

[Translation]
Stock code: 6101
May 27, 2022

To our shareholders,

Takao Nishijima, Chairman and CEO
TSUGAMI CORPORATION
12-20, Tomizawa-cho
Nihonbashi, Chuo-ku, Tokyo

Notice of the 119th Annual Shareholders Meeting

You are cordially invited to attend the 119th Annual Shareholders Meeting of TSUGAMI CORPORATION (the “Company”), to be held as set forth below.

In lieu of attending the meeting in person, you may exercise your voting rights in writing (by postal mail) or via the Internet. Please kindly examine the reference materials for the Annual Shareholders Meeting below and exercise your voting rights.

Amid concern about the spread of the novel coronavirus disease (COVID-19), we urge you to refrain from coming to the venue on the day of the Annual Shareholders Meeting, if possible, and instead to exercise your voting rights prior to the meeting in writing (by postal mail) or via the Internet.

[In the case of exercise of the voting rights in writing]

Please exercise your vote by indicating “for” or “against” for each agenda item listed on the enclosed voting form, affix your seal and return it to us so that it will arrive no later than 5:30 p.m. on Tuesday, June 21, 2022.

[In the case of online exercise of the voting rights]

Please access the website for exercise of the voting rights that the Company designates (<https://evote.tr.mufg.jp/>), enter the site using the login ID and password indicated on the enclosed voting form, and exercise your vote by indicating “for” or “against” for each agenda item according to the instructions on the screen no later than 5:30 p.m. on Tuesday, June 21, 2022.

For online exercise of the voting rights, please read the instructions provided in “Procedures for Online Exercise of the Voting Rights” on pages 3 and 4 hereinbelow.

Meeting Details

- 1. Date & Time** 10:00 a.m., Wednesday, June 22, 2022
2. Venue Sakura-no-ma, third floor of Hotel New Otani Nagaoka
2-8-35 Daimachi, Nagaoka, Niigata Prefecture

3. Agenda:

Items to be reported

1. The Business Report, the Consolidated Financial Statements, and the report on the audit of the consolidated accounts by the Independent Auditors and the Audit and Supervisory Committee for the 119th term, from April 1, 2021 to March 31, 2022, will be reported at the meeting.
2. The Non-consolidated Financial Statements for the 119th term, from April 1, 2021 to March 31, 2022, will be reported at the meeting.

Items to be resolved

Item 1: Partial Amendments to the Articles of Incorporation

Item 2: Election of Five Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

Item 3: Election of Four Directors Who Are Audit and Supervisory Committee Members

If attending the meeting in person, please present the enclosed voting form at the reception desk. In addition, you are also kindly requested to bring this Notice as meeting materials when you attend.

Request to shareholders:

- Shareholders who are considering attending the Annual Shareholders Meeting in person are requested to give due consideration to prevent the spread of COVID-19 by checking the epidemic situation and their physical conditions at the time of the meeting, and by taking preventive measures, such as wearing a face mask.
- From the viewpoint of mitigating the risk of the spread of infection and business continuity of the Company, there is a possibility that only some of the officers will attend the Annual Shareholders Meeting this year, regardless of their health on the day of the meeting.
- Alcohol disinfectant will be available for the use of shareholders near the reception area at the venue.
- Note that some operations staff of the Annual Shareholders Meeting will wear face masks.
- The Company plans to facilitate proceedings for the Annual Shareholders Meeting compared to the past.

The following items are not provided in the attachment to this notice because they have been posted on the Company website (<https://www.tsugami.co.jp/eng/>), pursuant to the provisions of applicable laws and regulations as well as Article 14 of the Company's Articles of Incorporation.

- (i) Status of Share Acquisition Rights, etc.
- (ii) Notes to Consolidated Financial Statements
- (iii) Notes to Non-consolidated Financial Statements

Furthermore, the Consolidated Financial Statements and Non-consolidated Financial Statements included in the attachment to this notice are part of the Consolidated Financial Statements and Non-consolidated Financial Statements audited when the Independent Auditors and the Audit and Supervisory Committee created the Accounting Audit Report and the Audit Report.

If any amendments are made to reference materials for the Annual Shareholders Meeting, the business report, or non-consolidated or consolidated financial statements, or if significant changes occur in the administration of the meeting due to changes in the situation concerning COVID-19, the relevant information will be posted on the Company website indicated above.

<Procedures for Online Exercise of the Voting Rights>

For online exercise of the voting rights, please read the following instructions before exercise of the voting rights. If attending the meeting in person, it is not necessary to follow the procedures for sending the voting form by mail or online exercise of the voting rights.

Details of Online Exercise of the Voting Rights

1. Website for Exercise of the Voting Rights

- (1) You can exercise your voting rights online only when you access to the site for exercise of the voting rights that the Company designates (<https://evote.tr.mufg.jp/>) through a personal computer or smartphone. (However, the site is not available from 2:00 a.m. to 5:00 a.m. each day.)
- (2) You may not exercise the voting rights online according to the environment in which you use the Internet, specifically, if a firewall and other similar programs are used in connection with the Internet, if an anti-virus software program is running, if TLS encryption communication is not designated, or if a proxy server is used.
- (3) You can exercise your voting rights online no later than 5:30 p.m. on Tuesday, June 21, 2022. However, you are recommended to exercise your voting rights early and if you have any questions, please contact the help desk.

2. Method of Online Exercise of the Voting Rights

- (1) Using a personal computer
 - On the website for exercise of the voting rights, please enter the login ID and temporary password printed on the voting form and indicate “for” or “against” according to the instructions on the screen.
 - Please note that shareholders using the website for the exercise of voting rights will be requested to change the temporary password on the website to prevent unauthorized access (identity theft) by a third party other than the shareholder, and fraudulent exercise of voting rights.
 - Each time a shareholders meeting is convened, you will be notified of a new login ID and a temporary password.
 - (2) Using a smartphone
 - Reading the login QR code printed on the voting form using a smartphone will connect you to the website for the exercise of voting rights, and you will be able to exercise your voting rights. (You will not need to enter your login ID or temporary password.)
 - You can use the QR code only once to exercise your voting rights for security reasons. If you use the QR code a second time, you will be required to enter your login ID and temporary password.
 - Depending on your smartphone, you may not be able to log in using the QR code. If you are not able to log in using the QR code, please exercise your voting rights via the method described in 2. (1) Using a personal computer.
- *The QR code is a registered trademark of DENSO WAVE Incorporated.

3. Treatment of the Voting Rights If They Are Exercised More Than Once

- (1) Please note that if you exercise voting rights both by mail and online, the votes cast online will be considered valid.
- (2) If you exercise your voting rights online more than once, the final vote that you cast will be valid.

4. Costs Charged for Access to the Website for Exercise of the Voting Rights

You are required to bear the costs charged for access to the website for exercise of the voting rights (such as Internet access fees).

End

Contact for the System, etc.
Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation (help desk)
- Telephone: 0120-173-027 (Time for acceptance of inquiries: 9:00 a.m. to 9:00 p.m., toll-free only in Japan)

(Attachment)

Business Report

(From April 1, 2021 to March 31, 2022)

1. Current Status of the Group

(1) Business Performance for the Fiscal Year Ended March 31, 2022

(i) Business progress and results

During the fiscal year under review, despite increasing uncertainties in overseas markets, stability remained in each market, including the Chinese market. As a result, consolidated revenue for the fiscal year under review increased 51.1% year on year, to ¥93,174 million.

A breakdown of consolidated revenue by machinery category shows that revenue of mainstay automatic lathes rose 53.5% year on year, to ¥79,504 million, revenue of grinding machines rose 58.5%, to ¥3,945 million, and revenue of machining centers, rolling machines and other specialized machines increased 32.7%, to ¥5,435 million.

Consolidated operating profit increased 97.8% year on year, to ¥18,860 million. Consolidated profit attributable to owners of parent climbed 92.9%, to ¥9,486 million for the fiscal year under review.

(ii) Capital investments activities

Major facilities acquired during the consolidated fiscal year under review are as follows:

The Company's Nagaoka Factory	Construction of a new business system
Precision Tsugami (China) Corporation	Additional installation of equipment for producing machine tools
Precision Tsugami (Anhui) Corporation	A new plant for manufacturing machine tools, casting and components*
Precision Nakatsu (China) Corporation	A new plant for manufacturing machine tools*
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	A new plant for manufacturing machine tools, casting and components*

(*Capital investment for the subject property is yet to be completed.)

Total investments amounted to ¥3,096 million, funded through the Company's own funds.

(iii) Financing activities

The Group did not issue any bonds or shares to raise funds in the fiscal year under review.

(2) Assets and Operating Results for the Latest Three years

(Millions of yen)

Category	116 th term ended March 31, 2019		117 th term ended March 31, 2020	118 th term ended March 31, 2021	119 th term ended March 31, 2022
	Japanese GAAP	IFRS	IFRS	IFRS	IFRS
Net sales or Revenue	67,447	68,486	49,310	61,662	93,174
Ordinary income or Profit before tax	10,154	10,384	4,259	9,459	18,776
Net income attributable to shareholders of parent or Profit attributable to owners of parent	6,033	6,192	2,001	4,917	9,486
Net income per share or Basic earnings per share	¥114.94	¥117.98	¥38.60	¥95.21	¥191.99
Total assets	64,217	69,692	61,860	79,278	103,761
Net assets or Total equity	40,065	40,072	39,073	46,836	57,840
Net asset per share or Equity attributable to owners of parent per share	¥632.63	¥641.69	¥628.14	¥751.14	¥941.82

- Notes: 1. Starting with the 117th fiscal year, the Company has been preparing consolidated financial statements that conform to the IFRS. Figures for the 116th fiscal year under the IFRS are also shown for reference purposes.
2. In cases where notation of titles of account, etc. are different between the JGAAP and the IFRS, both notations are shown.

(3) Status of Parent Company and Principal Subsidiaries

(i) Parent company

Not applicable

(ii) Principal subsidiaries

Company name	Capital	Voting share of the Company	Main business
TSUGAMI GENERAL SERVICE CO., LTD.	¥42 million	100.0	Inspections and maintenance of buildings and facilities of factories, and non-life insurance agency operations
Precision Tsugami (China) Corporation Limited	HK\$380 million	70.9	Holding company
Precision Tsugami (Hong Kong) Limited	HK\$767 million	100.0 (100.0)	Holding company
Precision Tsugami (China) Corporation	CNY517 million	100.0 (100.0)	Manufacturing and sales of machine tools
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	CNY35 million	100.0 (100.0)	Manufacturing and sales of machine tool castings
Precision Tsugami (Anhui) Corporation	CNY150 million	100.0 (100.0)	Manufacturing and sales of machine tools and metal castings
Precision Nakatsu (China) Corporation	US\$35 million	100.0 (100.0)	Manufacturing and sales of machine tools
TSUGAMI KOREA Co., Ltd.	₩1,000 million	100.0	Sales of machine tools
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	₹495 million	90.9 (15.1)	Manufacturing and sales of machine tools

Notes: 1. The figure in the parenthesis is the indirect ownership of voting rights.
2. Precision Nakatsu (China) Corporation was established on October 28, 2021.

