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Securities code: 7220
June 3, 2022

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 95TH ANNUAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 95th Annual Meeting of Shareholders of Musashi Seimitsu Industry Co., Ltd. (the “Company”).

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet, etc. Please review the Reference Documents for the Annual Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Wednesday, June 22, 2022.

Meeting Details

- 1. Date and Time:** Thursday, June 23, 2022 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 95th fiscal term (from April 1, 2021 to March 31, 2022)
2. Non-consolidated Financial Statements for the 95th fiscal term (from April 1, 2021 to March 31, 2022)

Items to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of Eight (8) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
- Proposal 4:** Election of One (1) Director Serving as Audit and Supervisory Committee Members

Information for Our Shareholders

- 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.
- 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.

1. 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:

Wednesday, June 22, 2022 at 5:00 p.m.

2. 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:

Wednesday, June 22, 2022 at 5:00 p.m.

3. Attending the Annual Meeting of Shareholders

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

Date and Time:

Thursday, June 23, 2022 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 95th 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

Type of dividend property

Cash

Dividend amount to be allocated

Per share of common stock: ¥ 30

Total dividends: ¥ 1,957,906,710

Effective date of dividends of surplus

June 24, 2022

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reason for Amendments

The Company proposes the following amendments to the Articles of Incorporation amid introduction of the system for providing annual meeting of shareholders materials in electronic format accompanying amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019), which take effect on September 1, 2022.

(1) Article 15 (Electronic Provision Measures, Etc.), paragraph 1 of the proposed amendments is to be newly established, given that the Company will be subject to requirements mandating that its Articles of Incorporation stipulate measures for electronic provision of content of the Reference Documents for the Annual Meeting of Shareholders and other such materials.

(2) Article 15 (Electronic Provision Measures, Etc.), paragraph 2 of the proposed amendments is to be newly established with respect to matters subject to the measures for electronically providing content of the Reference Documents for the Annual Meeting of Shareholders and other such materials, because the Company seeks to ensure that matters stated in documents delivered to shareholders who request delivery of written documents remain within the scope specified by ordinance of the Ministry of Justice.

(3) Article 15 (Provision Deemed Internet Disclosure of Reference Documents for the Annual Meeting of Shareholders, Etc.) of the current Articles of Incorporation is to be deleted because such provisions are no longer required upon introduction of the system for providing general shareholder meeting materials in electronic format.

(4) Supplementary provisions are to be established regarding the effectiveness of the aforementioned newly established and deleted provisions. These Supplementary Provisions shall be deleted after the appropriate period has elapsed.

2. Details of amendments

The details of amendments are as follows.

(Amendments are underlined.)

Current	Proposed amendments
<p><u>Article 15. (Provision Deemed Internet Disclosure of Reference Documents for the Annual Meeting of Shareholders, Etc.)</u> <u>Upon convening the Annual Meeting of Shareholders, it may be deemed that the Company has provided the shareholders with information relating to the matters that should be described or indicated in the Reference Documents for the Annual Meeting of Shareholders, Business Report, Non-consolidated Financial Statements, and Consolidated Financial Statements, on the condition that such information is disclosed through the Internet in accordance with ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>(Delete)</p> <p><u>Article 15. (Electronic Provision Measures, Etc.)</u></p> <p><u>1. When convening the Annual Meeting of Shareholders, the Company shall enlist measures for electronic provision of content of the Reference Documents for the Annual Meeting of Shareholders.</u></p> <p><u>2. The Company may state neither all nor a portion of the matters subject to measures for electronic provision as set forth in ordinance of the Ministry of Justice in its documents to be delivered to shareholders who submit a request for the delivery</u></p>

(Newly established)	<p><u>of written documents by the record date of voting rights.</u></p> <p><u>(Supplementary Provisions)</u></p> <p><u>(Transitional Measures Related to Electronic Provision of Materials for the Annual Meeting of Shareholders)</u></p>
(Newly established)	<p><u>1. The deletion of Article 15 (Provision Deemed Internet Disclosure of Reference Documents for the Annual Meeting of Shareholders, Etc.) and the new establishment of Article 15 (Electronic Provision Measures, Etc.) of the Articles of Incorporation shall take effect on September 1, 2022 (hereinafter, the “Date of Enforcement”).</u></p> <p><u>2. Notwithstanding the provision of the preceding paragraph, Article 15 (Provision Deemed Internet Disclosure of Reference Documents for the Annual Meeting of Shareholders, Etc.) of the Articles of Incorporation shall remain effective regarding any Annual Meeting of Shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. These Supplementary Provisions shall be deleted on the day on which six months have elapsed from the Date of Enforcement, or otherwise on the day on which three months have elapsed from the date of the Annual Meeting of Shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal 3: Election of Eight (8) 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 eight (8) Directors, thereby increasing the number of Outside Directors by one (1) to further enhance the managerial framework.

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	Hiroshi Otsuka (Jul. 6, 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 21 years (at the conclusion of this meeting)	<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 May 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>	1,489,100

2	<p>Tracey Sivill (Dec. 2, 1963)</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 5 years (at the conclusion of this meeting)</p>	<p>Dec. 1997 Entered Musashi Auto Parts Canada Inc.</p> <p>Oct. 2013 Executive Officer (present post), Compliance Officer and Senior Manager of Accounting, Purchasing, IT, HR, Production Control of Musashi Auto Parts Canada Inc.</p> <p>Nov. 2013 Director of Musashi Auto Parts Canada Inc. (present post)</p> <p>Apr. 2015 Executive Office of the Company</p> <p>Apr. 2016 In charge of Global IT Strategy of the Company (present post)</p> <p>Apr. 2017 Senior Executive Officer of the Company</p> <p>Apr. 2017 Head of Finance and Accounting Division of the Company</p> <p>June. 2017 Director of the Company</p> <p>Apr. 2018 Managing Executive Officer of the Company</p> <p>Apr. 2018 CFO of Group of the Company(present post)</p> <p>Apr. 2022 Senior Managing Executive Officer of the Company(present post)</p> <p>Apr. 2022 Representative Director of the Company(present post)</p> <p>Reasons for nomination as a candidate for Director</p> <p>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.</p>	0
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3	Kenji Morisaki (Nov. 21, 1966) NEW	Apr. 1985	Entered the Kyushu Musashi Seimitsu Co., Ltd.	16,000
		Apr. 2001	Musashi Auto Parts Co.,Ltd.	
		Apr. 2007	Senior Administrator of overseas operation Dept. of Kyushu Musashi Seimitsu Co., Ltd.	
		Jan. 2009	Senior Administrator of improvement project of Kyushu Musashi Seimitsu Co., Ltd.	
		Apr. 2009	Manager of Manufacturing Dept. II of Kyushu Musashi Seimitsu Co., Ltd.	
		Apr. 2012	Vice President of Musashi Auto Parts India Pvt. Ltd.	
		Apr. 2016	Entered the Company Executive Officer and Head of Production and Machinery & Tools	
		Apr. 2017	Risk Management Officer of the Company (present post)	
		Apr. 2018	Senior Executive Officer of the Company	
		Apr. 2018	CEO of Japan region of the Company y(present post)	
		Apr. 2018	Head of Manufacturing technology	
		Jun. 2020	Managing Executive Officer of the Company	
		Apr. 2022	Senior Managing Executive Officer of the Company(present post)	
Apr. 2022	CEO of Manufacturing of the Company (present post)			
Reasons for nomination as a candidate for Director				
Mr. Kenji Morisaki has extensive experience and insight particularly in the Company's manufacturing realm. He also has a track record of promoting efficiency of the Group's management and operations, in part by taking responsibility for production divisions and the Japanese region. The Company has determined, in view of his superior management ability cultivated through his extensive experience in the realm of manufacturing, that he is necessary to improve the future corporate value of the Group, and nominated him 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 10 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 Outside 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>Feb. 2020 Representative Director, President and Group CEO of Sala Corporation (present post)</p> <p>(Significant concurrent positions) Representative Director and President of Sala Corporation Chairman and Representative Director of Sala Energy Co., Ltd.</p> <p>Reasons for nomination as a candidate for Director</p> <p>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.</p>	34,100
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 5 years (at the conclusion of this meeting)</p>	<p>Aug. 1985 Entered General Motors Corporation</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 Outside Director of Owens-Illinois Inc. (currently O-I GLASS Inc.) (present post)</p> <p>Jun. 2017 Outside Director of the Company (present post)</p> <p>Dec. 2017 Outside Director of Delphi Technologies PLC</p> <p>Feb. 2018 Chairman of the Board of Sintercom India. (present post)</p> <p>Jul. 2019 Outside Director of REE Automotive LTD (present post)</p> <p>(Significant concurrent positions) Outside Directors of O-I GLASS Inc., Chairman of the Board of Sintercom India., Outside Director of REE Automotive LTD</p> <p>Reasons for nomination as a candidate for Director</p> <p>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.</p>	0

