for individual Directors. Specifically, remuneration for Directors is to consist of base remuneration serving as fixed remuneration, performance-linked remuneration, and share-based remuneration. Meanwhile, the Company shall pay base remuneration and share-based remuneration to its Outside Directors who undertake supervisory functions, upon having taken into account respective duties.

#### ii. Policy on determining individual amounts of base remuneration (monetary remuneration; including policies on determining dates and conditions for granting remuneration)

Base remuneration for Directors of the Company is to take the form of fixed remuneration on a monthly basis, the amount of which is to be determined upon having comprehensively placed consideration on positions and roles of respective officers, taking into account peer-company remuneration levels and other such factors.

#### iii. Policy on determining content of performance-linked remuneration, non-monetary remuneration, and other benefits, as well as determining methods for calculating amounts and quantities thereof (including policies on determining dates and conditions for granting remuneration)

The Company shall pay performance-linked remuneration at certain times every year in the form of bonuses and cash remuneration of amounts calculated per both assessment of the Company's financial results and comparative assessment of the Company's financial results relative to the average of consolidated financial results of companies listed on the First Section of the Tokyo Stock Exchange in the transportation equipment sector.

Assessment of the Company's financial results is to enlist calculations made based on coefficients determined by the Board of Directors upon having selected benchmarks consisting of the Group's key performance indicators, such that include percentage change in net sales, operating profit margin, ROE, ROA, and dependence on borrowings, which are chosen to ensure corporate growth, profitability, efficiency, and safety.

Moreover, comparative assessment of the Company's financial results relative to the average of consolidated financial results of transportation equipment companies (TSE First Section) is to enlist calculations made based on coefficients determined by the Board of Directors upon having

selected benchmarks that include percentage change in net sales (year on year) and operating profit margins of transportation equipment companies (TSE First Section), chosen to ensure market competitiveness in the industry.

The non-monetary remuneration is to be granted in the form of restricted share-based remuneration.

With respect to the restricted share-based remuneration, as a general rule and pursuant to a meeting of the Company's Board of Directors, the Company shall grant an amount of monetary remuneration claims, commensurate to position and responsibilities, for the allotment of restricted shares to the eligible Directors every fiscal year, and require that they provide the same to the Company as property contributed in kind. In turn, the Company shall issue or dispose of its common shares, which will be held by them. The total number of the common shares of the Company to be accordingly issued or disposed is to be no more than 200,000 shares per year (however, in cases where the total number of issued shares of the Company increases or decreases due to a share consolidation, a share split, a gratis allotment of shares, etc., this upper limit and the number of shares delivered to the eligible Directors shall be reasonably adjusted according to the ratio thereof).

The amount to be paid in per share shall be determined by the Board of Directors within a range not specially advantageous to the eligible Directors subscribing the Company's common shares based on factors such as the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately before the day on which each resolution of the Board of Directors is made (if there is no closing price on such date, the closing price of the closest preceding trading day).

When it comes time for the issuance or disposal of the common shares of the Company, the Company and the eligible Directors shall enter into an agreement on allotment of the restricted shares, encompassing content stipulating that the eligible Directors may not transfer, determine as security, reserve an offer as security or otherwise dispose of the common shares of the Company for a period of three years from the date on which the common shares of the Company were delivered.

Such agreement is intended to ensure that the restricted share-based remuneration appropriately serves as incentive to the Directors by containing provisions to the effect that the Company may automatically acquire the allotted shares without contribution prior to expiration of the transfer restriction period on the grounds that a Director did not fulfill his or her duties as expected of a Director of the Company, under scenarios that include situations where an eligible Director: has retired from the position of director without just cause; has violated laws and regulations, or has otherwise engaged in improper conduct, or; has engaged in competing business.

In cases such as where an eligible Director is a non-resident of Japan, the Company shall pay such eligible Director monetary remuneration of an amount linked to the Company's share price or other such benchmark in lieu of remuneration provided for the sake of granting restricted shares.

iv. Policy on determining proportional mix of monetary remuneration amounts, performance-linked remuneration amounts, and non-monetary remuneration amounts, relative to amounts of remuneration for individual Directors

To ensure that the remuneration structure serves as an incentive appropriate to the Directors, the proportional mix of Director remuneration components by type is to be determined based on assumptions regarding basic standards with respect to proportions of remuneration components presented in the table below. The Remuneration Committee shall consider such matters on the basis of remuneration level benchmarks with respect to corporations that belong to related industries and categories of business and are similar to the Company in terms of their scale of operations.

The Board of Directors (the Representative Director and President entrusted with authority per section v, below) shall duly regard findings of the Remuneration Committee and accordingly

determine the content of remuneration for individual Directors such that is within a range with respect to the proportional mix of remuneration by remuneration type as indicated by such findings.

	Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.
Representative Directors	50~55%	25~30%	15~25%
Directors	60~70%	25~30%	10~15%
Outside Directors	60~70%	-	30~40%

#### v. Matters related to content of remuneration for individual Directors

With respect to amounts of remuneration for individual Directors, the Remuneration Committee shall assess Directors who engage in business affairs in terms of factors such as the appropriate execution of their duties, which is to involve comparing the Company's financial results with those of peer companies while taking into account the business environment. Meanwhile, the Representative Director and President shall be entrusted with decisions regarding specific amounts of remuneration for individual Directors, basing such decisions on findings of such assessment.

#### B. Total amount of remuneration of Directors for the fiscal year under review

Classification	Amount paid (million yen)	Total amount of remuneration, etc. by type			Number of payees
		Base remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (excluding Directors serving as Audit and Supervisory Committee Members)	148	105	16	26	8
(Outside Director of the above)	(35)	(24)	(-)	(10)	(4)
Directors (Audit and Supervisory Committee Members)	37	37	-	-	4
(Outside Director of the above)	(23)	(23)	(-)	(-)	(3)
Total	186	143	16	26	12
(Outside Officers of the above)	(58)	(47)	(-)	(10)	(7)

- Notes: 1. The table above includes one (1) Director who retired as of the conclusion of the 93rd Annual Meeting of Shareholders held on June 30, 2020.
2. The maximum amount of remuneration of Directors (excluding Directors serving as Audit and Supervisory Committee Members) was determined as 400 million yen per year (of which, 80 million yen or less for Outside Directors; provided, however, that this excludes the portion of employee salaries for Directors who serve concurrently as employees) by resolution at the 88th Annual Meeting of Shareholders held on June 23, 2015. The number of Directors (excluding Directors serving as Audit & Supervisory Board Members) as of the close of this Annual Meeting of Shareholders is six (6) (including one Outside Director). And apart from this, for the Company's Directors (excluding Directors serving as Audit and Supervisory Committee Members), it was approved at the 90th Annual Meeting of Shareholders held on June 23, 2017, a resolution was adopted that the monetary remuneration to grant shares with transfer restrictions and monetary remuneration in an amount linked to the aforementioned share price, etc. shall be not more than 250 million yen per year (of which not more than 40 million yen per year shall be for Outside Directors; however, this excludes the portion of employee salaries of Directors serving concurrently as employees). The number of Directors (excluding Directors serving as Audit & Supervisory Board Members) as of the close of this Annual Meeting of Shareholders is nine (9) (including three (3) Outside Directors).
3. The maximum amount of remuneration of Directors (Audit and Supervisory Committee Members) was determined as 80 million yen per year by resolution at the 88th Annual Meeting of Shareholders held on June 23, 2015. The number of Directors (Audit and Supervisory Board Members) as of the close of this Annual Meeting of Shareholders is four (4).

4. The total amount of remuneration of Directors does not include the portion of employee salaries for Directors who serve concurrently as employees.
5. The total amount of remuneration paid includes the provision for Directors' bonuses for the fiscal year under review.
6. The Company enlists certain performance indicators linked to financial results in the form of benchmarks for absolute assessment in order to help ensure corporate growth, profitability, efficiency and safety, such that include percentage change in net sales, operating profit margin, ROE, ROA, and dependence on borrowings. Actual results in this regard are as follows: change in net sales of -7.7%, operating profit margin of 3.1%, ROE of -7.8%, ROA of 3.3%, and dependence on borrowings of 38.2%.  
In addition, the Company performs comparative assessment of its financial results relative to the average of consolidated financial results of transportation equipment companies (TSE First Section) in order to ensure market competitiveness in the industry. To such ends, it enlists percentage changes in net sales (year on year) and operating profit margins of transportation equipment companies (TSE First Section). Actual results in this regard are as follows: year-on-year change in net sales of transportation equipment companies (TSE First Section) of -3.2%, and operating profit margin of such companies of 3.0%.
7. The non-monetary remuneration consists of shares of the Company, allotted subject to the conditions set forth under section "A. Policy on determining officer remuneration." The status of shares granted during the fiscal year under review is presented under section "2.(1)5) Status of shares granted to the Company's officers during the fiscal year under review as consideration for the execution of duties."
8. The Board of Directors has entrusted Representative Director Hiroshi Otsuka with decisions on amounts of remuneration for individual Directors. He has been entrusted with this authority because the Company deems that the Representative Director is qualified for the task of assessing Directors who engage in business affairs in terms of factors such as the appropriate execution of their duties while also placing consideration on the Company's overall financial results and other performance indicators. In making decisions regarding content entrusted to him, the Remuneration Committee shall assess Directors who engage in business affairs in terms of factors such as the appropriate execution of their duties, which is to involve comparing the Company's financial results with those of peer companies while taking into account the business environment.