(4) Challenges to Address

(Challenges in the medium to long term)

The Group is addressing the following priority issues proactively as its medium- and long-term management strategies.

(i) Introduction of new products targeting growth fields

The Group will make every effort to launch new products that will sufficiently meet customers' requests in markets that are expected to grow, including the auto parts market, where eco-friendliness and energy saving are required, including the market for more sophisticated HDDs, the IT market, and the medical care market.

(ii) Business strategies targeting growth regions

The Group will continue its efforts to build up production, sales and after-sales service organizations in Asian markets (including China, Southeast Asia and India), which we continue to need to emphasize.

(iii) Management streamlining and customer satisfaction enhancement

To bolster the comprehensive strength of the corporate group, the Group, including affiliates, will seek to enhance its sales, production, and management systems and to achieve efficient management.

The Group will continue to make every effort to offer new products that satisfy customer demands, to expand and upgrade its services, to improve customer satisfaction on a constant basis, and to maintain the trust of its customers.

(iv) Enhancement of the corporate governance system

To ensure the fairness, transparency and objectivity of the appointment of officers and compensation for officers, the Company established a Nomination Committee and a Compensation Committee, voluntary committees in which independent outside directors constitute a majority, as advisory bodies to the Board of Directors in January 2021. In this way, the Company will enhance the corporate governance system through

the development of the organizational structure.

(v) Strengthening sustainability initiatives

The Group recognizes that sustainability is an important management issue and has established the Sustainability Committee in April 2021 under the supervision of the Board of Directors. The Group will further promote sustainability initiatives that balance the resolution of social issues with business growth and endeavor to disclose ESG information and other non-financial information.

As part of its initiatives, the Group is continuously reducing CO2 emissions from its business activities to address climate change and environmental issues.

Through these initiatives, the Group will continue making maximum efforts as a group of companies trusted by our customers and all other stakeholders.

(5) Principal Businesses (as of March 31, 2022)

Manufacturing and sale of precision machine tools

(6) Main Offices and Factories (as of March 31, 2022)

(i) Tsugami Corporation

Name	Address
Head office	Chuo-ku, Tokyo
Sales offices	Ageo, Nagaoka, Chino, Nagoya and Osaka
Nagaoka Factory	Nagaoka City, Niigata Prefecture

(ii) Subsidiaries

Name	Address
TSUGAMI GENERAL SERVICE CO., LTD.	Nagaoka City, Niigata Prefecture
Precision Tsugami (China) Corporation	Zhejiang, China
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	Zhejiang, China
Precision Tsugami (Anhui) Corporation	Anhui Province, China
Precision Nakatsu (China) Corporation	Zhejiang, China
TSUGAMI KOREA Co., Ltd.	Anyang-Si, South Korea
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	Oragadam, Dt. Tamil Nadu, India

(7) Employees (as of March 31, 2022)

(i) Employees of the Tsugami Group

Number of employees	Change from the end of the previous term
3,078 [96]	Up 492 [Up 4]

Note: The number of employees consists of full-time workers excluding part-time and temporary workers. The annual average number of part-time and temporary workers is presented in brackets. The number of employees increased by 492 from the end of the previous fiscal year, mainly attributable to the increase at Precision Tsugami (China) Corporation.

(ii) Employees of Tsugami Corporation

Number of employees	Change from the end of the previous term	Average age	Average service years
482 [82]	Down 14 [Up 6]	43.6 years old	19.1 years

Note: The number of employees consists of full-time workers, excluding part-time and temporary workers. The annual average number of part-time and temporary workers is presented in brackets.

(8) Principal Lenders (as of March 31, 2022)

Lender	Outstanding loan amount
Sumitomo Mitsui Banking Corporation	¥2,200 million
MUFG Bank, Ltd.	¥2,200 million
Daishi Hokuetsu Bank, Ltd.	¥2,200 million
Mizuho Bank, Ltd.	¥1,900 million
THE HACHIJUNI BANK, LTD.	¥300 million

(9) Policies Concerning Decisions on Distribution of Retained Earnings and Other Matters

The Group adopts the basic policy of increasing its collective capabilities and returning profits to shareholders by sustaining aggressive investment in development projects in response to changing social demands and continuing its efforts to enhance competitiveness and streamline management.

Based on the policy, the Group will make united efforts to strengthen business structure and secure stable dividends.

The Group will also deal appropriately with the acquisition of treasury shares for the flexible execution of capital policies and other purposes, as part of its measures for returning profits to shareholders and based on a comprehensive judgment of factors including the need, financial situation and share price trends.

The Company has decided to pay an annual dividend of ¥40 per share, an interim dividend of ¥18 and a year-end dividend of ¥22, in the fiscal year ended March 31, 2022.

The Company plans to pay an annual dividend of ¥44 per share, an interim dividend of ¥22 and a year-end dividend of ¥22, in the fiscal year ending March 31, 2023.

2. Current Status of the Company

(1) Shares (as of March 31, 2022)

(i) Number of authorized shares: 320,000,000

(ii) Number of shares outstanding: 50,000,000

(Note) Number of shares outstanding decreased 5,000,000 compared with the end of the previous fiscal year due to a retirement of treasury stock on October 28, 2021.

(iii) Number of shareholders: 10,701

(iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	6,603	13.64
Custody Bank of Japan, Ltd. (trust account)	2,300	4.75
Daishi Hokuetsu Bank, Ltd.	2,184	4.51
The Dai-ichi Life Insurance Company, Limited	2,100	4.33
THE BANK OF NEW YORK 133652	1,688	3.48
THE BANK OF NEW YORK MELLON 140051	1,656	3.42
Sumitomo Mitsui Banking Corporation	1,516	3.13
J.P. MORGAN CHASE BANK 385632	1,327	2.74
Tsugami Customers' Shareholding Association	1,100	2.27
PICTET AND CIE (EUROPE) SA, LUXEMBOURG REF : UCITS	767	1.58

Notes: 1. In calculating the ratio of holdings, treasury shares were excluded. The ratio was rounded down to the second decimal place.
2. Although the Company holds 1,603 thousand treasury shares, it is excluded from the list of major shareholders.

(v) Status of shares granted to the Company's officers in consideration of the performance of duties during the fiscal year under review

	Number of shares	Number of eligible beneficiaries
Directors (excluding Outside Directors)	15,000	3

Notes: 1. Details of the Company's stock compensation are described in "2. (2) (iv) Compensation paid to Directors."

[Reference]

Matters regarding shares held by the Company (as of March 31, 2022)

(i) Policy on cross-shareholding

The Company implements cross-shareholding if it determines that cross-shareholding builds a relationship of trust with an important business partner and contributes to the medium- to long-term growth of the Company and improvement of its corporate value. The Company examines the significance, benefits, risks, and other aspects of the economic rationality of cross-shareholding for each stock held by the Company every year at the corporate management meeting consisting of major executive officers. It also conducts reviews at meetings of the Board of Directors as needed. If it determines, as a result of these reviews, that the significance and rationality of cross-holding have decreased, it will reduce the shareholding of such stock by selling them in view of market trends, etc.

(ii) Standards for exercising voting rights regarding cross-shareholding

In exercising voting rights, the Company rigorously examines the contents of the agenda and makes a comprehensive judgment after evaluating matters such as whether or not the agenda would damage the Company's corporate value, whether the agenda would contribute to the improvement of the issuer's corporate value over the medium to long term, whether or not the issuer conducts anti-social behavior and whether or not the issuer gives due consideration to shareholder profits.

(iii) Number of stocks held by the Company for purposes other than pure investment purpose and total amount recorded on the balance sheet

Number of stocks	Total amount recorded on the balance sheet
16	¥3,767 million

Note: The ratio of the total amount on the balance sheet shown above to total equity (¥57,840 million) in the consolidated statement of financial position as of March 31, 2022 was 6.51%.

(2) Officers

(i) Directors (as of March 31, 2022)

Position	Name	Responsibility and important concurrent post
Representative Director, Chairman and CEO	Takao Nishijima	
Representative Director	Ichiro Muromoto	
Director	Donglei Tang	President of Precision Tsugami (China) Corporation
Director	Ken Kubo	
Director	Koichi Maruno	President of Dai-ichi Life Research Institute Inc.
Director (Standing Audit and Supervisory Committee Member)	Tomoko Takahashi	
Director (Audit and Supervisory Committee Member)	Yoshimi Takeuchi	President of Chubu University
Director (Audit and Supervisory Committee Member)	Kenyu Adachi	
Director (Audit and Supervisory Committee Member)	Kunio Shimada	Representative partner at Shimada Hamba & Osajima
Director (Audit and Supervisory Committee Member)	Michiyo Yamamiya	Partner at Tanabe & Partners

- Notes: 1. Changes in Directors in the fiscal year under review were as follows:
Mr. Seiji Tsuishu, Representative Director; Mr. Byun Jae-Hyun, Director; Mr. Kameswaran Balasubramanian, Director, retired as of the closing of the 118th Annual Shareholders Meeting held on June 16, 2021, due to the expiration of their terms of office. Mr. Kenji Yoneyama, Director (Audit and Supervisory Committee Member) retired at the said meeting following his resignation. Mr. Ichiro Muromoto was newly elected as a Director and Ms. Tomoko Takahashi was newly elected as a Director (Audit and Supervisory Committee Member) at the said meeting, and assumed the positions thereafter.
2. Directors Ken Kubo and Koichi Maruno, and Directors (Audit and Supervisory Committee Members) Yoshimi Takeuchi, Kenyu Adachi, Kunio Shimada, and Michiyo Yamamiya are Outside Directors.
3. The Company has notified the Tokyo Stock Exchange of the appointment of Directors (Audit and Supervisory Committee Members) Yoshimi Takeuchi, Kenyu Adachi, Kunio Shimada and Michiyo Yamamiya as independent officers.
4. The Company has appointed Ms. Tomoko Takahashi as standing Audit and Supervisory Committee Member to improve information and to enhance the effectiveness of audits and auditing and supervisory functions through sufficient collaboration with the internal audit division etc.