6	<p>Keisuke Tomimatsu (May 2, 1974)</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 7 years (at the conclusion of this meeting)</p>	<p>Apr. 1997 Entered SBC Warburg Japan Ltd. (currently UBS Securities Japan Co., Ltd.)</p> <p>Dec. 2001 Entered UBS Securities Japan Co., Ltd.</p> <p>Mar. 2006 General Manager/Executive Director, Financial Products Equities Dept. of UBS Securities Japan Co., Ltd.</p> <p>Aug. 2008 Managing Director, Equities Dept. of Credit Suisse Securities (Japan) limited.</p> <p>Nov. 2009 Executive Director, Equities Dept. of Morgan Stanley Japan Securities (currently Morgan Stanley MUFG Securities Co., Ltd.)</p> <p>Jun. 2013 Audit & Supervisory Board Member of the Company</p> <p>Jun. 2014 Outside Director of IR Japan Inc.</p> <p>Feb. 2015 Outside Director of IR Japan Holdings, Ltd.</p> <p>Jun. 2015 Outside Director serving as an Audit and Supervisory Committee Member of the Company</p> <p>Jun. 2017 Outside Director of the Company (present post)</p> <p>Reasons for nomination as a candidate for Director</p> <p>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.</p>	101,300
7	<p>Yoshie Munakata (Jun. 20, 1958)</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 year (at the conclusion of this meeting)</p>	<p>Apr. 1981 Entered Dai Nippon Printing Co., Ltd.</p> <p>Dec. 1983 Entered Intel Japan K.K. (currently Intel K.K.)</p> <p>Feb. 1999 Manager, Communication Product Business Headquarters of Intel K.K.</p> <p>Apr. 2001 Executive secretary in charge of corporate planning/government relation of Intel K.K.</p> <p>Apr. 2002 Manager, Business Development Headquarters of Intel K.K.</p> <p>Apr. 2009 Director and executive deputy president of Intel K.K.</p> <p>Apr. 2016 Advisor of Intel K.K.</p> <p>Oct. 2016 Established B.Grove Inc., Representative Director of B.Grove Inc., (present post)</p> <p>Jun. 2017 Outside Director of SoftBank Technology Corp.(currently SB Technology Corp.) (present post)</p> <p>Jun. 2018 Outside Director of the Company (present post)</p> <p>(Significant concurrent positions) Representative Director of B.Grove Inc., Outside Director of SB Technology Corp.</p> <p>Reasons for nomination as a candidate for Director</p> <p>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.</p>	10,900

8	Emi Onozuka (May 28, 1974) NEW	Apr. 1998	Entered Morgan Bank. (currently JP Morgan Bank)	1,000
		Feb. 2000	Entered Goldman Sachs Asset Management Co., Ltd.	
		Apr. 2011	Same as above COO of Asia Pacific management Division (traditional assets)	
		Sep. 2016	Same as above chief of the stewardship promotion	
		Apr. 2017	Same as above manager of the stewardship promotion	
		Apr. 2020	Entered Japan Catalyst, Inc.	
		May. 2020	Same as above Executive Vice President COO (present post)	
		May. 2022	Director, President and CEO of Eminent Group Inc. (present post)	
		May. 2022	Representative Director of Future Creation Initiative through Science and Finance(present post)	
		Jun. 2022	Retired Executive Vice President COO of Japan Catalyst, Inc.	
		(Significant concurrent positions) Executive Vice President COO of Japan Catalyst, Inc., Director, President and CEO of Eminent Group Inc., Representative Director of general Incorporated Association Initiative for Creating the Future through Science and Finance		
		Reasons for nomination as a candidate for Director		
		Ms. Emi Onozuka has extensive experience over more than 20 years in a variety of positions at investment management firms and in the management of investment advisory firms as well as global knowledge and experience, including expertise in ESG. Based on such experience and knowledge. 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, Mr. Yoshie Munakata and Ms. Emi Onozuka 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. Should Ms. Emi Onozuka's election be approved, the Company, with respect to liability under Article 423, paragraph 1 of the Companies Act, would enter into an agreement with her limiting the total amount of the liability to the amount stipulated in Article 425, paragraph 1 of the same Act.
 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 Mr. Goro Kamino, Mr. Hari N. Nair, Mr. Keisuke Tomimatsu 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 transactions etc. with Sala Corporation and 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 them over that period, and the annual transaction amount relating thereto accounts for less than 1% of sales of both the Company and them, we believe that there would be no conflicts of interest with general shareholders. Also, the Company did not designate Mr. Keisuke Tomimatsu as an independent director because transactions with ABEJA Corporation, where he was a director in the past, violated the Company's independence standards. However, since September 2021, there has been no conflict with the Company's independence standards. If his appointment is approved, the Company will appoint him as an independent director.
 7. Ms. Emi Onozuka is a candidate for independent officer with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof.

Proposal 4: Election of One (1) Director Serving as Audit and Supervisory Committee Members

The terms of office of one (1) of the three (3) Directors serving as Audit and Supervisory Committee Members shall expire upon the conclusion of this Annual Meeting of Shareholders (Okubo Kazutaka).

Therefore, considering the composition of the Board of Directors as a whole, we request the election of one (1) 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	Kazutaka Okubo (March 22, 1973) Reappointment Number of years since appointment as a director 2 years (at the conclusion of this meeting) Number of Board of Directors' meetings attended during the fiscal year under review 8/8 Number of Audit and Supervisory Committee attended during the fiscal year under review 10/10	<p>Nov. 1995 Entered Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>Apr. 1999 Registered as certified public accountant</p> <p>Oct. 2003 Director of ShinNihon Integrity Assurance Inc. (currently Ernst & Young Sustainability Co., Ltd.)</p> <p>Feb. 2005 Managing Director of ShinNihon Integrity Assurance Inc. (currently Ernst & Young Sustainability Co., Ltd.)</p> <p>Jun. 2006 Partner of Ernst & Young ShinNihon LLC</p> <p>Jul. 2012 Senior Partner of Ernst & Young ShinNihon LLC</p> <p>Feb. 2016 Senior Managing Director and General Manager of ERM Division of Ernst & Young ShinNihon LLC</p> <p>Jun. 2019 President and Representative Director of Okubo Associates Inc. (present post)</p> <p>Jun. 2019 Outside Audit & Supervisory Board Member of SEGA SAMMY HOLDINGS INC. (present post)</p> <p>Jun. 2019 Outside Director of Sun Frontier Fudousan Co., Ltd. (present post)</p> <p>Sep. 2019 Outside Audit & Supervisory Board Member of BrainPad Inc. (present post)</p> <p>Dec. 2019 Outside Director of LIFULL Co., Ltd. (present post)</p> <p>Feb. 2020 Outside Director of Sala Corporation(present post)</p> <p>Jun. 2020 Outside Director of The Shoko Chukin Bank Ltd. (present post)</p> <p>Jun. 2020 Outside Director Serving as Audit and Supervisory Committee Members of the Company (present post)</p> <p>Nov.2020 President and Representative Director of SS Dnaform Inc.(present post)</p> <p>(Significant concurrent positions) President and Representative Director of Okubo Associates Inc., President and Representative Director of SS Dnaform Inc., Outside Audit & Supervisory Board Member of SEGA SAMMY HOLDINGS INC., Outside Director of Sun Frontier Fudousan Co., Ltd., Outside Audit & Supervisory Board Member of BrainPad Inc., Outside Director of LIFULL Co., Ltd., Outside Director of Sala Corporation, Outside Director of The Shoko Chukin Bank Ltd.,</p> <p>Reasons for nomination as a candidate for Director Mr. Kazutaka Okubo has extensive financial and accounting knowledge gained from his audit experience as a certified public accountant. He is also familiar with governance and finance and has an abundance of insight and experience in the fields of compliance and CSR, having served particularly as a member on various expert panels in the public sector. The Company believes that he is capable of performing the functions of supervision and audit drawing on such extensive experience and his high level of specialized knowledge, and requests his election as Outside Director.</p>	1,200

Notes:

1. There are no special interests between the Company and the candidate.
2. Mr. Kazutaka Okubo is a candidate for Outside Directors serving as Audit and Supervisory Committee Members.
3. Mr. Kazutaka Okubo is currently an Outside Director serving as an Audit and Supervisory Committee Member of the Company and his 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 Mr. Kazutaka Okubo limiting the total amount of the liability to the amount stipulated in Article 425, paragraph 1 of the same Act. Should his 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 Mr. Kazutaka Okubo 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. Although the Company has transactions etc. with SS Dnaform Inc. in which Mr. Kazutaka Okubo 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 them over that period, and the annual transaction amount relating thereto accounts for less than 1% of sales of both the Company and them, we believe that there would be no conflicts of interest with general shareholders.