### 3) Matters regarding Outside Officers

#### A. Status of significant concurrent positions at other companies, etc. and relationship between such companies with the Company

- \* Mr. Goro Kamino, Director, also serves as Representative Director and President of Sala Corporation and Group CEO and as Representative Director and Chairman of Chubu Gas Co., Ltd. and Gastec Service, Inc. (currently Sala Energy Co., Ltd). The Company has fuel purchasing transactions etc. with Sala Energy Co., Ltd. However, the average annual transaction amount of the last three fiscal years relating thereto accounts for less than 2% of the average sales of both the Company and Sala Energy Co., Ltd. over that period, and the annual transaction amount relating thereto accounts for less than 1% of sales of both the Company and Sala Energy Co., Ltd.
- \* Mr. Keisuke Tomimatsu, Director, had been a Director of ABEJA, Inc., but retired from serving as Director of ABEJA at the end of June 2019. The Company consigns consulting operations and other services to ABEJA, Inc. Moreover, the average annual transaction amount of the last three fiscal years relating thereto accounts for more than 2% of the average sales of ABEJA, Inc. over that period. Accordingly, he is not designated as an independent officer because of past conflict with the Company's criteria for independence. However, as the transactions with ABEJA, Inc. account for less than 1% of the Company's average net sales over the last three fiscal years, and the transaction amount also accounts for less than 1% of ABEJA, Inc.'s net sales as of late, the Company believes that the risk of a conflict of interest with general shareholders arising is not substantial, and that Mr. Keisuke Tomimatsu can be expected to perform his duties of an Outside Director properly.

B. Main activities during the fiscal year under review and overview of duties involving roles expected of Outside Directors

- \* Mr. Goro Kamino, Director, attended 8 out of the 8 Board of Directors Meetings held during the fiscal year under review at which he actively provided comments necessary for the deliberation of agenda items of the Board of Director Meetings thereat based on his broad experience and extensive knowledge in corporate management.
- \* Mr. Hari N. Nair, Director, attended 8 out of the 8 Board of Directors Meetings held during the fiscal year under review and has utilized his abundant experience of company management and the deep insights cultivated over many years in the industry to actively contribute as required to the deliberation of resolutions by the Board of Directors.
- \* Mr. Keisuke Tomimatsu, Director, attended 8 out of the 8 Board of Directors Meetings held during the fiscal year under review and has utilized his abundant experience of the securities industry and his wide-ranging knowledge of the economy to actively contribute as required to the deliberation of resolutions by the Board of Directors.
- \* Mr. Yoshie Munakata, Director, attended 8 out of the 8 Board of Directors Meetings held during the fiscal year under review and has utilized his abundant experience of company management and the deep insights cultivated over many years in the industry to actively contribute to the deliberation of resolutions by the Board of Directors.
- \* Mr. Yoshinori Morita, Director (Audit and Supervisory Committee Member) attended 8 out of the 8 Board of Directors Meetings held during the fiscal year under review and has utilized his abundant experience and deep insights cultivated over many years to put appropriate questions and offer appropriate advice to the Board of Directors. Also, he has attended 12 out of 12 meetings of the Audit and Supervisory Committee held during the fiscal year under review and has voiced his opinions on audit methods and on other matters related to the duties of the Audit and Supervisory Committee.
- \* Ms. Makiko Yamamoto, Director (Audit and Supervisory Committee Member) attended 8 out of the 8 Board of Directors Meetings held during the fiscal year under review where she raised questions and provided advice whenever appropriate from a professional perspective as a lawyer. Also, she has attended 12 out of 12 meetings of the Audit and Supervisory Committee held during the fiscal year under review and has voiced his opinions on audit methods and on other matters related to the duties of the Audit and Supervisory Committee.
- \* Since taking up the role of Director(Audit and Supervisory Committee Member) on June 30, 2020, Mr. Kazutaka Okubo, Director (Audit and Supervisory Committee Member) attended 5 of the 6 Board of Directors Meeting held during the fiscal year under review where he raised questions and provided advice whenever appropriate from a professional perspective as a certified public accountant. Also, since taking up the role of Director (Audit and Supervisory Committee Member) on June 30, 2020, she attended 7 of the 7 Audit and Supervisory Committee Meetings held during the fiscal year under review where she expressed opinions regarding matters that concern the audit methods and execution of Audit and Supervisory Committee Member duties.

Note : In addition to the above number of meetings of the Board of Directors, there were two written resolutions that were deemed to have been resolved by the Board of Directors in accordance with Article 370 of the Companies Act and the Articles of Incorporation.

4) Overview of limited liability agreements

- \* The Company and the Outside Directors entered into limited liability agreements that limit the amount of liability under Article 423, paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, paragraph 1 of the same Act. The maximum amount of liability for damages under these agreements is the amount stipulated in Article 425, paragraph 1 of the same Act.

5) Overview of directors and officers liability insurance policy

The Company has entered into a directors and officers liability insurance policy with an insurance

company as stipulated in Article 430-3, paragraph 1 of the Companies Act, listing as insured parties the Company's Directors (including Outside Directors), as well as Directors and Audit and Supervisory Board Members of the Company's subsidiaries (excluding Musashi Europe GmbH and its subsidiaries. The insurance policy provides coverage for officers, etc. for damages arising upon having incurred liability regarding their execution of duties or otherwise arising upon having become subject to a claim in pursuit of such liability.



#### (4) Financial Auditor

1) Name: Ernst & Young ShinNihon LLC

2) Amount of remuneration, etc.

	Amount paid (million yen)
Remuneration, etc. of the Financial Auditor for the fiscal year under review	57.0
Total economic benefits, including money, that should be paid to the Financial Auditor by the Company and its subsidiaries	57.0

- Notes:
1. Subsidiaries of the Company are audited by audit corporations other than the Financial Auditor of the Company.
  2. In the audit agreement between the Company and the Financial Auditor, a distinction is not made between the remuneration for auditing based on the Companies Act and that for auditing based on the Financial Instruments and Exchange Act, nor is such distinction effectively possible. Therefore, the amount of the remuneration, etc. of the Financial Auditor for the fiscal year under review includes the amount of remuneration, etc. for auditing based on the Financial Instruments and Exchange Act.
  3. The Audit and Supervisory Committee gives consent regarding the remuneration etc. of the Financial Auditor pursuant to Article 399, paragraph 1 of the Companies Act, after it has obtained necessary materials and received reports from the Directors, relevant departments within the Company and the Financial Auditor, confirmed the performance of previous financial audits etc. by the Financial Auditor and reviewed the details of the audit plan of the Financial Auditor and the calculation basis for the estimated amount of remuneration etc. for the fiscal year under review.

#### 3) Description of non-auditing services

The Company requested the Financial Auditor to provide advice on international accounting standards as services other than the services under Article 2, paragraph 1 of the Certificated Public Accountants Act (non-auditing services), and paid consideration for such services.

## **(5) Systems to ensure properness of operations and overview of operational status of the systems**

### **● Basic policy relating to the establishment of the internal control system**

Below is an overview of decisions regarding systems for ensuring that the execution of duties by Directors comply with laws and regulations and the Articles of Incorporation, and other systems for ensuring proper operations.