(ii) Outline of the details of contracts for the limitation of liability

In accordance with the provisions provided in Article 427, paragraph (1) of the Companies Act, the Company has concluded contracts with Non-Executive Directors Ken Kubo, Koichi Maruno, Yoshimi Takeuchi, Kenyu Adachi, Kunio Shimada and Michiyo Yamamiya to limit their liability for damages as stipulated in Article 423, paragraph (1) of the Companies Act.

The maximum amount of liability for damages based on the above contracts is the minimum liability amount set forth in the laws and regulations.

(iii) Outline of the details of directors' and officers' liability insurance contract

The Company has entered into a directors' and officers' liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act. Directors (including persons who were in office during the fiscal year under review) of the Company are the insured persons under the contract. The insurance premiums are borne in full by the Company.

Under the insurance contract, the insurance company agrees to indemnify any damage that may arise when directors or officers, who are the insured persons, assume liability for the execution of their duties or receive a claim related to the pursuit of such liability. The contract is renewed each year.

The insurance contract states that insurance shall not be paid in cases where the Company takes action pursuing liability for compensation of damages against directors or officers and stipulates provisions to the effect that the scope of damages to be compensated shall be limited, for the purpose of guaranteeing the appropriateness of the directors' and officers' execution of duties.

(iv) Compensation paid to Directors

(a) Policy concerning determination of details of Directors' and Officers' compensation

At a meeting held on January 25, 2022, the Company's Board of Directors resolved a policy for determining details of the compensation, etc. of individual Directors. The resolution by the Board of Directors was made on the basis of a report by the Compensation Committee, which was consulted in advance about the details of the resolution.

The Board of Directors confirmed with respect to the compensation, etc. of individual Directors for the fiscal year under review that the method of determining the details of compensation, etc. and the details of the determined compensation, etc. is consistent with the determination policy and that the reports of the Nomination and Compensation Committees have been respected and judged that the determination policy had been adhered to.

Details of the policy for determining details of compensation, etc. of individual Directors are as follows.

a. Basic policy

- In accordance with its basic policy for corporate governance, the Company adopts a compensation structure that aligns the values of Directors with those of shareholders to ensure that compensation effectively incentivizes Directors to strive for sustainable improvement in corporate value and, when determining compensation amounts for individual Directors, the Company sets these at an appropriate level in light of the responsibilities of each Director.
- Compensation is determined following deliberation at the Compensation Committee where a majority of members are independent Outside Directors, in order to ensure objectivity and transparency.
- Compensation must be within the total amount of compensation fixed by resolution of the shareholders meeting.

b. Structure of compensation

- Compensation of Executive Directors consists of basic compensation, performance-linked compensation and non-monetary compensation. The proportions of each type of compensation are deliberated at the Compensation Committee, giving consideration to factors such as trends at other companies of a similar size and also taking individual circumstances such as rank and responsibilities into account. The Board of Directors (Representative Director and CEO under authority delegated by the Board as described later) determines the proportions of the different types of compensation and details of compensation for each Director, giving due respect to the report of the Compensation Committee. In terms of monetary compensation, the Company pays basic compensation according to individual circumstances such as rank and responsibilities as base pay, and since Directors are responsible for business execution, the Company

makes them aware of their responsibility for business execution and incentivizes them to improve business performance by paying a portion as performance-linked compensation. The compensation structure also includes non-monetary compensation in the form of stock compensation for greater alignment of the values of Directors with those of shareholders, thereby encouraging Directors to think about enhancement of corporate value in the medium and long term.

- Outside Directors and Directors who are Audit and Supervisory Committee Members are paid basic compensation only, in light of their role in the supervisory function.

c. Basic compensation (monetary compensation)

- Basic compensation is a fixed monthly compensation determined based on comprehensive consideration of a range of factors including rank and responsibilities, whether the Director is an Outside Director and is full-time or part-time, and the Company's business performance.

d. Performance-linked compensation

- Performance-linked compensation is monetary compensation that reflects performance indicators to motivate Directors to improve performance, and it is paid as monthly compensation. Performance indicators and their target levels are set and reviewed as appropriate according to changes in the environment to ensure that they are consistent with evaluations of the level of achievement of business performance forecasts (consolidated revenue, consolidated operating profit, etc.) and the performance of the business for which each Director is responsible.

e. Non-monetary compensation

- The Company pays non-monetary compensation in the form of restricted stock compensation as part of medium-to-long-term performance-linked compensation. The Company provides monetary compensation claims within the range of annual amounts set by resolution of a shareholders meeting, and each eligible director pays in the entire monetary compensation claim as an in-kind contribution to the Company and receives the allocated restricted stock. Restricted shares are allocated at a fixed time every year based on comprehensive consideration of a range of factors including rank, responsibilities and the Company's performance. Restrictions on transfer of shares are lifted at the time of retirement. With the introduction of a restricted stock compensation plan resolved at the 118th Annual Shareholders Meeting held on June 16, 2021, stock compensation-type stock options were abolished except for those that were already granted.

f. Procedure for determining details of compensation, etc. of each Director

- Upon determination of the details of compensation, etc. of Directors (excluding Directors who are Audit and Supervisory Committee Members), the Compensation Committee is consulted by the Board of Directors and holds deliberations and issues a report based on the policy and standards outlined above.
- The details of compensation, etc. of individual Directors (excluding Directors who are Audit and Supervisory Committee Members) are determined by the Representative Director and CEO under authority delegated by resolution of the Board of Directors, giving due respect to the report of the Compensation Committee. However, an allotment of restricted stock to be granted to each Director is resolved by the Board of Directors, giving due respect to the report of the Compensation Committee.
- Details of compensation, etc. of individual Directors who are Audit and Supervisory Committee Members are discussed and determined at the Audit and Supervisory Committee with the unanimous consent of all of the Audit and Supervisory Committee Members, giving due respect to the report of the Compensation Committee.

(b) Total amount and other details of compensation, etc. for the fiscal year under review

Post	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of eligible directors
		Basic compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding Audit and Supervisory Committee Members) [Outside Directors included]	¥144 million [¥18 million]	¥88 million [¥18 million]	¥31 million [-]	¥25 million [-]	8 [2]
Directors (Audit and Supervisory Committee Members) [Outside Directors included]	¥54 million [¥36 million]	¥54 million [¥36 million]	- [-]	- [-]	6 [4]
Total [Outside Officers included]	¥198 million [¥54 million]	¥142 million [¥54 million]	¥31 million [-]	¥25 million [-]	14 [6]

- Notes:
- The above includes three Directors (excluding Directors who are Audit and Supervisory Committee Members) and one Director who is Audit and Supervisory Committee Members who retired as of the closing of the 118th Annual Shareholders Meeting held on June 16, 2021.
 - Performance indicators for performance-linked compensation, etc. and their target levels are set and reviewed as appropriate according to changes in the environment to ensure that they are consistent with evaluations of the level of achievement of business performance forecasts (consolidated revenue, consolidated operating profit, etc.) and the performance of the business for which each Director is responsible.
 - Non-monetary compensation, etc. consists of stock compensation-type stock options and restricted stock compensation.
 - Stock compensation-type stock option: The Company determines the number of share acquisition rights of the Company to be granted based on comprehensive consideration of a range of factors including rank, responsibilities and the Company's performance and adopts a system whereby the share acquisition rights can then be exercised upon retirement. With the introduction of the restricted stock compensation plan, stock options as compensation were abolished except for those that were already granted.
 - Restricted stock compensation: The Company adopts a system whereby restricted shares are allocated based on comprehensive consideration of a range of factors including rank, responsibilities and the Company's performance. Restrictions on transfer of shares are lifted at the time of retirement.
 - It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that the amount of monetary compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) should be no more than ¥250 million per year. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the closing of the 115th Annual Shareholders Meeting was seven (including two Outside Directors). It was also resolved at the 118th Annual Shareholders Meeting held on June 16, 2021 that, separate from this monetary compensation, the provisions on the amount of compensation, etc. in the form of subscription rights to shares to be allocated as stock compensation-type stock options be repealed, and the amount of compensation, etc. related to restricted shares be set at not more than ¥80 million per year (excluding Directors who are Audit and Supervisory Committee Members). The number of Directors (excluding Directors who are Audit and Supervisory Committee Members as well as Outside Directors) at the closing of the 118th Annual Shareholders Meeting was three.
 - It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that the amount of monetary compensation for Directors who are Audit and Supervisory Committee Members should be no more than ¥80 million per year. The number of Directors who are Audit and Supervisory Committee Members at the closing of the 115th Annual Shareholders Meeting was four.
 - The Board of Directors delegates authority to determine the details of compensation, etc. (including amounts of basic compensation and performance-linked compensation) of individual Directors (excluding Directors who are Audit and Supervisory Committee Members) to Takao Nishijima, Representative Director and CEO. The Board of Directors delegated authority based on the judgment that the Representative Director and CEO is the right person to evaluate the performance of the business unit each Director is responsible for whilst taking into consideration the performance of the Company as a whole and other pertinent factors. The Company established voluntary Nomination and Compensation Committees where the majority of members are independent Outside Directors as advisory bodies to the Board of Directors in January 2021. Upon determination of the details of compensation, etc. of Directors described above, the details are first deliberated at the Compensation Committee and then determined by the Representative Director and CEO, under authority delegated by the Board of Directors, giving due respect to the report of the Compensation Committee.