(Reference1) Composition of the Board of Directors [Scheduled to be effective on June 23, 2022]

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	IT and DX	Financial affairs and financing	Legal and risk management	ESG and sustainability	Global experience
Hiroshi Otsuka			●		●				●	●
Tracey Sivill			●			●	●			●
Kenji Morisaki			●	●				●		●
Goro Kamino	Outside Director.		●		●		●			
Hari N. Nair	Outside Director.		●	●	●					●
Keisuke Tomimatsu	Outside Director.					●	●			●
Yoshie Munakata	Outside Director.		●	●	●	●				●
Emi Onoduka	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, 2021 to March 31, 2022)

1. Overview of the Group

(1) Business results for the fiscal year ended March 31, 2022

1) Progress and results of business

During the fiscal year under review, the global economy continued to endure challenging circumstances amid a lack of signs that the worldwide spread of the COVID-19 pandemic might subside. Future prospects also posed uncertainties, including those involving the state of affairs with respect to Russia and Ukraine. Meanwhile, the automobile industry encountered substantial production volatility due to outbreaks of COVID-19 and semiconductor shortages. Effects of worldwide price hikes also materialized, particularly with respect to steel, energy and logistics.

The Group has been placing its focus on strengthening its mobility business, which serves as a core business, with the aim of achieving further business growth looking toward facilitating a shift to electric vehicles amid rapid changes in the automobile industry. We have also started building a framework capable of withstanding changes in the business environment, which has involved proceeding with digital transformation (DX) at manufacturing sites, while also bolstering our earnings structure by unifying our manufacturing systems particularly in terms of engaging in initiatives to manage and improve our corporate structure.

Moreover, we have also been actively working to create new businesses that address social issues. This has involved promoting open innovation in partnership with start-up companies in various parts of the world such as North America and Africa, while also engaging in business development in respective fields such as AI, energy solutions and plant biotechnology.

In order to promote sustainability, we have been taking action to achieve net zero CO₂ emissions across our entire value chain by 2050, based on our Musashi Carbon Neutral Declaration released in May 2021.

Going forward, the Group will keep accelerating its pace of transforming people, systems, and businesses ahead of changing circumstances, under its “Go Far Beyond! Break barriers and go on adventures” Musashi 100th Year Vision.

In the above environment, the Company’s consolidated net sales increased 18.2% year on year to 241,896 million yen during the fiscal year under review.

Meanwhile, amid initiatives to improve our corporate structure, operating profit increased 12.1% year on year to 8,413 million yen and ordinary profit increased 14.0% year on year to 9,435 million yen, while profit attributable to owners of parent decreased 26.4% to 5,429 million yen.

2) Segment Overview

In Japan, net sales increased 5.3% year on year to 34,277 million yen and segment profit climbed 69.7% year on year to 2,716 million yen largely due to effects of the Company having strengthened its response to substantial production volatility. In the United States, net sales increased 13.4% year on year to 51,352 million yen largely due to the impact of foreign exchange. Segment profit fell 63.4% year on year to 444 million yen due to factors that include higher logistics costs brought about by a shortage of overseas shipping containers. In Asia, net sales increased 27.2% year on year to 56,322 million yen amid an upturn in order volume from key customers, and segment profit surged 84.9% to 4,726 million yen. In China, net sales increased 10.6% year on year to 33,160 million yen largely due to the impact of foreign exchange. Segment profit fell 23.1% year on year to 3,323 million yen due to factors that include a downturn in production volume and higher logistics costs brought about by a shortage of overseas shipping containers. In Europe, net sales increased 26.9 % year on year to 66,783 million yen largely due to soaring raw materials costs being reflected in selling prices. Segment loss amounted to 2,764 million yen largely due to surging energy costs, in comparison with a segment loss of 2,326 million yen in the previous fiscal year.

3) Group sales by product

(Unit: million yen)

Item	The 94th fiscal year ended March 31, 2021		The 95th fiscal year ended March 31, 2022		Increase / Decrease	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Year on Year (%)
PT Business	141,879	69.3	159,505	65.9	17,626	12.4
L&S Business	17,336	8.5	22,490	9.3	5,154	29.7
Motorcycle Business	45,499	22.2	59,901	24.8	14,402	31.7
Total	204,714	100.0	241,896	100.0	37,181	18.2

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 19,273 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- to long-term growth.

The Group has drawn up its Our Purpose commitment of "we contribute to enriched Harmony between our lives and Earth, using our Passion for technology and Wisdom for innovation." We will accordingly contribute to sustainable growth and the realization of a sustainable society by engaging in business activities underpinned by the Musashi Philosophy.

(2) Issues to be handled

As a new after-with COVID-19 era begins to emerge, prospects for supply chain stabilization remain uncertain.

In the automotive industry, electrification is progressing at an accelerating pace, and demands and expectations for sustainability improvement centered on ESG/SDGs are increasing.

In this environment, we will address the following issues to appropriately prepare for possible business risks and achieve further growth and increase corporate value.

1) Enhancing capacity for adapting to change

- Develop greater flexibility for addressing sudden production volatility
- Optimize the supply chain
- Build a resilient quality structure and governance

2) Causing the electrification strategy to materialize

- Enhance our ability to make proposals that meet new needs arising from the shift to electrification
- Enhance of new products and product development capabilities to meet the needs of the electrification era
- Enhance competitiveness by improving productivity and reducing procurement costs

3) Producing new business outputs

Accelerate business development in four key areas (Mobility, Energy, Industry, and Well-being) and expand sales of products and services

4) Acceleration of GX (Green Transformation) initiatives

- Visualize global CO2 emissions and implement management aimed at achieving carbon neutrality
- Pursuit of low-carbon products through thorough energy conservation and utilization of green energy

5) Process innovation through DX (Digital Transformation)

- Establish a data platform to support data collection and utilization
- Improve business speed and cost reduction through overall optimization of business processes

6) Human Resource Development and Operational Evolution

- Develop human resources capable of creating new value through the use of evolving technologies.
- Establish a system and structure for flexible and speedy strategy development toward the realization of the MUSASHI 100-year vision

(3) Status of Group assets and income

(million yen, except for per share amounts)

Item	The 92nd fiscal year ended March 31, 2019	The 93rd fiscal year ended March 31, 2020	The 94th fiscal year ended March 31, 2021	The 95th fiscal year ended March 31, 2022
Net sales	255,934	236,355	204,714	241,896
Operating income	14,107	7,285	7,507	8,413
Ordinary income	14,791	7,113	8,277	9,435
Profit or loss(Δ) attributable to owners of parent	9,885	△6,902	7,378	5,429
Earnings or loss per share	¥ 155.55	¥ △105.95	¥ 113.14	¥ 83.20
Total assets	244,450	207,333	226,066	259,960
Net assets	108,333	82,511	95,914	112,269