- 1) Systems for ensuring that the execution of duties by Directors and employees comply with laws and regulations and the Articles of Incorporation, and any other systems for ensuring proper operations
  - \* Appoint an Officer in charge of promoting compliance and establish a systematic framework.
  - \* Establish a committee to deliberate matters regarding business ethics and compliance.
  - \* Articulate “Our Compliance” as a code of conduct which must be adhered to by all employees of the Group when dealing with customers and society and take thorough efforts to promote awareness of that.
  - \* Establish a hotline to receive proposals regarding compliance concerns.
- 2) Systems for the preservation and management of information relating to the execution of duties by Directors
  - \* Establish an information management framework for the proper storage and management of documents relating to the execution of duties by Directors and other information based on the document management rules.
- 3) Rules and other systems for loss risk management and other systems
  - \* Appoint an Officer in charge of promoting risk management and establish a systematic risk management framework.
  - \* Promote formation of relevant regulations on organizations and actions to be taken by employees in the event of a crisis.
- 4) Systems to ensure efficiency of the execution of duties by Directors
  - \* Establish a framework centered on the Chief Officer system for monitoring the global execution of duties by the Board of Directors.
  - \* Make rapid and optimal business decisions and carry out operations efficiently and effectively with respect to regional business and execution functions, tailoring response to suit each region and workplace.
  - \* Management meetings deliberate important managerial matters within the scope of authority delegated by the Board of Directors.
  - \* Establish GTM (Global Top Meeting) for the extraction and handle issues for sharing group policies and realizing business plans, as well as enhancing the optimality and efficiency of business execution as a corporate group.
- 5) Systems to ensure the properness of operation of the Company and the corporate group constituted by the parent and subsidiaries
  - \* Formulate “Regulations on Control of Affiliate Companies” for the proper execution of tasks by all constituent companies of the Group, manage thereof according to such regulations, and receive reports from all constituent companies of the Group.
  - \* All constituent companies of the Group conduct periodical self-assessment based on checklists.
  - \* The Internal Audit Office, an independent internal audit section of the Company, conducts audits on the status of the business execution of all sections and works to enhance internal auditing in each region and at subsidiaries and associates.
  - \* The Internal Audit Office informs the audited departments and audited companies about the results of internal audits, requests plans for measures to improve its observations and periodically confirms the status of progress on the improvement measures in addition to reporting to the Board of Directors as appropriate.
- 6) Matters concerning Directors and employees requested by Audit and Supervisory Committee to assist its duties, and matters regarding the independence of the Directors and employees from other Directors (excluding Directors serving as Audit and Supervisory Committee Members (hereinafter referred to as “Audit and Supervisory Committee Members”))

- \* Provide assistance in the duties of Audit and Supervisory Committee in the internal audit section to contribute to the formation of an efficient and effective audit framework and deepen collaboration with such Audit and Supervisory Committee while ensuring the independence of the internal audit section.
- 7) System for reporting from Directors (excluding Audit and Supervisory Committee Members) and employees to Audit and Supervisory Committee, and other systems for reporting to Audit and Supervisory Committee
  - \* Periodical reports are made to Audit and Supervisory Committee on the status of the business of the Company and subsidiaries, etc. as well as the status of preparation and operation of internal control system covering areas such as compliance and risk management. Also, other factors that may potentially have significant influence on the Company have to be reported.
  - \* Audit and Supervisory Committee Members have no obligation to report information obtained from Directors (excluding Audit and Supervisory Committee Members) or employees to the third parties, and may request Directors (excluding Audit and Supervisory Committee Members) to disclose reasons for the transfer, evaluation and disciplinary action, etc. of such employees who made reports.
- 8) Other systems to ensure that auditing by Audit and Supervisory Committee is conducted effectively
  - \* Form an audit framework and establish audit environment to increase the effectiveness of audits. Audit & Supervisory Committee conduct audits on the Company and subsidiaries, etc. in close collaboration with the Internal Audit Office, the internal audit section, and Audit & Supervisory Committee Members attend management meetings and other important meetings.
  - \* When an Audit and Supervisory Committee Member requests prepayment or reimbursement of expenses that arise in relation to the execution of duties or repayment of obligations incurred, the Company shall comply, except in cases where it can be proved that the expenses, etc. did not arise in relation to the execution of duties of the Audit and Supervisory Committee Member.
- Status of operation of the internal control system
 

Major operational status of the systems to ensure the adequacy of operations for the fiscal year under review is as follows:

  - 1) Systems for ensuring that the execution of duties by Directors and employees comply with laws and regulations and the Articles of Incorporation, and any other systems for ensuring proper operations
    - \* The Company has appointed a compliance officer who promotes initiatives relating to compliance and has established an Internal Control Committee, deliberating business ethics and compliance.
    - \* The Company has implemented compliance training for all employees based on the “Our Compliance” code of conduct, and seeks to further enhance corporate ethics.
    - \* The Company has handled proposals regarding compliance concerns at the Musashi compliance hotline, the in-house reporting hotline. In addition to this hotline, there are also contact points set up with external lawyers and with the Audit and Supervisory Committee, improving the effectiveness of the system by creating an environment in which it is easier to disclose information.
  - 2) System for the preservation and management of information relating to the execution of duties by Directors
    - \* The Company has preserved and managed information by prescribing matters relating to management and preservation period of documents in the document management rules.
    - \* It also has properly managed information regarding the execution of duties of Directors by specifying the preservation period and indicating the degree of confidentiality under the document management rules.
    - \* In fiscal 2020, the Company promoted appropriate management of business-related information by revising the document management rules and reviewing degrees of confidentiality in internal documents.
  - 3) Rules concerning loss risk management and other systems
    - \* The Company has appointed a risk management officer who promotes initiatives concerning risk management. It has established a BCP Committee where it has deliberated business continuity risks

- and its countermeasures and developed the Business Continuity Plan (BCP).
- \* The Company has continuously conducted BCP drills for a large-scale earthquake with an assumption of the maximum risk.
  - \* In fiscal 2020, the BCP Committee, led by the risk management officer, continued to implement measures to combat new infectious diseases and systematically addressed emerging risks through efforts that included training on information terrorism.
- 4) Systems to ensure efficiency of execution of duties by Directors
- \* The Board of Directors have allocated duties of Directors and appointed executive officers, efficiently operating the duties. In addition, the management strategy and medium- to long-term management plans for the Group as a whole are actively deliberated with the aim of enhancing corporate value.
  - \* As a company with an Audit and Supervisory Committee, the Company has delegated parts of the executions of important operations resolved at the Board of Directors Meeting to management meetings in accordance with the provisions of the Articles of Incorporation, making efficient and flexible management decisions.
  - \* Execution of operations is performed with flexibility under the clear accountability of the executive officers.
  - \* In order to share these policies with all Group companies and to achieve the aims of the business plan, in addition to holding Global Top Meetings (GTM) to discuss issues and so on, the Company seeks to optimize the execution of duties and to improve efficiency for the Group as a whole, primarily through broadening the global platform, by means of redesigning the core systems.
- 5) Systems to ensure the adequacy of the business of the Company and the corporate group constituted by the parent company and subsidiaries
- \* The Board of Directors has set out the basic policy relating to the establishment of the internal control system and is supervising the establishment and the operational status of the system of the Group.
  - \* The Company has formulated the “Regulations on Control of Affiliate Companies,” which stipulates matters to be reported from companies of the Group to the Head Office, and is managing companies of the Group.
  - \* The Company is working to ensure that the shared rules (global policies) drawn up to contribute to the efficient management, and the unified administration of the Group as a whole, take root.
  - \* Each companies of the Group periodically conduct self-assessment regarding laws and regulations complied and risks considered in business operations by using checklists. Based on the assessment results, the Internal Control Committee has deliberated issues which need to be taken as a Group. In fiscal year 2018, self-assessment was conducted throughout the Group, including ASADAKATAN CHUTETSUSHO Co., Ltd. that was integrated in October, 2018.
  - \* The Internal Audit Office belonging to the internal audit section of the Company periodically audits each section of the Company and companies of the Group.
- 6) Matters concerning a Director and employee who is to assist the duties of the Audit and Supervisory Committee and matters concerning the independence of such Director and employee from other Directors (excluding Directors serving as Audit and Supervisory Committee Members (hereinafter, the “Audit and Supervisory Committee Members”))
- \* The Internal Audit Office independent from the business execution section assists the Audit and Supervisory Committee, thereby fortifying the auditing function. As the Internal Audit Office is an office independent from other business execution sections, when assisting the duties of the Audit and Supervisory Committee, the Internal Audit Office follows the instructions of the Audit and Supervisory Committee.
- 7) System of reporting from Directors (excluding Audit and Supervisory Committee Members) and employees to the Audit and Supervisory Committee, and other systems reporting to the Audit and Supervisory Committee
- \* The internal audit section, internal control section and other business sections periodically report to the Audit and Supervisory Committee so that the Committee may obtain information necessary for auditing.
- 8) Other systems to ensure that auditing by the Audit and Supervisory Committee is conducted

effectively

- \* In addition to the periodical audits conducted by the Audit and Supervisory Committee, the Company has developed an environment to enhance the efficacy of audits by working to understand the status surrounding the Company, as well as collaborating with the Internal Audit Office and providing opportunities for the Audit and Supervisory Committee Members to share information among them.
- \* The Audit and Supervisory Committee Members have attended management meetings and other important meetings, thus understanding the status of the operational execution. Furthermore, the Audit and Supervisory Committee Members have actively stated their opinions at the Board of Directors Meetings from the standpoint of audit and supervision, thereby strengthening the supervisory function.
- \* The Audit and Supervisory Committee Members have conducted audit by collaborating with the Internal Audit Office and being present in audits conducted by the Office.