(v) Matters concerning outside officers

a. Posts held concurrently by outside officers and relationships between the Company and other relevant companies

Position, Name	Company name	Post	Relationship
Director Ken Kubo	Sumitomo Mitsui Card Co., Ltd.	Special Advisor	No special interests exist between the Company and Sumitomo Mitsui Card Co., Ltd.
Director Koichi Maruno	Dai-ichi Life Research Institute Inc.	Representative Director, President	No special interests exist between the Company and Dai-ichi Life Research Institute Inc.
Director (Audit and Supervisory Committee Member) Yoshimi Takeuchi	Chubu University	President	No special interests exist between the Company and Chubu University.
Director (Audit and Supervisory Committee Member) Kenyu Adachi	Japan Alcohol Trading CO., LTD	Outside Director	No special interests exist between the Company and Japan Alcohol Trading CO., LTD.
Director (Audit and Supervisory Committee Member) Kunio Shimada	Shimada Hamba & Osajima Hulic Reit, Inc.	Representative partner Supervisory Officer	No special interests exist between the Company and both Shimada Hamba & Osajima and Hulic Reit, Inc.
Director (Audit and Supervisory Committee Member) Michiyo Yamamiya	Tanabe & Partners	Partner	No special interests exist between the Company and Tanabe & Partners.

b. Major activities in the fiscal year under review

Name	Attendance, comments and outline of duties performed in relation to role expected of Outside Director
Ken Kubo, Director	He attended 9 of the 9 meetings of the Board of Directors held in the fiscal year under review. He fulfilled his role and responsibilities in exercising effective supervision over the Company's management based on his vast experience and extensive knowledge as a corporate manager.
Koichi Maruno, Director	He attended 9 of the 9 meetings of the Board of Directors held in the fiscal year under review. He fulfilled his role and responsibilities in exercising effective supervision over the Company's management based on his vast experience and extensive knowledge as a corporate manager.
Yoshimi Takeuchi, Director (Audit and Supervisory Committee Member)	He attended 8 of the 9 meetings of the Board of Directors and 4 of the 5 meetings of the Audit and Supervisory Committee held in the fiscal year under review. He performed his role appropriately to ensure the appropriateness and validity of decision-making, including providing supervision and advice mainly from his specialist standpoint as a researcher in areas closely related to the Company's business such as machine tools. Meanwhile, as a member of the Compensation Committee, he fulfilled a supervisory function in the process of determining the compensation, etc. of Directors of the Company from an objective and neutral standpoint.
Kenyu Adachi, Director (Audit and Supervisory Committee Member)	He attended 9 of the 9 meetings of the Board of Directors and 5 of the 5 meetings of the Audit and Supervisory Committee held in the fiscal year under review. He performed his role appropriately to ensure the appropriateness and validity of decision-making, including providing supervision and advice mainly based on his deep insight into industry trends. Meanwhile, as a member of the Nomination Committee, he fulfilled a supervisory function in the process of determining the selection, etc. of candidates for Directors of the Company from an objective and neutral standpoint.
Kunio Shimada, Director (Audit and Supervisory Committee Member)	He attended 8 of the 9 meetings of the Board of Directors and 5 of the 5 meetings of the Audit and Supervisory Committee held in the fiscal year under review. He made comments to ensure the appropriateness and validity of decision-making from his specialist standpoint as a lawyer. Meanwhile, as the chair of the Nomination Committee and a member of the Compensation Committee, he fulfilled a supervisory function in the process of determining the selection of candidates for Directors and the compensation, etc. of Directors of the Company from an objective and neutral standpoint.
Michiyo Yamamiya, Director (Audit and Supervisory Committee Member)	She attended 9 of the 9 meetings of the Board of Directors and 5 of the 5 meetings of the Audit and Supervisory Committee held in the fiscal year under review. She made comments to ensure the appropriateness and validity of decision-making from her specialist standpoint as a lawyer. Meanwhile, as the chair of the Compensation Committee, she fulfilled a supervisory function in the process of determining the compensation, etc. of Directors of the Company from an objective and neutral standpoint.

Note: The Company established voluntary Nomination and Compensation Committees as advisory bodies to the Board of Directors in January 2021.

The purpose of their establishment is to strengthen the supervisory function of the Board of Directors and to enhance the corporate governance system by ensuring transparency and objectivity in the process of nominating Directors and Executive Officers and evaluating and determining their compensation, etc.

Each committee is made up of three or more Directors elected by the Board of Directors and a majority of the members are independent Outside Directors.

(3) Status of Independent Auditor

(i) Name of the independent auditor: Ernst & Young ShinNihon LLC

(ii) Amount of compensation

	Amount to be paid
Compensation to be paid to independent auditors for the fiscal year under review	¥60 million
The total amount of cash and other assets to be paid by the Company and subsidiaries to independent auditors	¥63 million

- Notes:
1. The auditing contract between the Company and the independent auditor makes no distinction between auditing services based on the Companies Act and auditing services based on the Financial Instruments and Exchange Act. Since no real distinction can be made in practice, the amount of compensation to be paid for the fiscal year under review represents the total amount.
 2. The Audit and Supervisory Committee has carried out an inspection necessary for deciding whether the independent auditor's audit plan, its performance of its duties, and its basis for estimating its compensation are appropriate or not and has agreed on the amount of compensation for the independent auditor.
 3. Financial statements of Precision Tsugami (China) Corporation and TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED are audited by certified public accountants, not the independent auditor.

(iii) Nonaudit work

The Company paid the accounting auditor a consideration for support services for disclosures concerning the risks associated with climate change.

(iv) Policy concerning decisions to dismiss or not to reappoint independent auditors

The Company's Audit and Supervisory Committee will determine the details of a proposal concerning the dismissal or non-reappointment of an independent auditor for submission to the shareholders meeting when the Audit and Supervisory Committee deems this necessary, for example, when execution of duties by the relevant independent auditor is disrupted. The Audit and Supervisory Committee may dismiss an independent auditor based on its unanimous approval, when items stipulated in the items of Paragraph (1) of Article 340 of the Companies Act are deemed to be applicable to the relevant independent auditor. In this case, Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee will present details and reasons for the dismissal of the independent auditor at the first annual shareholders meeting held after the dismissal.

The Board of Directors will ask the Audit and Supervisory Committee to include the dismissal or non-reappointment of the independent auditor in the agenda of the shareholders meeting when the Board of Directors deems this necessary, for example, when execution of duties by the relevant independent auditor is disrupted, and, if the Audit and Supervisory Committee judges this request appropriate, it will determine the details of a proposal for submission to the shareholders meeting.

(v) Outline of the details of contracts for the limitation of liability

There are no contracts in question.

(4) Systems for Ensuring the Appropriate Implementation of Operations and the Operation of the Systems

The Company has been developing the system (internal control system) to ensure the appropriateness of operations and the reliability of financial reports in its effort to achieve sustainable growth in corporate value.

The Company's Board of Directors has adopted basic policies of internal control system as follows:

(i) System for ensuring the execution of the duties of directors and employees are in compliance with laws and regulations and the Articles of Incorporation

(a) Given that compliance is one of its key management issues, the Board of Directors shall establish the Tsugami Group Code of Conduct and develop a compliance policy to ensure that the Company operates based on sound social practices.

(b) The Company shall establish a "whistle-blowing system," an internal reporting system through which activities that violate the laws and regulations, the Articles of Incorporation, any other internal rules, or social norms found out by Directors or employees are reported. Whistle blowers shall be protected.

(c) The Company shall have an Audit Office, an organization under the direct control of the CEO, and shall conduct internal audits of compliance.

(d) The Company is a company with an audit and supervisory committee. Directors' execution of their duties shall be audited based on the Auditing Etc. Standards of the Audit and Supervisory Committee established by the Audit and Supervisory Committee.

(ii) System for the storage and management of information concerning Directors' execution of duties

The Company shall appropriately maintain and manage the minutes of the Board of Directors, approval documents, documents associated with the Directors' executions of their duties, and other related information in accordance with internal rules, such as the document management rules and information security management rules.

(iii) Rules and systems concerning risk management

To manage the diverse risks associated with its business activities, and to prevent such risks from materializing, the Company shall establish the Risk Management Committee through which it will collect and analyze information about risks to identify any indications that risks are emerging at an early stage. The Company shall also establish a risk management system by developing rules and manuals so that it can promptly and accurately respond to the situation if risks have materialized.

(iv) System for securing efficiency of Directors' execution of duties

(a) The Company shall hold regular meetings of the Board of Directors every month in principle, and ensure that it makes important decisions on items that are stipulated in the Board of Directors Rules or that come under the criteria for deliberation at meetings of the Board of Directors, through discussions at meetings of the Board of Directors.

(b) By establishing the Nomination Committee and the Compensation Committee as advisory bodies to the Board of Directors, the Company ensures the fairness, transparency and objectivity of the nomination and compensation of Directors because matters referred by the Board of Directors are deliberated at these committees, details of deliberations are reported to the Board of Directors, and the Board of Directors passes resolutions based on the content of these reports.

- (c) In addition, the Company shall hold monthly in principle corporate management meetings to share management information, through which it considers and makes flexible decisions on issues related to important operations in its effort to achieve management efficiency.
- (v) System for ensuring the appropriate implementation of the operations by the Group, consisting of the Company and its subsidiaries
 - (a) System for reporting to the Company matters related to the execution of duties by the directors of subsidiaries

The Company shall set the Group Companies Management Regulations. For the accurate understanding of the details of the management of the subsidiaries, the subsidiaries' monthly results, financial position and other important information shall be reported at corporate management meetings.
 - (b) Regulations and other systems relating to the management of risk of loss at subsidiaries

The Company shall hold meetings of the Risk Management Committee as needed, understand the risks and take appropriate measures for preventing or minimizing various risks that surround Group operations in compliance with risk management rules and essential risk management execution rules.
 - (c) System for ensuring efficient execution of duties by the directors of subsidiaries, and the like

The Company shall respect the management independence of its subsidiaries. At the same time, the Company shall ensure efficiency by discussing important matters in advance at regular, monthly corporate management meetings, and the like, and by asking the subsidiaries to resolve such matters at the meetings of their Board of Directors.
 - (d) System for ensuring the conformity of the execution of duties by the directors, and the like, and the employees of subsidiaries with laws, regulations and Articles of Incorporation
 - a. The Company shall ensure the compliance systems of its subsidiaries based on the Tsugami Group Code of Conduct.
 - b. The Directors, etc., of the Company's subsidiaries shall take part in regular corporate management meetings and advance discussions on internal control.
 - c. The internal audit division (the Audit Office) of the Company shall confirm that the Company's subsidiaries are complying with laws, regulations and internal rules in the execution of their businesses.
- (vi) Matters concerning applicable employees in cases where the Audit and Supervisory Committee request the assignment of employees who should assist them in their duties
 - (a) The Company may assign employees (auxiliary employees) who should assist the Audit and Supervisory Committee in cases where the Audit and Supervisory Committee request their assignment.
 - (b) The Company shall work to strengthen its system of auxiliary employees from the viewpoint of ensuring the effectiveness of the audit, taking into account corporate size, business type, management risks and other company-specific circumstances.
- (vii) Matters concerning the independence of employees from Directors (excluding Directors who are Audit and Supervisory Committee Members) stated in the foregoing paragraph and matters concerning securing the effectiveness of instructions the Audit and Supervisory Committee provide to the concerned employees
 - (a) The Company shall work to ensure the independence of auxiliary employees from Directors (excluding Directors who are Audit and Supervisory Committee Members).