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

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	Location	Capital (million)	The Company’s ownership ratio (%)	Principal business
Kyushu Musashi Seimitsu Co., Ltd.	Kumamoto	JPY 100	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Casting Co., Ltd.	Kyoto	JPY 45	100.0	Manufacturing of ductile cast iron material
Musashi Energy Solutions Co., Ltd.	Yamanashi	JPY 300	80.0	Development, manufacturing and sales of equipment related to lithium ion capacitors and energy storage devices
Musashi AI Ltd.	Aichi	JPY 4.5	51.0	Manufacturing and sales businesses of AI Inspection machine
Musashi Auto Parts Michigan Inc.	USA	USD 40	89.5	Manufacturing of automobile parts
Musashi Auto Parts Canada Inc.	Canada	CAD 20	100.0	Manufacturing of automobile parts
Musashi Auto Parts Mexico, S.A. de C.V.	Mexico	USD 12.3	100.0	Manufacturing of automobile parts

Company name	Location	Capital (million)	The Company's ownership ratio (%)	Principal business
Musashi do Brasil Ltda.	Brazil	BRL 105.1	74.9	Manufacturing of motorcycle and general-purpose engine parts
Musashi da Amazonia Ltda.	Brazil	BRL 109	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts Co., Ltd.	Thailand	THB 200	82.3	Manufacturing of motorcycle and general-purpose engine parts
P.T. Musashi Auto Parts Indonesia	Indonesia	USD 14	80.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts India Pvt. Ltd.	India	INR 10,100	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts Vietnam Co., Ltd.	Vietnam	USD 19	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts (Zhongshan) Co., Ltd.	China	USD 65.2	(100.0)	Manufacturing of automobile parts
Musashi Seimitsu Investment (Zhongshan) Co., Ltd.	China	USD 30	100.0	Regional Headquarters in China
Musashi Auto Parts (Nantong) Co., Ltd.	China	USD 30	(100.0)	Manufacturing of automobile parts
Musashi Auto Parts (Tianjin) Co., Ltd.	China	USD 20	(80.0)	Manufacturing of automobile parts
Musashi Hungary Manufacturing, Ltd.	Hungary	EUR 20.1	100.0	Manufacturing of automobile parts
Musashi Holdings Europe GmbH	Germany	EUR 320	80.0	Holding shares of subsidiaries conducting manufacturing and sales businesses relating to automobile parts
Musashi Europe GmbH	Germany	EUR 0.1	(80.0)	Holding shares of subsidiaries conducting manufacturing and sales businesses relating to automobile parts
Musashi Bockenau GmbH & Co.KG	Germany	EUR 15	(80.0)	Manufacturing of automobile parts
Musashi Bad Sobernheim GmbH&Co.KG	Germany	EUR 0.001	(80.0)	Manufacturing of automobile parts
Musashi Hann. Muenden Holding GmbH	Germany	EUR 6.6	(80.0)	Manufacturing of automobile parts
Musashi Hann. Muenden Forging GmbH	Germany	EUR 5	(80.0)	Manufacturing of automobile parts
Musashi Spain Villalba S.L	Spain	EUR 8.7	(80.0)	Manufacturing of automobile parts
634 AI Ltd	Israel	USD 0.0002	51.0	Manufacturing and sales businesses of SDV

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

(5) Principal business (As of March 31, 2022)

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, 2022)

1) Employees of the Group

Number of employees	Change from previous fiscal year-end
12,832(2,975)	△36(723)

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
1,123(104)	△11(△29)	40.5 years old	15.9 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, 2022)

Lender	Balance of borrowings (million yen)
Mizuho Bank, Ltd.	32,708
The Bank of Mitsubishi UFJ, Ltd.	28,931
Sumitomo Mitsui Banking Corporation	28,467
Development Bank of Japan	2,420
The Aichi Bank, Ltd.	2,200

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, 2022)

- | | |
|---|-------------|
| 1) Total Number of Shares Authorized to be Issued | 140,000,000 |
| 2) Total Number of Issued Shares | 65,287,701 |
| 3) Number of Shareholders | 6,293 |
| 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)	10,064	15.4
Custody Bank of Japan, Ltd. (Trust Account)	2,938	4.5
Joint Stock Company Otsuka Holdings	2,603	3.9
JPMorgan Chase Bank, 385632	1,696	2.6
Hiroshi Otsuka	1,489	2.2
The Bank of New York Mellon 140044	1,354	2.0
Northern Trust CO.(AVFC) Re Mondrian International Small Cap Equity Fund, L.P.	1,290	1.9
Juniper	1,100	1.6
J.P. Morgan Bank Luxembourg S.A. 381572	1,070	1.6

- Notes:
1. Shares less than one thousand have been truncated.
 2. Ownership ratio is calculated excluding treasury shares (24,144shares).

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)	13,200	2
Outside Directors (excluding Audit and Supervisory Committee Members)	5,100	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.

(2) Status of Corporate Officers

1) Status of the Directors (As of March 31, 2022)

Position	Name	Areas of responsibility in the Company and significant concurrent positions
Representative Director and President	Hiroshi Otsuka	CEO
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 of Musashi Auto Parts Canada Inc.
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	Outside Director of O-I GLASS Inc. Chairman of the Board of Sintercom India. Outside Director of REE Automotive LTD
Director	Keisuke Tomimatsu	
Director	Yoshie Munakata	Representative Director of B.Grove Inc. Outside Director of SB Technology Corp
Director (Full-time Audit and Supervisory Committee Member)	Michi Miyasawa	
Director (Audit and Supervisory Committee Member)	Makiko Yamamoto	Attorney at law (TMI Partners Legal Professional Corporation) Outside Director of SIGMAXYZ Holdings Inc. Outside Director of ASICS Corporation Outside Audit & Supervisory Board Member of SUSMED, Inc
Director (Audit and Supervisory Committee Member)	Kazutaka Okubo	Certified public accountant President and Representative Director of Okubo Associates Inc. President and Representative Director of SS Dnaform Inc. Outside Audit & Supervisory Board Member of SEGA SAMMY HOLDINGS INC. Outside Director of Sun Frontier Fudousan Co., Ltd., Outside Audit & Supervisory Board Member of BrainPad Inc. Outside Director of LIFULL Co., Ltd. Outside Director of Sala Corporation Outside Director of The Shoko Chukin Bank Ltd.,

- Notes:
1. Directors Goro Kamino, Hari N. Nair, Keisuke Tomimatsu, Yoshie Munakata and Directors (Audit and Supervisory Committee Members) 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 Miyasawa 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 Yoshinori Morita expired as of the conclusion of the 94th Annual Meeting of Shareholders held on June 22, 2021.

(Ref.) The Company has adopted the executive officer system. The executive officers as of April 1, 2022 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	Tracey Sivill	CFO In charge of Global IT strategy
Senior Managing Executive Officer	Kenji Morisaki	CMO (Chief Manufacturing Officer) CEO of Japan region Chief Risk Management Officer
Senior Managing Executive Officer	Takayuki Miyata	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	CEO of North and South America region President and Director of Musashi Auto Parts Canada Inc.
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	Toshihisa Otsuka	CEO of Asia region President and Director of Musashi Auto Parts India Pvt. Ltd.
Managing Executive Officer	Masaru Maeda	CHO (Chief Human Resource Officer) CBO (Chief core Business Officer) In charge of Corporate Planning Compliance Officer

2) Remuneration for Directors

A. Policy on determining officer remuneration

The Company adopted its decision-making policy for determining content of remuneration for individual Directors.

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.

At its meeting of the Board of Directors held on June 22, 2021, the Company partially revised its decision-making policy for determining content of remuneration for individual Directors, with the aims of achieving its quantitative targets for performance-linked remuneration for each fiscal year and establishing mechanisms for more substantially linking performance-linked remuneration to initiatives for increasing corporate value over the medium to long term. (Revised portions of the decision-making policy are as stated in the Securities Report submitted on June 23, 2021.)

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 assessment of the Company's financial results and based on levels of achievement both of the Company's performance targets and its strategic benchmarks from a medium- to long-term perspective. The following benchmark constituents are calculated based on coefficients determined by the Board of Directors.