**(6) Policy on the determination of dividends from surplus, etc.**

Returning profit to shareholders is recognized as one of the highest priorities in the Company's management, and the payment of stable, continuous dividends commensurate to business results is our basic policy.

The Company plans to appropriate internal reserves for the repayment of debts that contributes to the improvement of its financial position as well as the augmentation of production facilities and R&D activities in the future, aiming at the further expansion of the business.

# Consolidated Balance Sheet

(As of March 31, 2021)

(Unit: million yen)

Account title	Amount	Account title	Amount
<b>Assets</b>	<b>226,066</b>	<b>Liabilities</b>	<b>130,152</b>
<b>Current assets</b>	<b>102,053</b>	<b>Current liabilities</b>	<b>89,862</b>
Cash and bank deposits	24,143	Notes and accounts payable – trade	17,843
Notes and accounts receivable – trade	33,776	Short-term loans payable	38,932
Merchandise and finished goods	8,309	Current portion of long-term loans payable	11,410
Work in process	8,077	Current portion of bonds	3,967
Raw materials and supplies	21,417	Accounts payable – other	7,614
Others	6,430	Income taxes payable	1,954
Allowance for doubtful accounts	△102	Provision for bonuses	2,054
<b>Non-current assets</b>	<b>124,013</b>	Provision for directors' bonuses	23
<b>Property, plant and equipment</b>	<b>102,249</b>	Provision for product warranties	235
Buildings and structures	22,722	Others	5,826
Machinery, equipment and vehicles	54,245	<b>Non-current liabilities</b>	<b>40,289</b>
Tools, furniture and fixtures	3,726	Long-term loans payable	27,151
Land	7,488	Deferred tax liabilities	2,653
Construction in progress	14,065	Liabilities on employees' retirement benefits	6,695
<b>Intangible assets</b>	<b>6,416</b>	Others	3,788
Goodwill	694	<b>Net assets</b>	<b>95,914</b>
Customer relationship assets	2,807	<b>Shareholders' equity</b>	<b>94,472</b>
Software	1,318	<b>Capital stock</b>	<b>5,394</b>
Software in progress	36	<b>Capital surplus</b>	<b>3,093</b>
Others	1,559	<b>Retained earnings</b>	<b>85,992</b>
<b>Investments and other assets</b>	<b>15,348</b>	<b>Treasury shares</b>	<b>△8</b>
Investment securities	9,749	<b>Accumulated other comprehensive income</b>	<b>△9,330</b>
Investments in capital	777	<b>Valuation difference on available-for-sale securities</b>	<b>2,605</b>
Long-term loans receivable	65	<b>Foreign currency translation adjustment</b>	<b>△11,581</b>
Deferred tax assets	2,243	<b>Remeasurements of defined benefit plan</b>	<b>△354</b>
Others	2,556	<b>Non-controlling interests</b>	<b>10,773</b>
Allowance for doubtful accounts	△43		
<b>Total assets</b>	<b>226,066</b>	<b>Total liabilities and net assets</b>	<b>226,066</b>

Note: Figures are presented with amounts less than one million yen truncated.

**Consolidated Statement of Income**  
(April 1, 2020 - March 31, 2021)

(Unit: million yen)

Account title	Amount
<b>Net sales</b>	<b>204,714</b>
<b>Cost of sales</b>	175,035
<b>Gross profit</b>	<b>29,679</b>
Selling, general and administrative expenses	22,171
<b>Operating income</b>	<b>7,507</b>
<b>Non-operating income</b>	1,669
Interest income	229
Dividend income	150
Foreign exchange gains	499
Subsidy income	427
Others	362
<b>Non-operating expenses</b>	<b>899</b>
Interest expenses	543
Loss on valuation of investment securities	79
Others	276
<b>Ordinary income</b>	<b>8,277</b>
<b>Extraordinary income</b>	1,610
Gain on sales of non-current assets	130
Gain on negative goodwill	877
Debt collection benefit	557
Bonds	45
<b>Extraordinary losses</b>	144
Loss on sales of non-current assets	7
Loss on retirement of non-current assets	136
<b>Profit before income taxes</b>	<b>9,744</b>
Income taxes – current	3,098
Income taxes – deferred	△655
<b>Profit</b>	<b>7,310</b>
Loss attributable to non-controlling interests	△67
<b>Profit attributable to owners of parent</b>	<b>7,378</b>

Note: Figures are presented with amounts less than one million yen truncated.

# **Consolidated Statement of Changes in Net Assets**

(April 1, 2020 - March 31, 2021)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2020	5,361	4,340	79,624	△8	89,317
Changes of items during period					
Share issuance	33	33			66
Dividends of surplus			△1,010		△1,010
Loss attributable to owners of parent			7,378		7,378
Purchase of treasury shares				△0	△0
Increase (decrease) due to change fiscal year of subsidiaries		△1,279			△1,279
Net changes of items other than shareholders' equity					
Total changes of items during period	33	△1,246	6,367	△0	5,154
Balance at March 31, 2021	5,394	3,093	85,992	△8	94,472

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plan	Total accumulated other comprehensive income		
Balance at April 1, 2020	1,437	△19,314	△6	△17,882	11,076	82,511
Changes of items during period						
Share issuance						66
Dividends of surplus						△1,010
Loss attributable to owners of parent						7,378
Purchase of treasury shares						△0
Increase (decrease) due to change fiscal year of subsidiaries						△1,279
Net changes of items other than shareholders' equity	1,167	7,732	△348	8,551	△302	8,248
Total changes of items during period	1,167	7,732	△348	8,551	△302	13,403
Balance at March 31, 2021	2,605	△11,581	△354	△9,330	10,773	95,914

Note: Figures are presented with amounts less than one million yen truncated.



## **Notes to Consolidated Financial Statements**

### 1. Notes relating to the assumptions of the going concern

No items to report

### 2. Significant matters that serve as the basis for the preparation of consolidated financial statements

#### (1) Matters relating to the scope of consolidation

##### 1) Status of consolidated subsidiaries

##### i) Number of consolidated subsidiaries:

34

##### ii) Names of consolidated subsidiaries:

Kyushu Musashi Seimitsu Co., Ltd.  
Musashi Casting Co., Ltd..  
Musashi AI Ltd.,  
Musashi Energy Solutions Co., Ltd.  
Musashi Auto Parts Michigan Inc.  
Musashi Auto Parts Co., Ltd.  
P.T. Musashi Auto Parts Indonesia  
Musashi Auto Parts Canada Inc.  
Musashi do Brasil Ltda.  
Musashi Hungary Manufacturing, Ltd.  
Musashi da Amazonia Ltda.  
Musashi Auto Parts India Pvt. Ltd.  
Musashi Auto Parts (Zhongshan) Co., Ltd.  
Musashi Auto Parts Vietnam Co., Ltd.  
Musashi Auto Parts Mexico, S.A. de C.V.  
Musashi Auto Parts (Nantong) Co., Ltd.  
Musashi Auto Parts (Tianjin) Co., Ltd  
Musashi Holdings Europe GmbH  
Musashi Europe GmbH  
Musashi Bockenu GmbH & Co.KG  
Musashi Bad Sobernheim GmbH & Co.KG  
Musashi Luechow GmbH  
Musashi Grolsheim GmbH & Co.KG  
Musashi Hann. Muenden Holding GmbH  
Musashi Hann. Muenden Machining GmbH & Co.KG  
Musashi Leinefelde Machining GmbH & Co.KG  
Musashi Leinefelde Forging GmbH & Co.KG  
Musashi Hungary Fuzesabony Kft.  
Musashi Spain Villalba S.L.

##### iii) Changes of the scope of consolidation

Musashi Energy Solutions Co., Ltd. whose shares were newly acquired by the Company has been included in the scope of consolidation.

##### 2) Status of non-consolidated subsidiaries:

##### i) Names of principal non-consolidated subsidiaries:

Musashi Auto Parts UK Ltd.

##### ii) Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation because their

respective total assets, net sales, profit or loss, and retained earnings do not have a material effect on the consolidated financial statements.