- (b) The Company shall address issues, including clarification of the following items necessary for ensuring the independence of auxiliary employees.
 - a. The authority that auxiliary employees have
 - b. Organizations which auxiliary employees belong to
 - c. Elimination of the chain of command Directors (excluding Directors who are Audit and Supervisory Committee Members) have over auxiliary employees
 - d. Granting of consent rights to the Audit and Supervisory Committee regarding the reassignment, performance evaluation, disciplinary punishment, etc., of auxiliary employees

(viii) System concerning reports to the Audit and Supervisory committee

- (a) System to enable the Directors and employees of the Company to submit reports to the Audit and Supervisory Committee

The Directors (excluding Directors who are Audit and Supervisory Committee Members) and employees of the Company shall report the following items without delay to the Audit and Supervisory Committee concerning the execution of their duties.

- a. Items concerning important facts that may affect the Company significantly when such facts are found
 - b. Items concerning acts in violation of laws, regulations or the Articles of Incorporation or acts with such risk when such facts are found
 - c. Results of internal audits performed by the internal audit division (the Audit Office)
 - d. The operational status for the Whistle-blowing System and the details of reports
- (b) System to enable the directors, the statutory auditors and employees of subsidiaries or individuals who received reports from them to submit reports to the Audit and Supervisory Committee of the Company
 - a. The directors and employees of the Company's subsidiaries shall report acts in violation of laws, regulations or the Articles of Incorporation, acts with such a risk or important facts that may affect the Company significantly to the Audit and Supervisory Committee of the Company without delay when they find such acts or facts.
 - b. The internal audit divisions of the Company's subsidiaries shall report the results of internal audits performed at the subsidiaries to the Audit and Supervisory Committee of the Company.

(ix) System for ensuring the prevention of unfavorable treatment of individuals who submitted reports to the Audit and Supervisory Committee for the reason of having submitted such reports

The Company shall work to establish a system that prevents the unfavorable treatment of individuals who submitted the reports stated in the foregoing paragraph to the Audit and Supervisory Committee for the reason for having submitted such reports.

(x) Matters concerning procedures for the advance payment or the refunding of expenses that arise in connection with duty execution by the Audit and Supervisory Committee Members or policies on processing expenses or debts that arise in connection with the execution of other concerned duties

The Company shall promptly comply with the concerned request when an Audit and Supervisory Committee Member requests the advance payment of expenses, etc., in connection with the execution of his or her duties unless the requested expenses, etc., could be proven as unnecessary for the execution of the duties by the concerned Audit and Supervisory Committee Member.

- (xi) Other systems for ensuring the effectiveness of audits performed by the Audit and Supervisory Committee
 - (a) The Audit and Supervisory Committee shall meet Representative Directors periodically and exchange opinions with them regarding important audit issues.
 - (b) The Audit and Supervisory Committee shall meet Independent Auditors periodically, to exchange opinions and information with them, and ask them to submit reports as needed.
 - (c) The Audit and Supervisory Committee shall stay in close cooperation with the internal audit division (the Audit Office). The Audit and Supervisory Committee may ask the internal audit division to perform investigations as needed.
- (xii) System for ensuring the reliability of financial reports
 - (a) The Company shall establish the Internal Control Reporting System for ensuring the reliability of financial reports and submitting internal control reports effectively and appropriately as prescribed in the Financial Instruments and Exchange Act.
 - (b) The Company shall continually evaluate internal control systems and take the necessary steps in order to correct them in order to ensure the compliance of such systems with the Financial Instruments and Exchange Act, other laws and regulations.
 - (c) The internal audit division (the Audit Office), as a responsible division, shall implement monitoring, evaluation and assist in improving the operation of internal control systems.
- (xiii) Systems for excluding antisocial forces
 - (a) The Company shall systematically deal with antisocial forces that threaten social order and sound corporate activities with a resolute attitude.
 - (b) The Company shall deal with antisocial forces in cooperation with police, lawyers and external specialized agencies, such as corporate defense councils, when cases of unreasonable demand by such forces, and the like emerge.

(Operation of systems for ensuring the appropriate implementation of operations)

The status of operation of systems for ensuring the appropriate implementation of operations in the fiscal year under review is as follows:

(i) Compliance system

The Company distributes the Tsugami Group Code of Conduct, which stipulates its compliance policy, to all of its Group employees, and continuously takes steps to comply with laws and regulations and the Articles of Incorporation. The Company works to increase the effectiveness of the compliance system chiefly by establishing a “whistle-blowing system” and implementing internal audits of compliance by the internal audit division (the Audit Office).

(ii) Risk management system

Under the risk management rules and the essential risk management execution rules, the Company took appropriate measures. The Company held meetings of the Risk Management Committee from time to time and monitored and determined the status of risk in the Group. The status of risk was reported to the Board of Directors and discussed from time to time. In this way, the Company works to enhance risk management.

(iii) Directors’ execution of duties

Under the Board of Directors Rules, the Company, in principle, holds a meeting of the Board of Directors every month. The Board of Directors makes resolutions on matters specified in laws and regulations or the Articles of Incorporation and important management matters and oversees the Directors’ execution of their duties.

The Company believes that its current framework with six Outside Directors allows it to fully demonstrate the functions of governance in terms of the function of supervision of management from outside. However, recognizing that it is important to ensure supervisory functions from even more independent perspective, the Company established voluntary Nomination and Compensation Committees where a majority of members are independent Outside Directors to strengthen governance still further.

(iv) Group management system

Under the Group Companies Management Regulations, the subsidiaries report their monthly operations and financial status and other important information at corporate management meetings. The internal audit division (the Audit Office) regularly carries out operations audits of important subsidiaries.

(v) The Audit and Supervisory Committee Members’ execution of duties

The Audit and Supervisory Committee Members hold meetings of the Audit and Supervisory Committee regularly and participate in other important meetings, including meetings of the Board of Directors and corporate management meetings. They view important documents on the execution of operations and request explanations from the Company’s Directors and employees as needed. The Audit and Supervisory Committee Members exchange information with the Company’s Representative Directors, Independent Auditors, and the internal audit division (the Audit Office) regularly to ensure the effectiveness of audits.

Consolidated Statement of Financial Position

(As of March 31, 2022)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets:		Current liabilities:	
Cash and cash equivalents	18,844	Trade and other payables	22,234
Trade and other receivables	27,614	Borrowings	13,313
Other financial assets	30	Other financial liabilities	170
Inventories	32,618	Income taxes payable, etc.	1,390
Other current assets	2,928	Provisions	585
Total current assets	82,036	Contract liabilities	4,421
		Other current liabilities	757
		Total current liabilities	42,873
Non-current assets:		Non-current liabilities:	
Property, plant and equipment	14,191	Other financial liabilities	106
Right-of-use assets	1,915	Retirement benefit liability	924
Intangible assets	903	Provisions	5
Retirement benefit asset	64	Deferred tax liabilities	1,460
Other financial assets	4,130	Other non-current liabilities	550
Deferred tax assets	308	Total non-current liabilities	3,046
Other non-current assets	210		
Total non-current assets	21,724	Total liabilities	45,920
		(Equity)	
		Share capital	12,345
		Capital surplus	3,222
		Treasury shares	(2,040)
		Other components of equity	6,256
		Retained earnings	25,795
		Total equity attributable to owners of parent	45,580
		Non-controlling interests	12,260
		Total equity	57,840
Total Assets	103,761	Total liabilities and equity	103,761

Consolidated Statement of Profit or Loss

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account title	Amount
Revenue	93,174
Cost of sales:	(64,994)
Gross profit	28,179
Selling, general and administrative expenses	(10,223)
Other income	3,019
Other expenses	(2,114)
Operating profit	18,860
Finance income	328
Finance costs	(412)
Profit before tax	18,776
Income tax expense	(6,155)
Profit	12,620
Profit attributable to	
Owners of parent	9,486
Non-controlling interests	3,134
Profit	12,620

Consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Equity attributable to owners of parent				
	Share capital	Capital surplus	Treasury shares	Other components of equity	
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	12,345	3,332	(4,371)	478	2,081
Profit					
Other comprehensive income				3,904	(208)
Total comprehensive income	–	–	–	3,904	(208)
Purchase of treasury shares			(4,312)		
Disposal of treasury shares		(113)	288		
Retirement of treasury shares			6,355		
Dividends					
Changes resulting from share-based payment transactions		3			
Transfer to retained earnings					
Total transactions with owners	–	(109)	2,331	–	–
Balance as of March 31, 2022	12,345	3,222	(2,040)	4,383	1,872

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2021	–	2,560	24,362	38,229	8,607	46,836
Profit		–	9,486	9,486	3,134	12,620
Other comprehensive income	(26)	3,669		3,669	1,558	5,228
Total comprehensive income	(26)	3,669	9,486	13,155	4,693	17,849
Purchase of treasury shares		–		(4,312)		(4,312)
Disposal of treasury shares		–	(71)	103		103
Retirement of treasury shares		–	(6,355)	–		–
Dividends		–	(1,599)	(1,599)	(1,039)	(2,639)
Changes resulting from share-based payment transactions		–		3		3
Transfer to retained earnings	26	26	(26)	–		–
Total transactions with owners	26	26	(8,052)	(5,804)	(1,039)	(6,844)
Balance as of March 31, 2022	–	6,256	25,795	45,580	12,260	57,840

Non-consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS:		LIABILITIES:	
Current assets:	23,573	Current liabilities:	19,093
Cash and deposits	5,273	Trade notes payable	3,847
Trade notes receivable	131	Trade accounts payable	4,816
Electronically recorded monetary claims	64	Short-term loans payable	8,800
Accounts receivable	5,384	Accounts payable	86
Merchandise and finished goods	5,434	Accrued expenses payable	318
Work in process	1,308	Income taxes payable	54
Raw materials and supplies	3,417	Provision for product warranties	332
Short-term loans receivable from subsidiaries and associates	433	Provision for bonuses	234
Consumption taxes receivable	1,610	Other	604
Other	643		
Allowance for doubtful accounts	(129)		
Non-current assets:	14,935	Non-current liabilities:	1,056
Property, plant and equipment:	2,298	Deferred tax liabilities	138
Buildings	1,737	Provision for retirement benefits	872
Structures	65	Other	45
Machinery and equipment	150		
Vehicles	2	Total liabilities	20,150
Tools, furniture and fixtures	79		
Land	246	NET ASSETS:	
Leased assets	14	Shareholders' equity:	16,127
Intangible assets:	822	Share capital	12,345
Telephone subscription right	7	Retained earnings:	5,822
Software	806	Legal retained earnings	651
Leased assets	8	Other retained earnings:	5,171
Other	0	Retained earnings brought forward	5,171
Investments and other assets:	11,814	Treasury shares	(2,040)
Investment securities	3,767	Valuation and translation adjustments:	1,716
Shares of subsidiaries and associates	3,173	Valuation difference on available-for-sale securities	1,716
Investments in capital of subsidiaries and associates	849	Share acquisition rights	513
Long-term loans receivable from subsidiaries and associates	3,693		
Prepaid pension cost	132	Total net assets	18,358
Other	197		
Total Assets	38,508	Total Liabilities and Net Assets	38,508