Assessment viewpoint	Reasons for selection	Assessment weighting	Assessment item
Financial benchmarks	To achieve a link with annual performance targets	20%	Net Sales
		20%	Gross profit
		30%	EBITA
Strategic benchmarks	To achieve a link with medium- to long-term strategic benchmarks and greater social value	10%	Net sales of new businesses
		10%	Percentage of products for EVs
		10%	Level of ESG benchmark achievement

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)	201	118	19	63	7
(Outside Director of the above)	(50)	(26)	(-)	(23)	(4)
Directors (Audit and Supervisory Committee Members)	37	37	-	-	4
(Outside Director of the above)	(22)	(22)	(-)	(-)	(3)
Total	238	155	19	63	11
(Outside Officers of the above)	(72)	(48)	(-)	(23)	(7)

Notes: 1. The table above includes one (1) Director who retired as of the conclusion of the 94th Annual Meeting of Shareholders held on June 22, 2021.

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 -13.4%, operating profit margin of 3.7%, ROE of 9.4%, ROA of 3.8%, and dependence on borrowings of 34.3%.
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 -14.0%, and operating profit margin of such companies of 1.6%.
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 Sala Energy Co., Ltd. The Company has transactions etc. with Sala Corporation and 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 them over that period, and the annual transaction amount relating thereto accounts for less than 1% of sales of both the Company and them.
- * 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. Since September 2021, he has not been in conflict with the Company's independence criteria for Outside Officers.
- * Mr. Kazutaka Okubo, Director (Audit and Supervisory Committee Member), also serves as

Representative Director and President of SS Dnaform Inc. The Company has transactions etc. with SS Dnaform Inc. 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 SS Dnaform Inc over that period, and the annual transaction amount relating thereto accounts for less than 1% of sales of both the Company and SS Dnaform Inc.

Note: There are no special interests between the other directors and the Company.

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.
- * 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 10 out of 10 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.
- * Mr. Kazutaka Okubo, Director (Audit and Supervisory Committee Member) attended 8 of the 8 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, she has attended 10 out of 10 meetings of 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.

Note : In addition to the above number of meetings of the Board of Directors, there was one written resolution 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	55.0
Total economic benefits, including money, that should be paid to the Financial Auditor by the Company and its subsidiaries	55.0

- 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.
 - * Establish “Crisis Management Regulations” and have each section work to prevent and implement measures to address risk in business activities. In addition, manage and address crises at the

Company-wide level, including those entailing large-scale disasters and epidemics of infectious disease.

- 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.
 - * The company has been properly managing information regarding the execution of duties of Directors. This has involved specifying the preservation period under the document management rules and indicating the degree of confidentiality under the Confidentiality Management Regulations.
 - * The Company has been promoting appropriate management of business-related information by periodically reviewing rules concerning management and confidentiality of 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.
 - * The Company has been working to identify operational risks and business continuity risks and prevent and rapidly respond to them, based on its Crisis Management Regulations.
 - 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.
 - * 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, 2022)

(Unit: million yen)

Account title	Amount	Account title	Amount
Assets	259,960	Liabilities	147,690
Current assets	122,180	Current liabilities	92,827
Cash and bank deposits	27,554	Notes and accounts payable – trade	18,508
Notes and accounts receivable – trade	39,188	Short-term loans payable	42,380
Merchandise and finished goods	11,159	Current portion of long-term loans payable	12,287
Work in process	9,308	Current portion of bonds	3,738
Raw materials and supplies	26,477	Accounts payable – other	6,257
Others	8,574	Income taxes payable	1,393
Allowance for doubtful accounts	△83	Provision for bonuses	2,267
Non-current assets	137,780	Provision for directors' bonuses	20
Property, plant and equipment	111,699	Provision for product warranties	212
Buildings and structures	23,864	Others	5,760
Machinery, equipment and vehicles	58,590	Non-current liabilities	54,863
Tools, furniture and fixtures	3,594	Long-term loans payable	41,914
Land	7,735	Deferred tax liabilities	3,785
Construction in progress	17,912	Liabilities on employees' retirement benefits	6,152
Intangible assets	5,525	Others	3,010
Goodwill	416	Net assets	112,269
Customer relationship assets	2,543	Shareholders' equity	96,270
Software	1,428	Capital stock	5,427
Software in progress	7	Capital surplus	3,126
Others	1,130	Retained earnings	87,724
Investments and other assets	20,556	Treasury shares	△8
Investment securities	12,583	Accumulated other comprehensive income	4,317
Investments in capital	997	Valuation difference on available-for-sale securities	3,878
Long-term loans receivable	224	Foreign currency translation adjustment	215
Deferred tax assets	2,782	Remeasurements of defined benefit plan	223
Others	4,023	Non-controlling interests	11,681
Allowance for doubtful accounts	△56	Total liabilities and net assets	259,960
Total assets	259,960		

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

Consolidated Statement of Income
(April 1, 2021 - March 31, 2022)

(Unit: million yen)

Account title	Amount
Net sales	241,896
Cost of sales	209,861
Gross profit	32,034
Selling, general and administrative expenses	23,621
Operating income	8,413
Non-operating income	2,032
Interest income	346
Dividend income	194
Foreign exchange gains	1,061
Subsidy income	67
Others	362
Non-operating expenses	1,010
Interest expenses	648
Loss on valuation of investment securities	107
Share of loss of entities accounted for using equity method	37
Others	217
Ordinary income	9,435
Extraordinary income	47
Gain on sales of non-current assets	47
Extraordinary losses	770
Loss on sales of non-current assets	17
Loss on retirement of non-current assets	371
Loss on valuation of investment securities	273
Impairment loss	108
Profit before income taxes	8,712
Income taxes – current	3,910
Income taxes – deferred	△774
Profit	5,576
Loss attributable to non-controlling interests	147
Profit attributable to owners of parent	5,429

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

Consolidated Statement of Changes in Net Assets

(April 1, 2021 - March 31, 2022)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2021	5,394	3,093	85,992	△8	94,472
Cumulative effects of changes in accounting policies			2		2
Restated balance	5,394	3,093	85,995	△8	94,474
Changes of items during period					
Share issuance	32	32			65
Dividends of surplus			△2,936		△2,936
Profit attributable to owners of parent			5,429		5,429
Decrease in retained earnings arising from the addition of entities accounted for using equity method			△142		△142
Change in the scope of consolidation			△621		△621
Purchase of treasury shares				△0	△0
Net changes of items other than shareholders' equity					
Total changes of items during period	32	32	1,729	△0	1,795
Balance at March 31, 2022	5,427	3,126	87,724	△8	96,270

	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, 2021	2,605	△11,581	△354	△9,330	10,773	95,914
Cumulative effects of changes in accounting policies						2
Restated balance	2,605	△11,581	△354	△9,330	10,773	95,917
Changes of items during period						
Share issuance						65
Dividends of surplus						△2,936
Profit attributable to owners of parent						5,429
Decrease in retained earnings arising from the addition of entities accounted for using equity method						△142
Change in the scope of consolidation						△621
Purchase of treasury shares						△0
Net changes of items other than shareholders' equity	1,272	11,797	578	13,648	908	14,556
Total changes of items during period	1,272	11,797	578	13,648	908	16,352
Balance at March 31, 2022	3,878	215	223	4,317	11,681	112,269

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:
35
 - 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 Bockenau 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.
634 AI Ltd.
 - iii) Changes of the scope of consolidation
634 AI Ltd. whose shares was 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

1) Status of non-consolidated subsidiaries and associates for which the equity method is applied

i) Number of non-consolidated subsidiaries and associates for which the equity method is applied: 1

ii) Name of principle subsidiaries, etc.;

Waphyto Inc.

iii) Change in the scope of the equity method

Effective from the fiscal year under review, Waphyto Inc. has been included in the scope of the equity method because of its increased materiality with respect to the Group.

2) 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) 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 24 consolidated subsidiaries of the Company is December 31. These 24 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 other than shares, etc. without 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)

* Shares 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 and vehicles	5 to 20 years

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).

iii) 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.

iv) 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 revenue and expenses

The Group recognizes revenue based on the following five step approach.