(2) Matters concerning application of equity method

Status of non-consolidated subsidiaries and associates for which the equity method is not applied

i) Names of principal companies, etc.:

Musashi Auto Parts UK Ltd.

ii) Name of principle associates, etc.;

Waphyto Co. Ltd.

iii) Reason for not applying equity method

Since non-consolidated subsidiaries and associates for which the equity method is not applied have an immaterial effect based on profit and loss (amount proportional to the ownership), retained earnings (amount proportional to the ownership) and others even if they are not accounted for by the equity method, and they also do not have a material effect on overall operations, they are excluded from the scope of the equity method.

(3) Items relating to the fiscal years, etc. of consolidated subsidiaries

The account closing date of the 23 consolidated subsidiaries of the Company is December 31. These 23 companies carry out settlement by provisional settlement on the consolidated settlement date.

(4) Matters regarding accounting policies

1) Valuation basis and method for significant assets

i) Securities

A. Shares of subsidiaries

Stated at cost using the moving average method

B. Available-for-sale securities

\* Securities with market value

Market value method based on the market price as of the accounts settlement date (the full amount of the valuation difference is charged to net assets using the direct transfer to capital method, with the disposal cost determined by the moving average method)

\* Securities without market value

Stated at cost using the moving average method

ii) Derivatives

Market value method

iii) Inventories

The Company and consolidated subsidiaries mainly state inventories at cost using the moving average method (figures on the balance sheet are adjusted by writing down the book value where the profitability declines), however, some overseas consolidated subsidiaries use the lower of cost or market method by the first-in first-out method or weighted average method.

2) Depreciation methods for material depreciable assets

i) Property, plant and equipment (excluding leased assets)

Depreciated using the straight-line method. Please note that the main useful lives are as follows.

Buildings and structures                      20 to 50 years

Machinery, equipment                      5 to 20 years

and vehicles

ii) Intangible assets (excluding leased assets)

The straight-line method is applied. However, for software for internal use, the straight-line

method is applied based on the expected usable period within the Group (mainly 5 years).

Furthermore, straight-line method is applied for customer relationship assets based on the expected usable period (5 to 11 years).

iv) Leased assets

Leased assets related to ownership transfer finance lease transactions

We use the same depreciation method applied to our own non-current assets.

Leased assets in non-ownership-transfer finance lease transactions

Depreciation is calculated on the straight-line method over the lease term as the useful life with no residual value.

v) Right-of-use assets

Depreciation is calculated over the shorter of the lease term and the asset's useful life as the useful life with no residual value.

3) Accounting policy for significant provisions

i) Allowance for doubtful accounts

To provide for losses due to bad debt, the Group reserves an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios and on highly doubtful receivables and other specified debt based on the recoverability from individual receivables.

ii) Provision for bonuses

To provide for the future payment of employee bonuses, the Company and some consolidated subsidiaries report the anticipated amount of bonus payments.

iii) Provision for directors' bonuses

To provide for the future payment of directors' bonuses, the Company and some consolidated subsidiaries report the anticipated amount of bonus payments.

iv) Provision for product warranties

To provide for product warranty expenses, the Group reports the anticipated amount of warranty expenses.

4) Accounting policy for translating significant assets or liabilities denominated in foreign currencies into Japanese currency

Foreign currency-denominated receivables and payables are converted to yen at the spot exchange rate on the consolidated closing date and the translation adjustment is treated as a profit or loss. Please note that assets and liabilities of overseas subsidiaries and others are converted into yen based on the spot exchange rate on the day of consolidated closing date, and revenue and expenses are converted into yen by using the average exchange rate during the fiscal year, while the difference arising from the conversion is shown as foreign currency translation adjustment and non-controlling interests.

5) Hedge accounting method

i) Hedge accounting method

Deferred hedge accounting is used for derivative transactions satisfying hedge accounting requirements. However, appropriation accounting is applied to forward foreign exchange contracts and currency swap transactions that satisfy requirements for appropriation accounting, and special treatment is applied to the interest-rate swap transactions that meet the requirements for special treatment.

ii) Hedging instruments and hedged items

Hedging instruments	Forward foreign exchange contracts, currency swap transactions, and interest-rate swap transactions
Hedged items	Foreign currency denominated borrowings and foreign currency denominated trade receivables and payables

iii) Hedging policy

To avoid foreign exchange fluctuation risk for receivables and payables denominated in foreign currencies, the Group uses forward foreign exchange contracts and currency swap transactions. To avoid interest-rate fluctuation risk for borrowings, the Group uses interest-rate swap transactions. It is our policy that these derivative transactions are carried out in accordance with its internal rules which stipulate authorization and limitation amount of transactions, and used to avoid foreign currency exchange and interest-rate fluctuation risks, and no speculative transactions are allowed.

iv) Hedge effectiveness evaluation method

The effectiveness of hedges is evaluated by comparing the cumulative cash flow fluctuations of hedged items or market fluctuations with cumulative cash flow fluctuations of the hedging method or market fluctuations based on the changes of both.

Please note that this assessment is omitted for interest-rate swaps subject to special treatment.

6) Other significant matters that serve as the basis for the preparation of consolidated financial statements

i) Accounting treatment for retirement benefits

A. The attribution of benefits to periods of service

For the calculation of projected benefit obligation, the Group adopts the plan's benefit formula for the attribution of benefits to the end the fiscal year under review.

B. Accounting method of actuarial gains and losses and past service costs

Past service costs are amortized using the straight-line method over a certain period (mainly, 14 years), which is within the average remaining service period of the employees, when they are recognized.

Actuarial gains and losses will be amortized over a certain period (mainly, 14 years), which is within the average remaining service period of the employees, using the straight-line method, from the following fiscal year when the actuarial gains and losses is recognized.

ii) Method and period for amortization of goodwill

Straight-line method is applied for a period of 5 to 15 years.

iii) Accounting treatment of consumption taxes

Accounting treatment for consumption tax and local consumption tax is based on the tax-excluded method.

iv) Application of Consolidated Taxation System

From this fiscal year Consolidated Taxation System is applied.

3. Change in presentation

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan Statement No. 31, March 31, 2020) from the consolidated financial statements for the fiscal year under review, and provided “4. Notes relating to accounting estimates” in the notes to consolidated financial statements.

4. Notes relating to accounting estimates

(1) Impairment of non-current assets

1) Amount recorded in the consolidated financial statements for the fiscal year under review

	Property, plant and equipment
Musashi Holdings Europe Group	26,980 million yen
Musashi Auto Parts India Pvt. Ltd.	12,495 million yen

2) Information that contributes to understanding on the content of accounting estimates

i) Calculation method

In determining the recoverable amount of non-current assets, etc., value in use or net sale value, whichever is higher, is used. Furthermore, in estimation of value in use, the calculation is made based on discounted present value of future cash flows generated from the asset group.

In the fiscal year under review, no impairment loss was recognized because the discounted future cash flows exceeded the book value of the asset group.

ii) Major assumptions

Future cash flows are calculated based on future business plans. Major assumptions are sales volume of products, sales price and growth rate of businesses as well as discount rate.

Estimates and judgments have been made on the assumption that impact of the spread of the novel coronavirus disease will continue over a certain period in the next fiscal year.

iii) Effects on consolidated financial statements for the next fiscal year

Since the recoverable amount sufficiently exceeds the book value, the Company has judged that risk of significant impairment loss arising is low even if major assumptions used for the fiscal year under review such as sales volume of products, sales price and others are changed within a reasonable range. As for unlisted shares of which fair value is difficult to assess, in cases where the actual value reflecting excess earnings power declines significantly, including the case where sales results of an investee, etc. fall short of the projection made at the time of investment, an impairment loss may be recognized.

5. Notes to the consolidated balance sheet

(1) Amount of accumulated depreciation for property, plant and equipment

202,099 million yen

6. Notes to the consolidated statement of changes in net assets

(1) Matters concerning total number of issued shares

(thousand shares)

Types of shares	April 1, 2020	Increase	Decrease	March 31, 2021
Common shares	65,184	74	–	65,258

(Note) The breakdown of the increase in the number of common shares is as follows:

- Increase due to the insurance of new shares as share-based remuneration with transfer restrictions: 74 thousand shares

(2) Matters concerning number of treasury shares

(shares)

Types of shares	April 1, 2020	Increase	Decrease	March 31, 2021
Common shares	17,470	88	–	17,558

(Note) The breakdown of the increase in the number of common shares is as follows:

- Increase due to the purchase of shares less than one unit: 88 shares

(3) Matters concerning dividends of surplus

1) Paid amount of dividends

i) Matters concerning dividends resolved at the 93rd Annual Meeting of Shareholders held on June 30, 2020

* Total dividends	684 million yen
* Dividends per share	10.5 yen
* Record date	March 31, 2020
* Effective date	July 1, 2020

ii) Matters concerning dividends resolved at the Board of Directors Meeting held on November 4, 2020

* Total dividends	326 million yen
* Dividends per share	5 yen
* Record date	September 30, 2020
* Effective date	December 1, 2020

2) Of the dividends whose record date belongs to the fiscal year under review, dividends whose effective date falls in the next fiscal year

The following shall be presented at the 94th Annual Meeting of Shareholders to be held on June 22, 2021

* Total dividends	1,957 million yen
* Dividends per share	30 yen
* Record date	March 31, 2021
* Effective date	June 23, 2021
* Source of dividends	Retained earnings

## 7. Notes concerning financial instruments

### (1) Matters concerning the conditions of financial instruments

The Group procures necessary capital through loans from banks and other financial institutions and through bond issuances. Temporary surplus funds are managed only as short-term deposits.