Non-consolidated Statement of Income

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account title	Amount
Net sales	35,584
Cost of sales	28,712
Gross profit	6,871
Selling, general and administrative expenses	4,686
Operating income	2,185
Non-operating income:	2,851
Interest income	71
Dividend income	2,639
Foreign exchange gain	48
Insurance income	49
Other	42
Non-operating expenses:	236
Interest expenses	112
Loss on sale of notes payable	63
Provision of allowance for doubtful accounts	20
Other	41
Ordinary income	4,800
Extraordinary losses:	0
Loss on retirement of non-current assets	0
Profit before taxes	4,800
Corporate, inhabitant and enterprise taxes	530
Deferred taxes	(18)
Net income	4,287

Non-consolidated Statement of Changes in Equity

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity					
	Share capital	Capital surplus		Legal retained earnings	Retained earnings	
		Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance as of April 1, 2021	12,345	–	–	491	9,065	9,556
Change during the fiscal year						
Cash dividends paid				159	(1,759)	(1,599)
Net income					4,287	4,287
Purchase of treasury shares						
Disposal of treasury shares					(66)	(66)
Retirement of treasury shares					(6,355)	(6,355)
Changes in items other than shareholders' equity during the fiscal year (net)						
Total change during the fiscal year	–	–	–	159	(3,893)	(3,734)
Balance as of March 31, 2022	12,345	–	–	651	5,171	5,822

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2021	(4,371)	17,530	1,950	1,950	623	20,104
Change during the fiscal year						
Cash dividends paid		(1,599)				(1,599)
Net income		4,287				4,287
Purchase of treasury shares	(4,312)	(4,312)				(4,312)
Disposal of treasury shares	288	222				222
Retirement of treasury shares	6,355					
Changes in items other than shareholders' equity during the fiscal year (net)			(233)	(233)	(109)	(343)
Total change during the fiscal year	2,331	(1,402)	(233)	(233)	(109)	(1,746)
Balance as of March 31, 2022	(2,040)	16,127	1,716	1,716	513	18,358

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Report

May 12, 2022

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC
Niigata Office

Eiichi Shimizu
Designated Limited Partner and Operating Partner
Certified Public Accountant

Hiroyuki Ishii
Designated Limited Partner and Operating Partner
Certified Public Accountant

Auditor's Opinion

We have audited, pursuant to Article 444, paragraph (4) of the Companies Act of Japan, the consolidated financial statements, which consist of the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements of Tsugami Corporation (the "Company") for the consolidated fiscal year from April 1, 2021 to March 31, 2022.

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with the accounting standards presented in the provisions of the second sentence of Article 120, paragraph (1) of the Regulations on Corporate Accounting which prescribe some omissions of disclosure items required under the designated International Financial Reporting Standards, present fairly, in all material respects, the financial position and the results of operations of the Company and its consolidated subsidiaries for the period for which the consolidated financial statements were prepared.

Basis for Auditor's Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility as an auditor is set out under "Auditor's Responsibility in Auditing Consolidated Financial Statements." In accordance with Japanese regulations on professional ethics, we are independent of the Company and its consolidated subsidiaries, and fulfill our other ethical obligations as independent auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the Company's business report and its supplemental schedule. Management is responsible for the preparation and disclosure of the other information. In addition, the responsibility of the Audit and Supervisory Committee is to oversee directors' execution of duties in preparing and operating the reporting processes of the other information.

Our audit opinion on the consolidated financial statements does not cover the other information, and we do not provide an opinion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibility of Management and the Audit and Supervisory Committee in Relation to the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards presented in the provisions of the second sentence of Article 120, paragraph (1) of the Regulations on Corporate Accounting which prescribe some omissions of disclosure items required under the designated International Financial Reporting Standards, and for the development and implementation 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, the management is responsible for deciding whether it is appropriate to prepare consolidated financial statements with the premise of a going concern and to disclose matters relating to the ability to continue as a going concern, if required based on the accounting standards presented in the provisions of the second sentence of Article 120, paragraph (1) of the Regulations on Corporate Accounting which prescribe some omissions of disclosure items required under the designated International Financial Reporting Standards.

The responsibility of the Audit and Supervisory Committee is to oversee directors' execution of duties in preparing and operating financial reporting processes.

Auditor's Responsibility in Auditing Consolidated Financial Statements

The Auditor's responsibility is to express an opinion from an independent perspective in the Audit Report on the consolidated financial statements based on our audit. As Auditor we are required to perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may occur due to fraud or error. Misstatements are determined to be material if, singly or collectively, they are reasonably expected to affect the decision-making of users of the consolidated financial statements.

Audits are performed in accordance with auditing standards generally accepted in Japan. In the process of performing such audits, the Auditor makes professional judgments and performs the following while maintaining an attitude of professional skepticism.

- Identify and assess risks of material misstatement due to fraud or error. Also, design and implement audit procedures in response to risks of material misstatement. The selection and application of audit procedures will be at the Auditor's discretion. The Auditor must also obtain sufficient and appropriate audit evidence as a basis for expressing an opinion.
- While the objective of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Company's internal control, when performing risk assessment, the Auditor must consider audit-related internal control to design audit procedures that are appropriate to the circumstances.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the validity of the footnotes of the consolidated financial statements.
- Arrive at a conclusion regarding the appropriateness of management preparing consolidated financial statements with a going concern premise, and whether, based on obtained audit evidence, there are any material uncertainty exists regarding matters or circumstances that may cast substantial doubt on the going concern premise. If material uncertainty regarding the going concern premise is found to exist, the Auditor is required to draw attention in the Audit Report to the related notes to the consolidated financial statements. If a footnote entry on material

uncertainty regarding the going concern premise in the consolidated financial statements is not appropriate, the Auditor is required to express a qualified opinion on the consolidated financial statements. The Auditor's conclusions are based on audit evidence obtained on or before the Audit Report date, but the risk remains that the company is unable to survive as a going concern due to matters or circumstances in the future.

- The Auditor must evaluate whether the representations and footnotes in the consolidated financial statements are in accordance with the accounting standards presented in the provisions of the second sentence of Article 120, paragraph (1) of the Regulations on Corporate Accounting which prescribe some omissions of disclosure items required under the designated International Financial Reporting Standards and whether the representations, composition, and content of the consolidated financial statements (including related footnotes) and the consolidated financial statements themselves present fairly the transactions and accounting matters on which they are based.
- The Auditor must obtain sufficient and appropriate audit evidence relating to the financial information of the Company and its consolidated subsidiaries necessary to express an opinion on the consolidated financial statements. The Auditor is responsible for instructions for, and supervision and implementation of, the auditing of consolidated financial statements. The Auditor is solely responsible for its audit opinion.

The Auditor must report to the Audit and Supervisory Committee the scope and schedule of the planned audit, material findings of the audit (including material internal control irregularities detected during the audit), and any other matters required in accordance with auditing standards.

The Auditor must report to the Audit and Supervisory Committee that it has complied with Japanese regulations on professional ethics regarding independence, any matters that may reasonably be considered to affect the independence of the Auditor, and safeguards (if any) to remove or mitigate any obstacles to independence.

Conflicts of Interest

Neither the Auditor nor its engagement partners have any interest in the Company or its consolidated subsidiaries that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Accounting Audit Report on Non-consolidated Financial Statements

Independent Auditors' Report

May 12, 2022

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC
Niigata Office

Eiichi Shimizu
Designated Limited Partner and Operating Partner
Certified Public Accountant

Hiroyuki Ishii
Designated Limited Partner and Operating Partner
Certified Public Accountant

Auditor's Opinion

We have audited, pursuant to Article 436, paragraph (2), item 1 of the Companies Act of Japan, the non-consolidated financial statements, namely the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, notes to non-consolidated financial statements and the related supplementary schedules (the "Non-consolidated Financial Statements, etc."), of Tsugami Corporation (the "Company") for the 119th fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the Non-consolidated Financial Statements, etc. referred to above present fairly, in all material respects, the state of assets and the state of profit and loss of the Company for the accounting period covered by the Non-consolidated Financial Statements, etc. in conformity with business accounting standards generally accepted in Japan.

Basis for Auditor's Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility as an auditor is set out under "Auditor's Responsibility in Auditing the Non-consolidated Financial Statements, Etc." In accordance with Japanese regulations on professional ethics, we are independent of the Company, and fulfill our other ethical obligations as independent auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the Company's business report and its supplemental schedule. Management is responsible for the preparation and disclosure of the other information. In addition, the responsibility of the Audit and Supervisory Committee is to oversee directors' execution of duties in preparing and operating the reporting processes of the other information.

Our audit opinion on the Non-consolidated Financial Statements, etc. does not cover the other information, and we do not provide an opinion on the other information.

In connection with our audit of the Non-consolidated Financial Statements, etc., our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Non-consolidated Financial Statements, etc. or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibility of Management and the Audit and Supervisory Committee in Relation to the Non-consolidated Financial Statements, Etc.

Management is responsible for preparing and appropriately presenting the Non-consolidated Financial Statements, etc. in compliance with business accounting standards generally accepted in Japan. This includes the development and operation of internal control which management deems necessary for preparing and appropriately presenting the Non-consolidated Financial Statements, etc. that do not have material misstatements due to fraud or error.

In preparing the Non-consolidated Financial Statements, etc., the management is responsible for deciding whether it is appropriate to prepare the Non-consolidated Financial Statements, etc. with the premise of a going concern and to disclose matters relating to the ability to continue as a going concern, if required, pursuant to business accounting standards generally accepted in Japan.

The responsibility of the Audit and Supervisory Committee is to oversee directors' execution of duties in preparing and operating financial reporting processes.

Auditor's Responsibility in Auditing the Non-consolidated Financial Statements, Etc.

The Auditor's responsibility is to express an opinion from an independent perspective in the Audit Report on the Non-consolidated Financial Statements, etc. based on our audit. As Auditor we are required to perform the audit to obtain reasonable assurance that the Non-consolidated Financial Statements, etc. are free from material misstatement. Misstatements may occur due to fraud or error. Misstatements are determined to be material if, singly or collectively, they are reasonably expected to affect the decision-making of users of the Non-consolidated Financial Statements, etc.