Step 1: Identify contract(s) with customer

Step 2: Identify the performance obligations in the contract(s)

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract(s)

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group primarily manufactures and sells automotive parts. The Company mostly identifies delivery of completed products to customers as a performance obligation, and accordingly, in principle, recognizes revenue in terms of the amount the Company expects to receive in exchange for goods or services upon deeming that a performance obligation has been fulfilled upon transfer of control with respect to goods or services promised. Revenue is measured at the net amount after

- deducting returns and rebates.
- 5) 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.
- 6) 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.
- 7) 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 accounting policy

(Application of accounting standards for fair value measurement)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other relevant standards and guidance effective from the start of the fiscal year under review, and has accordingly decided to apply new accounting policy set forth stipulated by the Accounting Standard for Fair Value Measurement and other standards and guidance into the future, in accordance with the transitional treatment stipulated in paragraph 19 of the of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This effect of this on the Consolidated Financial Statements is immaterial. In accordance with this change, the “Notes concerning financial instruments” state matters regarding the breakdown of financial instruments by respective fair value level.

(Application of accounting standards for revenue recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other relevant standards and guidance effective from the start of the fiscal year under review, and has accordingly decided to recognize revenue at the amount the Company expects to receive in exchange for goods or services upon transfer of control with respect to goods or services promised. As a result, when it comes to transactions involving sale back to a customer upon having received and processed raw materials or other inputs used in manufacturing received from that customer (fee-based receipt transaction), the Company has accordingly recognized revenue at net value excluding purchase price of certain raw materials and other inputs subject to sell-back obligation, rather than recognizing revenue on the basis of total amount including price of raw materials and other inputs, as was previously the case.

Meanwhile, when it comes to transactions involving purchase back from a business partner upon having undertaken outsourced processing using materials and other inputs supplied by the Company (fee-based supply transaction), the Company has accordingly recognized such raw materials and other inputs owned by the business partner as inventories and debt as current liabilities for the fiscal year under review because the Company assumes a buy-back obligation for such transactions, rather than recognizing dissolution of inventories at the time it is supplied, as was previously the case.

Furthermore, when it comes to export transactions involving the Company and its domestic consolidated subsidiaries, revenue is now recognized when the risk burden is transferred to the customer pursuant to terms of trade stipulated by Incoterms, etc. as stated on invoices, rather than recognizing revenue mainly upon shipment, as was previously the case.

The application of the Accounting Standard for Revenue Recognition and other relevant standards and guidance is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the cumulative effect of the retrospective application, assuming the new accounting policy has been applied to periods prior to the beginning of the fiscal year under review, has been added to or subtracted from the beginning balance of retained earnings for the fiscal year under review. As such, this has been applied starting from such beginning balance; provided, however, that the new policy has not been retrospectively applied to contracts where recognition of nearly all revenue amounts for periods prior to the beginning of the fiscal year under review were subject to the previous treatment, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

This resulted in decreases in net sales and cost of sales of 236 million yen and 236 million yen, respectively, and increases in inventories and current liabilities of 67 million yen and 67 million yen, respectively, for the fiscal year under review. The effect of this on the beginning balance of retained earnings for the fiscal year under review is immaterial.

4. Notes relating to accounting estimates

Reasonable amounts for the accounting estimates have been calculated based on information available

when preparing the consolidated financial statements. Accordingly, within the amounts based on accounting estimates and recorded in the consolidated financial statements for the fiscal year under review, the following items pose risk of significantly affecting the consolidated financial statements for the subsequent fiscal year.

(1) Impairment of Europe region non-current assets

1) Amounts ascribed to Europe region non-current assets recorded in the consolidated financial statements for the fiscal year under review

	Fiscal year ended March 31, 2022 (million yen)
Property, plant and equipment	25,050
Intangible assets.	3,768

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

i) Calculation method

The Company performs impairment testing with respect to non-current assets of its overseas subsidiaries when an asset group in its possession shows signs of impairment upon having evaluated whether or not there is an indication of impairment based on the International Financial Reporting Standards with respect to any such non-current asset. The Company reduces the book value to the recoverable amount upon consequently determining the necessity of recognizing an impairment loss after performing impairment testing, and accordingly recognizes that amount of decrease as an impairment loss. Recoverable amounts are derived from value in use, which is mainly based on discounted present value of future cash flows.

Effective from the fiscal year under review, the Company reviews impairment of non-current assets in a manner that involves designating all Europe region Group subsidiaries as an asset group because the Europe region overall is managed as a single strategic unit.

In the fiscal year under review, the Company has not recognized impairment loss with respect to the asset group given that its value in use exceeds its book value upon having evaluated whether there are indications of potential impairment with respect to the non-current assets of the Europe region Group subsidiaries.

ii) Major assumptions

Future cash flows are calculated based on future business plans. The future business plans encompass major assumptions that include sales volume of products, sales price, cost of sales ratios, growth rates of businesses, and discount rates.

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

There is risk of incurring impairment under a scenario where the major assumptions used in the fiscal year under review, particularly with respect to sales volume of products and sales price, change significantly due to substantial variation with respect to the business environment in the next fiscal year.

(2) Valuation of shares without market value

1) Amounts ascribed to shares that do not have a market value recorded in the consolidated financial statements for the fiscal year under review

Investment securities: 4,067 million yen

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

i) Calculation method

The Company records shares that do not have a market value at their acquisition cost on the balance sheet, and reviews the possibility of recognizing impairment if such shares become subject to significant decrease in actual value. The Company may acquire shares at a price that is considerably higher than an investee company's net assets per share to reflect the excess earnings power of an

investee company.

The company opts to recognize impairment loss in cases where actual value has declined significantly and it is deemed that such excess earnings power has become unlikely.

ii) Major assumptions

The Company's future business plans with respect to investees encompass major assumptions that include those involving progress achieved with R&D and time for achievement of results, such that are used in calculating actual value of shares that do not have a market value.

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

The Company may recognize impairment loss with respect to shares that do not have a market value under scenarios where the actual value has decreased significantly amid situations where R&D outcomes and sales results of the investee lag behind plans prevailing at the time investment was made.

5. Notes to the consolidated balance sheet

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

230,597 million yen

(2) Contingent liabilities

Guarantee obligations

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

	Guarantee balance
Waphyto Inc.	200 million yen
Total	200 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, 2021	Increase	Decrease	March 31, 2022
Common shares	65,258	29	-	65,287

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: 29 thousand shares

(2) Matters concerning number of treasury shares

(shares)

Types of shares	April 1, 2021	Increase	Decrease	March 31, 2022
Common shares	17,558	6,586	-	24,144

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: 28 shares

- Increase due to the lapse of rights to share-based remuneration with transfer restrictions: 6,558 shares

(3) Matters concerning dividends of surplus

1) Paid amount of dividends

i) Matters concerning dividends resolved at the 94th Annual Meeting of Shareholders 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

- ii) Matters concerning dividends resolved at the Board of Directors Meeting held on November 4, 2021
- * Total dividends 978 million yen
 - * Dividends per share 15 yen
 - * Record date September 30, 2021
 - * Effective date November 30, 2021

- 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 95th Annual Meeting of Shareholders to be held on June 23, 2022

- * Total dividends 1,957 million yen
- * Dividends per share 30 yen
- * Record date March 31, 2022
- * Effective date June 24, 2022
- * 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, 2022 are as follows.

(Unit: million yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Investment securities(*2)	8,515	8,685	169
Total assets	8,515	8,685	169
(2) Long-term loans payable (*3)	54,202	54,370	168
Total liabilities	54,202	54,370	168
(10) Derivative transactions (*4)	5,658	5,658	—

(*1) Notes have been omitted for “cash and bank deposits,” “notes and accounts receivable – trade,” “notes and accounts payable – trade,” “short-term loans payable,” “accounts payable – other,” “accrued expenses,” and “income taxes payable,” because the fair values approach the book values given their short-term settlement.

(*2) Shares that do not have a market value, etc. are not included in “(1) Investment securities.” Book values of the financial instruments on the consolidated balance sheet are as follows.

Category	Fiscal year ended March 31, 2022 (million yen)
Unlisted equity securities, etc.	4,067

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

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

(3) Matters regarding the breakdown of financial instruments by each fair value level

The fair values of financial instruments are categorized into the following three levels, in accordance with the observability and materiality of the inputs used in the fair value measurement.