Credit risk of customers in terms of notes and accounts receivable – trade are mitigated according to the Sales Management Rules. Investment securities are mainly shares, and we quarterly monitor the market prices of listed stock.

Borrowings are used as working capital and capital investment funds. Forward foreign exchange contracts and currency swap contracts are used against the exchange fluctuation risk for foreign-denominated borrowings, and interest rate swap contracts are used against interest rate fluctuation risk. Please note that derivative transactions are conducted only in the scope of actual demand according to internal rules.

### (2) Matters concerning fair values, etc. of financial instruments

Amounts on the consolidated balance sheet, fair values and their differences at March 31, 2021 are as follows.

(Unit: million yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and bank deposits	24,143	24,143	—
(2) Notes and accounts receivable – trade	33,776	33,776	—
(3) Investment securities	5,946	5,946	—
Total assets	63,866	63,866	—
(4) Notes and accounts payable – trade	17,843	17,843	—
(5) Short-term loans payable	38,932	38,932	—
(6) Accounts payable – other	3,967	3,967	—
(7) Accrued expenses	7,614	7,614	—
(8) Income taxes payable	1,954	1,954	—
(9) Long-term loans payable (*1)	38,561	39,180	618
Total liabilities	108,874	109,492	618
(10) Derivative transactions (*2)	105	105	—

(\*1) Includes current portion of long-term loans.

(\*2) Net claims and obligations derived from derivative transactions are indicated in net amounts.

Notes: 1. Calculation method of the fair value of financial instruments and matters concerning marketable securities and derivative transactions

- (1) Cash and bank deposits and (2) Notes and accounts receivable – trade

Because their fair value is almost equal to book value due to their short-term settlement, they are posted at their book value.

- (3) Investment securities

Fair value of investment securities is based on market prices on exchanges.

- (4) Notes and accounts payable – trade, (5) Short-term loans payable, (6) Accounts payable – other, (7) Accrued expenses, and (8) Income taxes payable

Because their fair value is almost equal to book value due to their short-term settlement, they are posted at their book value.

- (9) Long-term loans payable

The fair value of long-term loans is calculated at the present value thereof equal to the total of capital and interests discounted by an interest rate reflecting the remaining terms adjusted for credit risk.

Please note that, for loans requiring interest rate renewals at certain periods, their fair value is roughly equal to book value, and therefore they are determined by the relevant book value.

- (10) Derivative transactions

The fair value of derivative transactions is determined by the quoted price obtained from financial institutions.

However, interest rate swap contracts meeting special treatment criteria are treated together with hedged borrowings, therefore, their fair value is included in the fair value of the relevant borrowings. However, forward foreign exchange contracts meeting appropriation accounting criteria are treated together with hedged borrowings, accounts receivable – trade, and accounts payable – trade, therefore, their fair value is included in the fair value of the relevant account items.

2. Unlisted equity securities (3,803 million yen posted) among investment securities are not included in “(3) Investment securities” as no quoted market price is available and it is extremely difficult to ascertain fair value by such means as estimating future cash flows.

8. Per share information

- |                           |              |
|---------------------------|--------------|
| (1) Net assets per share: | 1,305.03 yen |
| (2) Earnings per share:   | 113.14yen    |

9. Notes concerning significant subsequent events

No items to report.



# **Non-consolidated Balance Sheet**

(As of March 31, 2021)

(Unit: million yen)

Account title	Amount	Account title	Amount
<b>Assets</b>	111,111	<b>Liabilities</b>	72,327
<b>Current assets</b>	18,984	<b>Current liabilities</b>	47,997
Cash and bank deposits	70	Notes payable – trade	90
Accounts receivable – trade	12,698	Electronically recorded obligations – operating	4,189
Finished goods	1,214	Accounts payable – trade	5,101
Work in process	1,633	Short-term loans payable	25,300
Raw materials and supplies	796	Current portion of long-term loans payable	6,770
Short-term loans receivable	554	Lease obligations	50
Current portion of long-term loans receivable	54	Accounts payable – other	458
Prepaid expenses	175	Accrued expenses	2,952
Accounts receivable – other	1,057	Income taxes payable	1,049
Others	730	Deposits received	953
<b>Non-current assets</b>	92,126	Provision for bonuses	863
<b>Property, plant and equipment</b>	10,324	Provision for directors' bonuses	13
Buildings	2,494	Provision for product warranties	13
Structures	153	Notes payable – facilities	90
Machinery and equipment	4,726	Others	102
Vehicles	18	<b>Non-current liabilities</b>	24,330
Tools, furniture and fixtures	433	Long-term loans payable	23,625
Land	2,490	Lease obligations	67
Construction in progress	7	Deferred tax liabilities	93
<b>Intangible assets</b>	475	Provision for retirement benefits	410
Software	431	Long-term accounts payable – other	71
Software in progress	36	Asset retirement obligations	63
Others	7	<b>Net assets</b>	38,783
<b>Investments and other assets</b>	81,327	<b>Shareholders' equity</b>	36,297
Investment securities	3,767	<b>Capital stock</b>	5,394
Shares of subsidiaries and associates	54,244	<b>Capital surplus</b>	5,135
Investments in capital	727	Legal capital surplus	5,135
Long-term loans receivable from subsidiaries and associates	3,280	<b>Retained earnings</b>	25,776
Investments in capital of subsidiaries and associates	19,237	Legal retained earnings	306
Long-term prepaid expenses	62	Other retained earnings	25,469
Others	44	General reserve	23,500
Allowance for doubtful accounts	△36	Retained earnings brought forward	1,969
		<b>Treasury shares</b>	△8
		<b>Valuation and translation adjustments</b>	2,486
		<b>Valuation difference on available-for-sale securities</b>	2,486
<b>Total assets</b>	111,111	<b>Total liabilities and net assets</b>	111,111

Note: Figures are presented with amounts less than one million yen truncated.

**Non-consolidated Statement of Income**  
(April 1, 2020 - March 31, 2021)

(Unit: million yen)	
Account title	Amount
<b>Net sales</b>	48,437
Cost of sales	38,498
<b>Gross profit</b>	9,939
Selling, general and administrative expenses	7,095
<b>Operating income</b>	2,844
Non-operating income	2,410
Interest income	68
Dividend income	1,482
Guarantee commission received	498
Foreign exchange gains	163
Others	198
Non-operating expenses	281
Interest expenses	131
Foreign exchange losses	79
Others	69
<b>Ordinary income</b>	4,973
Extraordinary income	3
Gain on sales of non-current assets	3
Extraordinary loss	5
Loss on retirement of non-current assets	5
<b>Profit before income taxes</b>	4,971
Income taxes – current	759
Income taxes – deferred	112
<b>Profit</b>	4,098

Note: Figures are presented with amounts less than one million yen truncated.

# **Non-consolidated Statement of Changes in Net Assets**

(April 1, 2020 - March 31, 2021)

(Unit: million yen)

(Unit: million yen)

	Shareholders' equity						
	Capital stock	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at April 1, 2020	5,361	5,102	306	22,381	22,688	△8	33,142
Changes of items during period							
Share issuance	33	33					66
Dividends of surplus				△1,010	△1,010		△1,010
Loss				4,098	4,098		4,098
Purchase of treasury shares						△0	△0
Net changes of items other than shareholders' equity							
Total changes of items during period	33	33	—	3,088	3,088	△0	3,154
Balance at March 31, 2021	5,394	5,135	306	25,469	25,776	△8	36,297

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2020	1,377	1,377	34,519
Changes of items during period			
Share issuance			66
Dividends of surplus			△1,010
Loss			4,098
Purchase of treasury shares			△0
Net changes of items other than shareholders' equity	1,109	1,109	1,109
Total changes of items during period	1,109	1,109	4,263
Balance at March 31, 2021	2,486	2,486	38,783

Note: Figures are presented with amounts less than one million yen truncated.