Audits are performed in accordance with auditing standards generally accepted in Japan. In the process of performing such audits, the Auditor makes professional judgments and performs the following while maintaining an attitude of professional skepticism.

- Identify and assess risks of material misstatement due to fraud or error. Also, design and implement audit procedures in response to risks of material misstatement. The selection and application of audit procedures will be at the Auditor's discretion. The Auditor must also obtain sufficient and appropriate audit evidence as a basis for expressing an opinion.
- While the objective of the audit of the Non-consolidated Financial Statements, etc. is not to express an opinion on the effectiveness of the Company's internal control, when performing risk assessment, the Auditor must consider audit-related internal control to design audit procedures that are appropriate to the circumstances.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the validity of the footnotes of the Non-consolidated Financial Statements, etc.
- Arrive at a conclusion regarding the appropriateness of management preparing the Non-consolidated Financial Statements with a going concern premise, and whether, based on obtained audit evidence, there are any material uncertainty exists regarding matters or circumstances that may cast substantial doubt on the going concern premise. If material uncertainty regarding the going concern premise is found to exist, the Auditor is required to draw attention in the Audit Report to the related notes to the Non-consolidated Financial Statements, etc. If a footnote entry on material uncertainty regarding the going concern premise in the Non-consolidated Financial Statements, etc. is not appropriate, the Auditor is required to express a qualified opinion on the Non-consolidated Financial Statements, etc. The Auditor's conclusions are based on audit evidence obtained on or before the Audit Report

date, but the risk remains that the company is unable to survive as a going concern due to matters or circumstances in the future.

- The Auditor must evaluate whether the representations and footnotes in the Non-consolidated Financial Statements, etc. are in accordance with business accounting standards generally accepted in Japan, and whether the representations, composition, and content of the Non-consolidated Financial Statements, etc. (including related footnotes) and the Non-consolidated Financial Statements, etc. themselves present fairly the transactions and accounting matters on which they are based.

The Auditor must report to the Audit and Supervisory Committee the scope and schedule of the planned audit, material findings of the audit (including material internal control irregularities detected during the audit), and any other matters required in accordance with auditing standards.

The Auditor must report to the Audit and Supervisory Committee that it has complied with Japanese regulations on professional ethics regarding independence, any matters that may reasonably be considered to affect the independence of the Auditor, and safeguards (if any) to remove or mitigate any obstacles to independence.

Conflicts of Interest

Neither the Auditor nor its engagement partners have any interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Audit Report by the Audit and Supervisory Committee

Audit Report

The Audit and Supervisory Committee has audited the execution of duties by the Directors during the 119th fiscal year from April 1, 2021 to March 31, 2022.

1. Methods and Contents of the Audit by the Audit and Supervisory Committee

The Audit and Supervisory Committee regularly received reports on Board of Directors resolutions related to the provisions of Article 399-13, paragraph (1), item (i) (b) and (c) of the Companies Act, and the development and operation of a system established in accordance with the resolutions (internal control system) from Directors and employees, etc., requested explanations as needed, and expressed its opinions. At the same time, the committee carried out an audit in a way described below:

- (i) Following the audit policy, sharing of duties, etc. set by the Audit and Supervisory Committee, the members of the committee collaborated with the Company's internal control division, attended important meetings, received reports from Directors, employees and other sources on the execution of their duties, etc., requested explanations as needed, viewed important documents on decisions, and studied the state of operations and assets at Tsugami Corporation and its principal offices. With respect to subsidiaries, the Audit and Supervisory Committee sought to communicate and exchange information with their Directors and Statutory Auditors and received from subsidiaries reports on their operation as needed.
- (ii) The Audit and Supervisory Committee monitored the audit by the Independent Auditors and verified their independence and proper execution of the audit. The committee received reports from the Independent Auditors on their execution of duties and requested explanations as needed. In addition, the Audit and Supervisory Committee received from the Independent Auditors a notice stating that they were developing a "system for ensuring proper duty execution" (items prescribed in respective paragraphs of Article 131 of the Regulations on Corporate Accounting) in accordance with "Quality Control Standards for Auditing" (Business Accounting Council Standard issued on October 28, 2005) etc. and requested explanations as needed.

Based on the aforementioned methods, the Audit and Supervisory Committee examined the Company's business report and its supplementary schedules, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and their supplementary schedules, and consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal year under review.

2. Results of the Audit

(1) Results of the audit of the business report and its supplementary schedules

- (a) The business report and its supplementary schedules present fairly the state of the Company in conformity with the relevant laws and the Articles of Incorporation.
- (b) No misconduct or material fact contrary to the relevant laws or the Articles of Incorporation has been found with respect to the execution of Directors' duties.
- (c) The contents of Board of Directors resolutions on the internal control system are fair and reasonable. No item requiring special mention has been found with respect to the contents of the Business Report and the execution of Directors' duties concerning said internal control system.

(2) Results of the audit of non-consolidated financial statements and their supplementary schedules

The methods and results of the audit conducted by Ernst & Young ShinNihon LLC, Independent Auditors, are fair and reasonable.

(3) Results of the audit of consolidated financial statements

The methods and results of the audit conducted by Ernst & Young ShinNihon LLC, Independent Auditors, are fair and reasonable.

May 12, 2022

The Audit and Supervisory Committee
Tsugami Corporation

Tomoko Takahashi
Standing Audit and Supervisory Committee
Member

Yoshimi Takeuchi
Audit and Supervisory Committee Member

Kenyu Adachi
Audit and Supervisory Committee Member

Kunio Shimada
Audit and Supervisory Committee Member

Michiyo Yamamiya
Audit and Supervisory Committee Member

(Note) The Audit and Supervisory Committee Members Yoshimi Takeuchi, Kenyu Adachi, Kunio Shimada and Michiyo Yamamiya are outside directors stipulated in Article 2, item (xv) and Article 331, paragraph (6) of the Companies Act.

Reference Materials for the Annual Shareholders Meeting

Item 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendment

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.

- (1) Article 14, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (2) Article 14, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 14 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

2. Provisions to Be Amended

The provisions to be amended are as follows.

(The underlined parts show the amendments.)

Current Provisions of Articles of Incorporation	Proposed Amendments
<p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u> <u>Article 14: When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements through the internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u></p>	<p>(Deleted)</p>

Current Provisions of Articles of Incorporation	Proposed Amendments
<p data-bbox="373 271 571 297">(New provisions)</p> <p data-bbox="373 958 571 985">(New provisions)</p>	<p data-bbox="788 271 1297 338"><u>(Measures, etc. for Providing Information in Electronic Format)</u></p> <p data-bbox="788 349 1372 584"><u>Article 14: When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p data-bbox="885 595 1406 947"><u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> <p data-bbox="885 958 1203 985"><u>(Supplementary Provisions)</u></p> <p data-bbox="788 996 1406 1391"><u>Article 36: The amendment to the Articles of Incorporation pertaining to Article 14 shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the "Date of Enforcement")</u></p> <p data-bbox="885 1402 1406 1753"><u>2. Notwithstanding the provision of the preceding paragraph, Article 14 of the Articles of Incorporation (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p data-bbox="885 1765 1406 2000"><u>3. This Article shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Item 2: Election of Five Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)
The terms of office for all five Directors (excluding Directors who are Audit and Supervisory Committee Members; the same applies hereinafter in this item) shall expire at the close of this Annual Shareholders Meeting.

We therefore propose the election of five Directors (including two Outside Directors).

This proposal has been deliberated by the Nomination Committee, where a majority of members are independent Outside Directors, and the Audit and Supervisory Committee judges that all the director candidates are qualified.

The five candidates for the position of Director are as follows:

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
1	Junichi Hyakuya (April 27, 1954) [New election]	Apr. 2010 Executive Analyst of Sumitomo Mitsui Asset Management Company, Limited (now Sumitomo Mitsui DS Asset Management Company, Limited)	0
		Apr. 2015 Research Fellow of Sumitomo Mitsui Asset Management Company, Limited (now Sumitomo Mitsui DS Asset Management Company, Limited)	
		Feb. 2020 Director and Senior Analyst of Tokyo Branch of Millennium Capital Management Asia Limited	
		Jan. 2022 Executive Advisor of the Company	
		Apr. 2022 CFO of the Company (current position)	
(Reason for nomination as candidate for Director) Junichi Hyakuya has worked for securities companies and asset management companies as an analyst, etc. for many years and gained extensive knowledge of economics and business management. The Company would like to take advantage of his experience and insight for the Group's sustainable growth and improvement of its corporate value and has nominated him as candidate for Director.			
2	Motoi Yamada (January 13, 1963) [New election]	Apr. 1985 Joined Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.)	0
		June 2019 Director, Head of the Niigata Branch of Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.)	
		Jan. 2021 Managing Executive Officer and Head of the Niigata Branch of Daishi Hokuetsu Bank, Ltd.	
		June 2021 Vice President and Representative Director of The Daishi JCB Card Co., Ltd. and Vice President and Representative Director of The Daishi DC Card Co., Ltd.	
		Apr. 2022 Senior Advisor and General Manager assigned to the administration of the Company (current positions)	
(Reason for nomination as candidate for Director) Motoi Yamada has extensive work experience in financial institutions for many years and has gained deep insight in economic trends and business management. The Company would like to take advantage of his experience and insight for the Group's sustainable growth and improvement of its corporate value and has nominated him as candidate for Director.			

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held	
3	Donglei Tang (November 27, 1962)	Nov. 2005	Joined the Company	3,500
		June 2010	Director, Managing Executive Officer in Charge of China Operations Vice Chairman and CEO of Precision Tsugami (China) Corporation	
		Feb. 2017	Vice Chairman and CEO of Precision Tsugami (China) Corporation Director of Precision Tsugami (Hong Kong) Limited (current position) Executive Director of Precision Tsugami (China) Corporation Limited	
		June 2018	Director and Senior Advisor of the Company (current position)	
		Apr. 2022	Chairman and CEO of Precision Tsugami (China) Corporation (current position) Executive Director, Chairman & CEO of Precision Tsugami (China) Corporation Limited (current position)	
(Reason for nomination as candidate for Director) Donglei Tang has been involved in the management of the Company's overseas subsidiaries for many years and contributed to global business expansion. The Company judges that his extensive experience and deep insight are essential for the Group's sustainable growth and improvement of its corporate value and has once again nominated him as a candidate for Director.				
4	Ken Kubo (November 20, 1953) [Outside Director]	Apr. 1977	Joined the Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation)	0
		Nov. 2009	President and CEO of Promise Co. Ltd. (now SMBC Consumer Finance Co., Ltd.)	
		Apr. 2013	Deputy President and Executive Officer of Sumitomo Mitsui Financial Group, Inc. Deputy President and Executive Officer of Sumitomo Mitsui Banking Corporation	
		June 2013	Director of Sumitomo Mitsui Financial Group, Inc.	
		June 2015	President and CEO of Sumitomo Mitsui Card Co., Ltd.	
		Apr. 2019	Special Advisor (current position)	
		June 2020	Outside Director of the Company (current position)	
(Reason for nomination as candidate for Outside Director and overview of the role expected) Ken Kubo has worked for financial institutions for many years and has also gained extensive experience and deep insight as corporate manager. The Company expects that he will draw on this experience to exercise supervision over the performance of duties by Directors and give advice from a specialist perspective especially with regard to finance and business management and has once again nominated him as candidate for Outside Director.				