Level 1 fair value: Fair value is calculated using the market price of the asset or liability that forms in an active market and is subject to such fair value measurement, among those observable inputs subject to fair value measurement

Level 2 fair value: Fair value is calculated using inputs subject to fair value measurement other than Level 1 inputs, among those observable inputs subject to fair value measurement

Level 3 fair value: Fair value is categorized at the level with the lowest priority in the fair value measurement among the levels to which the respective inputs belong, in cases that involve using multiple inputs that have a material effect on the fair value measurement calculated using unobservable inputs subject to fair value measurement

(4) Financial instruments recorded in the consolidated balance sheet at fair value

Category	Fair value (million yen)			
	Level1	Level2	Level3	Total
Investment securities				
Available-for-sale securities				
Shares	8,183			8,183
Convertible bonds(*1)			501	501
Derivative transactions				
Interest rate and currency-related		5,658		5,658
Total assets	8,183	5,658	501	14,344

(*1) The net amount is stated on the consolidated balance sheet upon having offset investment securities against liabilities associated with equity method application given that requirements for offsetting against liabilities associated with equity method application have been satisfied. The offset amounts to 169 million yen.

(5) Financial instruments other than financial instruments recorded in the consolidated balance sheet at fair value

Category	Fair value (million yen)			
	Level1	Level2	Level3	Total
Long-term loans payable		54,370		54,370
Total liabilities		54,370		54,370

Note: Explanation of the valuation methods and inputs used in fair value measurement

Investment securities

Listed shares are valued using market price. Listed shares are categorized as Level 1 fair value because they are traded on active markets.

Convertible bonds are categorized as Level 3 fair value, calculated using the expected value method based on discounted future cash flows. Events constituting future cash flow assumptions are derived enlisting multiple scenarios, including those involving conversion of shares and redemption upon maturity.

Derivative transactions

Derivative transactions are categorized as Level 2 fair value, calculated based on factors that include quoted price obtained from financial institutions because they involve over-the-counter transactions and are subject to availability of published market prices.

Long-term loans payable

Long-term loans payable is categorized as Level 2 fair value, the fair value of which is calculated at the present value 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.

8. Notes concerning revenue recognition

(1) Information on disaggregation of revenue arising from contracts with customers

(Unit: million yen)

	Japan	America	Asia	China	Europe	Total
Honda Motor Co., Ltd. and its subsidiaries and associates	20,624	36,764	41,550	21,303	1	120,244
Global Customer	13,653	14,587	14,771	11,856	66,782	121,651
Net sales to external customers	34,277	51,352	56,322	33,160	66,783	241,896

(2) Basic information for understanding revenue

Basic information for understanding revenue is stated in “2. Significant matters that serve as the basis for the preparation of consolidated financial statements, (4) Matters regarding accounting policies, 4) Accounting policy for revenue and expenses.”

9. Per share information

(1) Net assets per share: 1,541.26yen

(2) Earnings per share: 83.20yen

10. Notes concerning significant subsequent events

No items to report.

Non-consolidated Balance Sheet

(As of March 31, 2022)

(Unit: million yen)

Account title	Amount	Account title	Amount
Assets	114,383	Liabilities	73,075
Current assets	18,824	Current liabilities	29,542
Cash and bank deposits	24	Notes payable – trade	24
Accounts receivable – trade	9,952	Electronically recorded obligations – operating	4,144
Finished goods	1,916	Accounts payable – trade	3,957
Work in process	1,658	Short-term loans payable	10,070
Raw materials and supplies	896	Current portion of long-term loans payable	7,320
Short-term loans receivable	2,290	Lease obligations	37
Current portion of long-term loans receivable	54	Accounts payable – other	169
Prepaid expenses	196	Accrued expenses	1,389
Accounts receivable – other	926	Income taxes payable	297
Others	907	Deposits received	844
Non-current assets	95,559	Provision for bonuses	947
Property, plant and equipment	9,611	Provision for directors' bonuses	15
Buildings	2,371	Provision for product warranties	13
Structures	153	Notes payable – facilities	193
Machinery and equipment	4,055	Others	117
Vehicles	17	Non-current liabilities	43,532
Tools, furniture and fixtures	447	Long-term loans payable	42,255
Land	2,490	Lease obligations	63
Construction in progress	75	Deferred tax liabilities	659
Intangible assets	519	Provision for retirement benefits	420
Software	504	Long-term accounts payable – other	71
Software in progress	7	Asset retirement obligations	63
Others	7	Net assets	41,307
Investments and other assets	85,428	Shareholders' equity	37,559
Investment securities	6,442	Capital stock	5,427
Shares of subsidiaries and associates	54,553	Capital surplus	5,168
Investments in capital	944	Legal capital surplus	5,168
Long-term loans receivable from subsidiaries and associates	4,193	Retained earnings	26,973
Investments in capital of subsidiaries and associates	19,237	Legal retained earnings	306
Long-term prepaid expenses	50	Other retained earnings	26,666
Others	43	General reserve	23,500
Allowance for doubtful accounts	△36	Retained earnings brought forward	3,166
		Treasury shares	△8
		Valuation and translation adjustments	3,747
		Valuation difference on available-for-sale securities	3,747
Total assets	114,383	Total liabilities and net assets	114,383

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

Non-consolidated Statement of Income

(April 1, 2021 - March 31, 2022)

(Unit: million yen)

Account title	Amount
Net sales	52,572
Cost of sales	41,839
Gross profit	10,733
Selling, general and administrative expenses	7,668
Operating income	3,065
Non-operating income	2,993
Interest income	110
Dividend income	1,845
Foreign exchange gains	365
Others	671
Non-operating expenses	296
Interest expenses	168
Loss on valuation of investment securities	107
Others	20
Ordinary income	5,762
Extraordinary loss	274
Loss on retirement of non-current assets	1
Loss on valuation of investment securities	273
Profit before income taxes	5,488
Income taxes – current	1,334
Income taxes – deferred	22
Profit	4,130

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

Non-consolidated Statement of Changes in Net Assets
(April 1, 2021 - March 31, 2022)

(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, 2021	5,394	5,135	306	25,469	25,776	△8	36,297
Cumulative effects of changes in accounting policies				2	2		2
Restated balance	5,394	5,135	306	25,472	25,779	△8	36,299
Changes of items during period							
Share issuance	32	32					65
Dividends of surplus				△2,936	△2,936		△2,936
Profit				4,130	4,130		4,130
Purchase of treasury shares						△0	△0
Net changes of items other than shareholders' equity							
Total changes of items during period	32	32	—	1,194	1,194	△0	1,260
Balance at March 31, 2022	5,427	5,168	306	26,666	26,973	△8	37,559

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2021	2,486	2,486	38,783
Cumulative effects of changes in accounting policies			2
Restated balance	2,486	2,486	38,786
Changes of items during period			
Share issuance			65
Dividends of surplus			△2,936
Profit			4,130
Purchase of treasury shares			△0
Net changes of items other than shareholders' equity	1,261	1,261	1,261
Total changes of items during period	1,261	1,261	2,521
Balance at March 31, 2022	3,747	3,747	41,307

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, 2021	23,500	1,969	25,469
Cumulative effects of changes in accounting policies		2	2
Restated balance	23,500	1,972	25,472
Changes of items during period			
Dividends of surplus		△2,936	△2,936
Profit		4,130	4,130
Total changes of items during period	—	1,194	1,194
Balance at March 31, 2022	23,500	3,166	26,666

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 revenue and expenses
The Group recognizes revenue based on the following five step approach.
Step 1: Identify contract(s) with customer
Step 2: Identify the performance obligations in the contract(s)
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract(s)
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
The Group primarily manufactures and sells automotive parts. The Company mostly identifies delivery of completed products to customers as a performance obligation, and accordingly, in principle, recognizes revenue in terms of the amount the Company expects to receive in exchange for goods or services upon deeming that a performance obligation has been fulfilled upon transfer of control with respect to goods or services promised. Revenue is measured at the net amount after deducting returns and rebates.
- (7) 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.
- (8) 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.

(9) 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 accounting policy

(Application of accounting standards for fair value measurement)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other relevant standards and guidance effective from the start of the fiscal year under review, and has accordingly decided to apply new accounting policy set forth stipulated by the Accounting Standard for Fair Value Measurement and other standards and guidance into the future, in accordance with the transitional treatment stipulated in paragraph 19 of the of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This effect of this on the Consolidated Financial Statements is immaterial. In accordance with this change, the “Notes concerning financial instruments” state matters regarding the breakdown of financial instruments by respective fair value level.