\*Other retained earnings

(Unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance at April 1, 2020	23,500	△1,118	22,381
Change in the fiscal year			
Dividends of surplus		△1,010	△1,010
Loss		4,098	4,098
Total changes of items during period	—	3,088	3,088
Balance at March 31, 2021	23,500	1,969	25,469

Note: Figures are presented with amounts less than one million yen truncated.

## **Notes to Non-consolidated Financial Statements**

1. Notes relating to the assumptions of the going concern  
No items to report
2. Matters pertaining to significant accounting policies
  - (1) Valuation basis and method for securities
    - 1) Shares of subsidiaries  
Stated at cost using the moving average method
    - 2) Available-for-sale securities
      - \* Securities with market value  
Market value method based on the market price as of the accounts settlement date (the full amount of the valuation difference is charged to net assets using the direct transfer to capital method, with the disposal cost determined by the moving average method)
      - \* Securities without market value  
Stated at cost using the moving average method
  - (2) Valuation basis and method for derivative transactions  
Market value method
  - (3) Valuation basis and method for inventories
    - 1) Finished goods, work in process and raw materials  
Cost using the moving average method (figures on the balance sheet are adjusted by writing down the book value where the profitability declines)  
However, machinery purchased for sale and in-house manufactured machinery are recorded at cost using the individual method
    - 2) Supplies of metal molds  
Stated at cost using the individual method
    - 3) Other supplies  
Stated at cost using the final purchase cost method
  - (4) Depreciation method for non-current assets
    - 1) Property, plant and equipment (excluding leased assets)  
Straight-line method  
Please note that the main useful lives are as follows.

Buildings	31 to 47 years
Machinery and equipment	9 years
    - 2) Intangible assets (excluding leased assets)
      - i) Software for internal use  
The straight-line method is applied based on the expected usable period within the Company (5 years).
      - ii) Other intangible assets  
Straight-line method
    - 3) Leased assets  
Leased assets in non-ownership-transfer finance lease transactions  
Depreciation is calculated on the straight-line method over the lease term as the useful life with no residual value.
  - (5) Accounting policy for provisions
    - 1) Allowance for doubtful accounts  
To provide for losses due to bad debt, the Company reserves an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios and on highly doubtful receivables and other specified debt based on the recoverability from individual receivables.
    - 2) Provision for bonuses  
To provide for the future payment of employee bonuses, the Company reports the anticipated amount of bonus payments.

- 3) Provision for directors' bonuses  
To provide for the future payment of directors' bonuses, the Company reports the anticipated amount of bonus payments.
- 4) Provision for product warranties  
To provide for product warranty expenses, the Company reports the anticipated amount of warranty expenses.
- 5) Provision for retirement benefits  
To provide for employee retirement benefits, this provision is posted based on an estimate of retirement benefit obligations and plan assets at fiscal year-end.
  - i) The attribution of benefits to periods of service  
For the calculation of projected benefit obligation, the Company adopts the plan's benefit formula for the attribution of benefits to the end of the fiscal year under review.
  - ii) Accounting method of actuarial gains and losses and past service costs  
Past service costs are amortized using the straight-line method over a certain period (14 years), which is within the average remaining service period of the employees, when they are recognized. Actuarial gains and losses will be amortized over a certain period (14 years), which is within the average remaining service period of the employees, using the straight-line method, from the following fiscal year when the actuarial gains and losses is recognized.
- (6) Accounting policy for translating assets or liabilities denominated in a foreign currencies into Japanese currency  
Foreign currency-denominated receivables and payables are converted to yen at the spot exchange rate on the closing date and the translation adjustment is treated as a profit or loss.
- (7) Hedge accounting method
  - 1) Hedge accounting method  
Deferred hedge accounting is used for derivative transactions satisfying hedge accounting requirements. However, appropriation accounting is applied to forward foreign exchange contracts and currency swap transactions that satisfy requirements for appropriation accounting, and special treatment is applied to the interest-rate swap transactions that meet the requirements for special treatment.
  - 2) Hedging instruments and hedged items
 

Hedging instruments	Forward foreign exchange contracts, currency swap transactions and interest-rate swap transactions
Hedged items	Foreign currency denominated borrowings and foreign currency denominated trade receivables and payables
  - 3) Hedging policy  
To avoid foreign exchange fluctuation risk for receivables and payables denominated in foreign currencies, the Company uses forward foreign exchange contracts and currency swap transactions. To avoid interest-rate fluctuation risk for borrowings, the Company uses interest-rate swap transactions. It is our policy that these derivative transactions are carried out in accordance with its internal rules which stipulate authorization and limitation amount of transactions, and used to avoid foreign currency exchange and interest-rate fluctuation risks, and no speculative transactions are allowed.
  - 4) Hedge effectiveness evaluation method  
The effectiveness of hedges is evaluated by comparing the cumulative cash flow fluctuations of hedged items or market fluctuations with cumulative cash flow fluctuations of the hedging method or market fluctuations based on the changes of both.  
Please note that this assessment is omitted for interest-rate swaps subject to special treatment.

(8) Other significant matters that serve as the basis for the preparation of financial statements

- |   |   |
|---|---|
| 1) Accounting treatment of consumption taxes      | Accounting treatment for consumption tax and local consumption tax is based on the tax-excluded method. |
| 2) Application of consolidated tax payment system | Consolidated taxation system is applied.  |

3. Change in presentation

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan Statement No. 31, March 31, 2020) from the financial statements for the fiscal year under review, and provided “4. Notes relating to significant accounting estimates” in the notes to non-consolidated financial statements.

4. Notes relating to significant accounting estimates

(1) Valuation of investment securities

1) Amount recorded in the consolidated financial statements for the fiscal year under review

Investment securities: 3,767 million yen

2) Information that contributes to understanding on the content of accounting estimates

The information is the same as the content of “4. Notes relating to accounting estimates (2) Valuation of investment securities 2) Information that contributes to understanding on the content of accounting estimates” in the notes to consolidated financial statements.

5. Notes to the non-consolidated balance sheet

(1) Claims and obligations with respect to subsidiaries and associates

Short-term cash credit	12,080 million yen
Long-term cash credit	3,280 million yen
Short-term cash debt	6,595 million yen
Long-term cash debt	6,500 million yen

(2) Amount of accumulated depreciation for property, plant and equipment

40,199 million yen

(3) Contingent liabilities

Guarantee obligations

The following guarantees are made with respect to loans from financial institutions of subsidiaries and associates

(Unit: million yen)

Company name	Guarantee balance
Musashi Europe GmbH	20,508
Musashi Auto Parts (Tianjin) Co., Ltd.	3,496
Musashi Auto Parts Michigan Inc.	1,245
Musashi Auto Parts Canada Inc.	1,107
Musashi Auto Parts Mexico, S.A. de C.V.	166
Musashi Auto Parts India Pvt. Ltd.	82
Musashi da Amazonia Ltda.	12
Total	26,617

6. Notes to the non-consolidated statement of income

Transactions with subsidiaries and associates

Net sales	38,574 million yen
Purchases	13,541 million yen
Transactions other than operational transactions	2,053 million yen



7. Notes to the non-consolidated statement of changes in net assets

Matters concerning number of treasury shares

(shares)

Types of shares	April 1, 2020	Increase	Decrease	March 31, 2021
Common shares	17,470	88	—	17,558

(Note) The breakdown of the increase in the number of common shares is as follows:

- Increase due to the purchase of shares less than one unit: 88 shares

8. Notes concerning tax effect accounting

Breakdown of major causes for the occurrence of deferred tax assets and deferred tax liabilities

(Unit: million yen)

Deferred tax assets

Payable for enterprise tax refund	112
Provision for bonuses	259
Provision for directors' bonuses	4
Accrued social security premiums	41
Loss on evaluation of inventories	268
Over depreciation	107
Provision for retirement benefits	123
Directors' retirement benefits payable	21
Loss on valuation of investment securities	31
Loss on sales of shares of subsidiaries and associates	6,180
Allowance for doubtful accounts	10
Shares of subsidiaries acquisition costs	28
Others	59
Subtotal deferred tax assets	7,249
Valuation allowance	△6,273
Total deferred tax assets	975

Deferred tax liabilities

Valuation difference on available-for-sale securities	△1,068
Others	△0
Total deferred tax liabilities	△1,068

Net deferred tax assets (liabilities)	△93
---------------------------------------	-----

## 8. Notes concerning transactions with related parties

### (1) Parent company and principal corporate shareholder

Category	Company name	Ownership percentage of voting rights (%)	Relationship	Transaction details	Transaction amounts (million yen) (Note 2)	Account item	Fiscal year-end balance (million yen) (Note 2)
Other affiliate	Honda Motor Co., Ltd.	25.1	Sale of the Company's products	Sales of products (Note 1)	17,742	Accounts receivable – trade	2,404

Conditions of transactions and policy for determining the conditions of transactions

- Notes: 1. Sale prices are determined by drafting estimates taking into consideration market values based on economic rationality and the Company's production technologies, etc. which are submitted for negotiation.
2. Consumption taxes are excluded from transaction amounts, but included in balances at fiscal year-end.