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held	
5	Koichi Maruno (July 29, 1956) [Outside Director]	Apr. 1980	Joined the Daiichi Mutual Life Insurance Company (now The Dai-ichi Life Insurance Company, Limited)	0
		Mar. 2015	Outside Auditor of SHIZUOKA GAS Co., Ltd. (current position)	
		Oct. 2016	Senior Managing Executive Officer of Dai-ichi Life Holdings, Inc.	
		Oct. 2016	Director, Senior Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited	
		Apr. 2017	Representative Director, President of The Dai-ichi Life Research Institute Inc. (current position)	
		June 2018	Outside Director (Audit and Supervisory Committee Member) of the Company	
		June 2020	Outside Director (current position)	
(Reason for nomination as candidate for Outside Director and overview of the role expected) Koichi Maruno has worked for life insurance companies for many years and has extensive knowledge of economics and business management. The Company expects that he will draw on this experience to exercise supervision over the performance of duties by Directors and give advice from a specialist perspective especially with regard to economic trends and business management and has once again nominated him as candidate for Outside Director.				

- Notes:
1. Ken Kubo is a candidate for Outside Director and he served as Director of Sumitomo Mitsui Financial Group, Inc. until April 2015. Its affiliate, Sumitomo Mitsui Banking Corporation, is one of the Company's main financial institutions. Mr. Kubo is currently an Outside Director of the Company and his term of office as Outside Director is two years at the close of this Annual Shareholders Meeting.
 2. Koichi Maruno is a candidate for Outside Director and he served as Director of The Dai-ichi Life Insurance Company, Limited until March 2017. The Company has entered into insurance contracts mainly for corporate pension insurance with The Dai-ichi Life Insurance Company, Limited but the amount of these contracts is within the normal business range. Mr. Maruno is currently an Outside Director of the Company and his term of office as Outside Director who is an Audit and Supervisory Committee Member is two years at the close of this Annual Shareholders Meeting, while his term of office as Outside Director (who is not an Audit and Supervisory Committee Member) is two years.
 3. No special interest exists between the Company and any of the other candidates for the position of Director.
 4. In accordance with the provisions provided in Article 427, paragraph (1) of the Companies Act, the Company has concluded contracts with Outside Directors Ken Kubo and Koichi Maruno to limit their liability for damages as stipulated in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages based on the above contracts is the minimum liability amount set forth in the laws and regulations. If the election of Mr. Kubo and Mr. Maruno are approved, the Company will renew this agreement.
 5. The Company has concluded a directors' and officers' liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act and an outline of the details of this contract is as described on page 13 of the business report. If the election of the candidates for Director is approved, the Directors will continue to be included in the insured persons under the insurance contract. The Company plans to renew the insurance contract with the same content at next renewal.

Item 3: Election of Four Directors Who Are Audit and Supervisory Committee Members

The terms of office for four Directors who are Audit and Supervisory Committee Members shall expire at the close of this Annual Shareholders Meeting. We therefore propose the election of four Directors (four Outside Directors) who are Audit and Supervisory Committee Members.

This proposal has been deliberated by the Nomination Committee, where a majority of members are independent Outside Directors, and the consent of the Audit and Supervisory Committee has been obtained.

The candidates for the position of Director who is an Audit and Supervisory Committee Member are as follows:

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
1	Yoshimi Takeuchi (August 21, 1948) [Outside Director] [Independent officer]	Jan. 1978 Assistant Professor at Kyushu Institute of Technology	0
		Jan. 1988 Professor at the University of Electro-Communications	
June 2002 Professor at the Graduate school of Engineering Science, Osaka University			
Sep. 2011 Professor at the College of Engineering, Chubu University			
Honorary Professor at Osaka University (current position)			
Apr. 2017 Vice-President of Chubu University			
Apr. 2019 Advisor to the Chancellor and Professor at Chubu University			
June 2020 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)			
Apr. 2021 President of Chubu University (current position)			
(Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of the role expected) Mr. Yoshimi Takeuchi has been involved in research into machine tools and production and machining systems for many years and he is also very familiar with areas related to the Company's business. The Company expects that he will exercise supervision and give advice on the performance of duties by Directors on this basis, and accordingly has nominated him once again as a candidate for Director who is an Audit and Supervisory Committee Member.			
2	Kenyu Adachi (July 27, 1952) [Outside Director] [Independent officer]	Apr. 1977 Joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry (METI))	0
		July 2007 Director-General of Trade and Economic Cooperation Bureau, METI	
July 2008 Director-General of Minister's Secretariat, METI			
July 2010 Director-General of Economic and Industrial Policy Bureau, METI			
Aug. 2011 Vice-Minister of Economy, Trade and Industry			
June 2014 Outside Director of Asahi Kasei Corporation			
Outside Director of Toyo Engineering Corporation			
June 2016 President of the Shoko Chukin Bank, Ltd.			
June 2020 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)			
June 2021 Outside Director of Japan Alcohol Trading CO., LTD (current position)			
(Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of the role expected) Mr. Kenyu Adachi has many years of experience and deep insight in relation to all industry sectors including the machine tools industry in which the Company operates. The Company expects that he will exercise supervision and give advice on the performance of duties by Directors on this basis, and accordingly has nominated him once again as a candidate for Outside Director who is an Audit and Supervisory Committee Member.			

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
3	Kunio Shimada (August 16, 1959) [Outside Director] [Independent Officer]	Apr. 1986 Registered as an attorney in Tokyo Oct. 1991 Registered as an attorney in New York State Jul. 2010 Representative Partner of Shimada Hamba & Osajima (current position) Apr. 2011 Outside Director of the Company Nov. 2013 Supervisory Officer of Hulic Reit, Inc. (current position) June 2018 Outside Director (Audit and Supervisory Committee Member) of the Company (current position) June 2021 Outside Director of TOKYU CORPORATION (current position)	0
(Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of the role expected) Mr. Kunio Shimada has extensive experience and deep insight as an attorney and he is also familiar with corporate law and has a great deal of knowledge of business management in general. The Company expects that he will exercise supervision and give advice on the performance of duties by Directors on this basis, and accordingly has nominated him once again as a candidate for Outside Director who is an Audit and Supervisory Committee Member.			
4	Michiyo Yamamiya (July 26, 1969) [Outside Director] [Independent Officer]	Apr. 1998 Registered as an attorney in Tokyo Sep. 2005 Registered as an attorney in New York State Jul. 2010 Joined Tanabe & Partners Jan. 2011 Partner at Tanabe & Partners (current position) June 2021 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)	0
(Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of the role expected) Ms. Michiyo Yamamiya has extensive experience and deep insight as an attorney and she is also familiar with corporate law and has a great deal of knowledge of business management in general. The Company expects that she will exercise supervision and give advice on the performance of duties by Directors on this basis, and accordingly has nominated her once again as a candidate for Outside Director who is an Audit and Supervisory Committee Member.			

- Notes:
- No special interest exists between the Company and any of the candidates for the position of Director.
 - Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, Mr. Kunio Shimada, and Ms. Michiyo Yamamiya are currently Outside Directors who are Audit and Supervisory Committee Members of the Company and the term of office of Mr. Kunio Shimada as Outside Director who is not an Audit and Supervisory Committee Member is seven years at the close of this Annual Shareholders Meeting, while his term of office as Outside Director who is an Audit and Supervisory Committee Member is four years. The terms of office of Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, and Ms. Michiyo Yamamiya as Outside Directors who are Audit and Supervisory Committee Members are two years.
 - In accordance with the provisions provided in Article 427, paragraph (1) of the Companies Act, the Company has concluded contracts with Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, Mr. Kunio Shimada, and Ms. Michiyo Yamamiya to limit their liability for damages as stipulated in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages based on the above contracts is the minimum liability amount set forth in the laws and regulations. If the reelection of Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, Mr. Kunio Shimada, and Ms. Michiyo Yamamiya is approved, the Company will renew this agreement.
 - The Company has concluded a directors' and officers' liability insurance contract with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act and an outline of the details of this contract is as described on page 13 of the business report. If the election of the candidates for Director who is an Audit and Supervisory Committee Member is approved, they will continue to be included in the insured persons under the insurance contract. The Company plans to renew the insurance contract with the same content at next renewal.
 - The Company designated Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, Mr. Kunio Shimada, and Ms. Michiyo Yamamiya as independent officers pursuant to the provisions of the Tokyo Stock Exchange (TSE) and registered them with the TSE. If their reappointment is approved, the Company will continue to designate them as independent officers.

(Reference)

The principal expertise and experience of the candidates for the position of Director are as follows.

The table below of the composition of the Board of Directors is prepared on the assumption that all the proposals regarding appointment of Directors are approved as originally proposed at this Annual Shareholders Meeting.

	Planning & management	Industry knowledge	International experience	Sales, marketing	Technology, R&D	Legal affairs	Financial accounting
Junichi Hyakuya		●					●
Motoi Yamada						●	●
Donglei Tang		●	●	●	●		
Ken Kubo	●		●	●			●
Koichi Maruno	●		●	●			●
*Tomoko Takahashi (Audit and Supervisory Committee Member)		●				●	
Yoshimi Takeuchi (Audit and Supervisory Committee Member)		●	●		●		
Kenyu Adachi (Audit and Supervisory Committee Member)	●		●			●	
Kunio Shimada (Audit and Supervisory Committee Member)			●			●	
Michiyo Yamamiya (Audit and Supervisory Committee Member)			●			●	

* Ms. Tomoko Takahashi was elected as a Director (Audit and Supervisory Committee Member) at the 118th Annual Shareholders Meeting held on June 16, 2021 and assumed the position thereafter (the term of office is two years).