(Application of accounting standards for revenue recognition)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and other relevant standards and guidance effective from the start of the fiscal year under review, and has accordingly decided to recognize revenue at the amount the Company expects to receive in exchange for goods or services upon transfer of control with respect to goods or services promised.

As a result, when it comes to transactions involving sale back to a customer upon having received and processed raw materials or other inputs used in manufacturing received from that customer (fee-based receipt transaction), the Company has accordingly recognized revenue at net value excluding purchase price of certain raw materials and other inputs subject to sell-back obligation, rather than recognizing revenue on the basis of total amount including price of raw materials and other inputs, as was previously the case.

Meanwhile, when it comes to transactions involving purchase back from a business partner upon having undertaken outsourced processing using materials and other inputs supplied by the Company (fee-based supply transaction), the Company has accordingly recognized such raw materials and other inputs owned by the business partner as inventories and debt as current liabilities for the fiscal year under review because the Company assumes a buy-back obligation for such transactions, rather than recognizing dissolution of inventories at the time it is supplied, as was previously the case.

Furthermore, when it comes to export transactions involving the Company and its domestic consolidated subsidiaries, revenue is now recognized when the risk burden is transferred to the customer pursuant to terms of trade stipulated by Incoterms, etc. as stated on invoices, rather than recognizing revenue mainly upon shipment, as was previously the case.

The application of the Accounting Standard for Revenue Recognition and other relevant standards and guidance is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. Accordingly, the cumulative effect of the retrospective application, assuming the new accounting policy has been applied to periods prior to the beginning of the

fiscal year under review, has been added to or subtracted from the beginning balance of retained earnings for the fiscal year under review. As such, this has been applied starting from such beginning balance; provided, however, that the new policy has not been retrospectively applied to contracts where recognition of nearly all revenue amounts for periods prior to the beginning of the fiscal year under review were subject to the previous treatment, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

This resulted in decreases in net sales and cost of sales of 236 million yen and 236 million yen, respectively, and increases in inventories and current liabilities of 67 million yen and 67 million yen, respectively, for the fiscal year under review. The effect of this on the beginning balance of retained earnings for the fiscal year under review is immaterial.

4. Notes relating to significant accounting estimates

(1) Valuation of shares without market value

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

Investment securities: 3,126 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 shares without market value, 2) Information that contributes to understanding the content of accounting estimates” in the notes to the 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 11,113 million yen

Long-term cash credit 4,040 million yen

Short-term cash debt 2,784 million yen

Long-term cash debt 6,500 million yen

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

41,021 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	28,707
Musashi Auto Parts (Tianjin) Co., Ltd.	3,114
Musashi Auto Parts Michigan Inc.	2,692
Musashi Auto Parts Mexico, S.A. de C.V.	1,591
Musashi Auto Parts India Pvt. Ltd.	64
Musashi da Amazonia Ltda.	6
Waphyto, Inc	200
Total	36,375

6. Notes to the non-consolidated statement of income

Transactions with subsidiaries and associates

Net sales 41,921 million yen

Purchases 15,181 million yen

Transactions other than operational transactions 2,617 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, 2021	Increase	Decrease	March 31, 2022
Common shares	17,558	6,586	–	24,144

Notes: 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: 28 shares
- Increase due to the lapse of rights to share-based remuneration with transfer restrictions: 6,558 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	40
Provision for bonuses	284
Provision for directors' bonuses	4
Accrued social security premiums	45
Loss on evaluation of inventories	287
Over depreciation	99
Provision for retirement benefits	126
Directors' retirement benefits payable	21
Loss on valuation of investment securities	114
Loss on sales of shares of subsidiaries and associates	6,180
Allowance for doubtful accounts	10
Shares of subsidiaries acquisition costs	28
Others	89
Subtotal deferred tax assets	7,334
Valuation allowance	△6,355
Total deferred tax assets	978

Deferred tax liabilities

Valuation difference on available-for-sale securities	△1,611
Others	△26
Total deferred tax liabilities	△1,637
Net deferred tax assets (liabilities)	△659

9. 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)	18,553	Accounts receivable – trade	2,284

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)	9,201	Accounts payable – trade	2,006
Subsidiary	Musashi Energy Solutions Co., Ltd.	80.0	Capital lending and secondment of officers	Receipt of interest (Note 3)	6	Short-term loans receivable	2,290
Subsidiary	Musashi Auto Parts Michigan Inc.	89.5	Debt guarantees and Secondment of officers	Underwriting of debt guarantees (Note 2)	2,692	–	–
Subsidiary	Musashi Auto Parts Co., Ltd.	82.3	Capital borrowing and Secondment of officers	Payment of interest (Note 3)	23	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)	5,635	Accounts receivable – trade	1,036
Subsidiary	Musashi Auto Parts Mexico, S.A. de C.V.	100.0	Capital lending, Debt guarantees and Secondment of officers	Receipt of interest (Note 3)	62	Long-term loans receivable from subsidiaries and associates	2,753
				Underwriting of debt guarantees (Note 2)	1,591	–	–
Subsidiary	Musashi Europe GmbH	80.0	Debt guarantees and Secondment of officers	Underwriting of debt guarantees (Note 2)	28,707	–	–
				Guarantee commissions income (Note 2)	613	–	–

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	Musashi Auto Parts (Tianjin) Co., Ltd.	Indirect 80.0	Debt guarantees and Secondment of officers	Underwriting of debt guarantees (Note 2)	3,114	—	—

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.

10. Notes concerning revenue recognition

The information is the same as the content of “8. Notes concerning revenue recognition” in the notes to the consolidated financial statements.

11. Per share information

- (1) Net assets per share: 632.94yen
- (2) Earnings per share: 63.30yen

12. Significant subsequent events

No items to report.

Independent Auditor's Report

May 16, 2022

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

Ernst & Young ShinNihon LLC **Nagoya Office**

Tomohiro Miyakawa
Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant

Katsuya Tanaka (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, 2021 to March 31, 2022.

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, 2022, 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.

Other contents

The other contents included are the Business Report and supplementary statements. Management is responsible for the preparation and presentation of the other contents. In addition, Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for establishing a process for the reporting of the other contents, and monitoring the directors' execution of duties in the operations.

We have not included the other contents in the auditor's opinion in respect to the consolidated financial statements, nor will express our opinion in respect to the other contents.

Our responsibility in auditing the consolidated financial statements is to read through the other contents, and examine whether there are any significant discrepancies between the other contents read and the consolidated financial statements or knowledge obtained in the course of carrying out the audit, as well as pay attention to

whether there are any signs of significant errors in the other contents other than such significant discrepancies. If we deem, based on the work carried out, that the other contents contain significant errors, we are required to report such facts.

In relation to the other contents, it is not an item that we must report on.

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 16, 2022

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

Ernst & Young ShinNihon LLC **Nagoya Office**

Tomohiro Miyakawa
Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant

Katsuya Tanaka (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 95th fiscal year from April 1, 2021 to March 31, 2022.

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, 2022, 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.

Other contents

The other contents included are the Business Report and supplementary statements. Management is responsible for the preparation and presentation of the other contents. In addition, Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for establishing a process for the reporting of the other contents, and monitoring the directors' execution of duties in the operations. We have not included the other contents in the auditor's opinion in respect to the consolidated financial statements, nor will express our opinion in respect to the other contents.

Our responsibility in auditing the non-consolidated financial statements is to read through the other contents, and examine whether there are any significant discrepancies between the other contents read and the non-consolidated financial statements or knowledge obtained in the course of carrying out the audit, as well as pay

attention to whether there are any signs of significant errors in the other contents other than such significant discrepancies.

If we deem, based on the work carried out, that the other contents contain significant errors, we are required to report such facts.

In relation to the other contents, it is not an item that we must report on.

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 95th fiscal year from April 1, 2021 to March 31, 2022, 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 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.

(3) 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.

May 18, 2022

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

Michi Miyasawa (Seal)

Audit and Supervisory Committee Member (Full-time)

Makiko Yamamoto (Seal)

Audit and Supervisory Committee Member

Kazutaka Okubo (Seal)

Audit and Supervisory Committee Member

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