### (2) Subsidiaries

Category	Company name	Ownership percentage of voting rights (%)	Relationship	Transaction details	Transaction amounts (million yen) (Note 4)	Account item	Fiscal year-end balance (million yen) (Note 4)
Subsidiary	Kyushu Musashi Seimitsu Co., Ltd.	100.0	Product purchasing and Secondment of officers	Product purchasing (Note 1)	8,069	Accounts payable – trade	2,916
Subsidiary	Musashi Auto Parts Michigan Inc.	89.5	Debt guarantees and Secondment of officers	Underwriting of debt guarantees (Note 2)	1,245	–	–
Subsidiary	Musashi Auto Parts Co., Ltd.	82.3	Sale of the Company's products and Capital borrowing and Secondment of officers	Sales of products (Note 1)	2,407	Accounts receivable – trade	2,219
				Payment of interest (Note 3)	29	Long-term loans payable	6,000
Subsidiary	Musashi Auto Parts (Zhongshan) Co., Ltd	100.0	Sale of the Company's products and Secondment of officers	Sales of products (Note 1)	5,065	Accounts receivable – trade	1,633
Subsidiary	Musashi Auto Parts Mexico, S.A. de C.V.	100.0	Sale of the Company's products, Capital Lending, Debt guarantees and Secondment of officers	Sales of products (Note 1)	4,829	Accounts receivable – trade	1,971
				–	–	Long-term loans receivable from subsidiaries and associates	2,490
				Underwriting of debt guarantees (Note 2)	166	–	–
Subsidiary	Musashi Europe GmbH	80.0	Debt guarantees and	Underwriting of debt guarantees (Note 2)	20,508	–	–

Category	Company name	Ownership percentage of voting rights (%)	Relationship	Transaction details	Transaction amounts (million yen) (Note 4)	Account item	Fiscal year-end balance (million yen) (Note 4)
			Secondment of officers	Guarantee commissions income (Note 2)	498	—	—
Subsidiary	Musashi Auto Parts (Tianjin) Co., Ltd.	Indirect 80.0	Debt guarantees and Secondment of officers	Underwriting of debt guarantees (Note 2)	3,496	—	—

Conditions of transactions and policy for determining the conditions of transactions

- Notes:
1. Prices and other transaction requirements are determined based on basic agreements with subsidiaries and taking into account market conditions.
  2. Debt guarantees are underwritten by each company for loans from financial institution, no guarantee commissions are received. However, guarantee commissions are received from Musashi Europe GmbH.
  3. Interest rate in capital lending and borrowing is reasonably determined in consideration of market interest rate.
  4. Consumption taxes are excluded from transaction amounts, but included in balances at fiscal year-end.

#### 9. Per share information

- (1) Net assets per share: 594.46yen
- (2) Earnings per share: 62.85yen

#### 10. Significant subsequent events

No items to report.

## Independent Auditor's Report

May 11, 2021

To the Board of Directors of Musashi Seimitsu Industry Co., Ltd.

### **Ernst & Young ShinNihon LLC**

Toshikatsu Sekiguchi (Seal)

Designated Limited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

Shujiro Nakaoka (Seal)

Designated Limited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

#### Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements of Musashi Seimitsu Industry Co., Ltd. (the "Company") applicable to the fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

#### Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- \* Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- \* In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- \* Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.

- \* Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- \* Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.

- \* Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

#### Conflicts of Interest

We or engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

## Independent Auditor's Report

May 11, 2021

To the Board of Directors of Musashi Seimitsu Industry Co., Ltd.

### Ernst & Young ShinNihon LLC

Toshikatsu Sekiguchi (Seal)

Designated Limited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

Shujiro Nakaoka (Seal)

Designated Limited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

#### Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to non-consolidated financial statements and the supplementary schedules (hereinafter referred to as "Financial Statements, etc.") of Musashi Seimitsu Industry Co., Ltd. (the "Company") applicable to the Company's 94th fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations, applicable to the fiscal year ended March 31, 2021, in accordance with accounting principles generally accepted in Japan.

#### Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Financial Statements, etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

#### Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- \* Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the Financial Statements, etc. is not expressing an opinion on the effectiveness of the Group's internal control.

- \* Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.

Conclude on the appropriateness of management's use of the going concern basis for preparing the Financial Statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements or, if the notes to the non-consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- \* Evaluate whether the presentation of the non-consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly represent the underlying transactions and accounting events.

We communicate with the Audit and Supervisory Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

#### Conflicts of Interest

We or engagement partners have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

## Audit Report

The Audit and Supervisory Committee has conducted audit on the performance of duties of the Directors during the 94th fiscal year from April 1, 2020 to March 31, 2021, and hereby reports the methods and results of audit as follows:

### 1. Auditing Methods and Contents

The Audit and Supervisory Committee regularly received reports from Directors and employees on the contents of regulation of the Board of Directors relating to the matters set forth in the Article 399-13, paragraph 1, item 1 (b) and (c) of the Companies Act and the status of the establishment and operation of the system (internal control system) established in accordance with the resolution, demanded explanations, as the occasion demanded, and expressed its opinions. The audit was conducted by the following methods.

- 1) In accordance with the Audit and Supervisory Committee's auditing standards, auditing policies, share of assignment, and other matters stipulated by the Audit and Supervisory Committee, we cooperated with the Internal Auditing Department and other departments for internal control; attended important meetings utilizing online meeting tools, etc.; received reports of execution of duties from Directors and employees; demanded explanations, as the occasion demanded; inspected important documents; and investigated the activities and assets of the head office and of other principal places of business.

As for the subsidiaries, we communicated and exchanged information with the Directors and Audit & Supervisory Board Members, etc. of the subsidiaries, and received reports on their business operations as the occasion demanded.

- 2) We monitored and verified whether or not the Financial Auditor had maintained their independent positions and had conducted appropriate audits and received reports on activities of execution of duty from the financial auditor and received explanation as the occasion demanded. Also, we received notice that the "system to assure that duty is executed appropriately" (the matters listed in the items of Article 131 of the Corporate Accounting Rules) has been maintained in accordance with the "Quality Control Standards for Audits" (October 28, 2005, the Business Accounting Council) from the Financial Auditor and demanded explanation as the occasion demanded.

Based on the above methods, we examined the business report and accompanying financial schedule for the relevant fiscal year, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statements of changes in equity and notes to non-consolidated financial statements) and accompanying financial schedule as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in equity and the notes to consolidated financial statements).

### 2. Results of Audit

#### (1) Results of audit on the business report

- 1) The business report and accompanying schedule are found to accurately present the status of the Company in conformity with the laws and regulations and Articles of Incorporation.
- 2) In connection with the performance by the Directors of their duties, no dishonest act or significant fact of a violation of laws, regulations, or the Articles of Incorporation is found to exist.
- 3) The contents of the resolutions of the Board of Directors regarding the internal control systems are found to be proper. Also, the descriptions in the business report and execution of duty by the Directors regarding the relevant internal control system are found to accurately present the matters



to be stated therein and have nothing to be pointed out including the internal control system regarding financial reporting.

- (2) Results of audit on the non-consolidated financial statements and accompanying financial schedule  
The methods and results of the audit made by the Financial Auditor, Ernst & Young ShinNihon LLC, an incorporated auditing firm, are found to be proper.
- (3) Results of audit on the consolidated financial statements  
The methods and results of the audit made by the Financial Auditor, Ernst & Young ShinNihon LLC, an incorporated auditing firm, are found to be proper.

May 19, 2021

Audit and Supervisory Committee of  
Musashi Seimitsu Industry Co., Ltd.

Michi Miyasawa (Seal)  
Audit and Supervisory Committee Member (Full-time)

Yoshinori Morita (Seal)  
Audit and Supervisory Committee Member

Makiko Yamamoto (Seal)  
Audit and Supervisory Committee Member

Kazutaka Okubo (Seal)  
Audit and Supervisory Committee Member

Notes: 1. Audit and Supervisory Committee Members Yoshinori Morita, Makiko Yamamoto and Kazutaka Okubo are outside directors provided in Article 2, item 15 and Article 331, paragraph 6 of the Companies Act.