[Translation]
Stock code: 6101
May 27, 2021

To our shareholders,

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

Notice of the 118th Annual Shareholders Meeting

You are cordially invited to attend the 118th 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 COVID-19 infections, 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 proxy card, affix your seal and return it to us no later than 5:30 p.m. on Tuesday, June 15, 2021.

[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 proxy card, 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 15, 2021.
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 am, Wednesday, June 16, 2021

2. Venue Sakura-no-ma, third floor of Hotel New Otani Nagaoka
2-8-35 Daimachi, Nagaoka, Niigata Prefecture
(Please note that the location for this year's meeting is different from that of last year.)

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 118th term, from April 1, 2020 to March 31, 2021, will be reported at the meeting.
2 The Non-Consolidated Financial Statements for the 118th term, from April 1, 2020 to March 31, 2021, will be reported at the meeting.

Items to be resolved

Item 1: Appointment of Five Directors (Other Than Directors Who Are Members of the Audit and Supervisory Committee)

Item 2: Appointment of a Director Who is a Member of the Audit and Supervisory Committee

Item 3: Determination of amounts of compensation for allotment of restricted stock to Directors (excluding Directors who are Audit & Supervisory Committee members and Outside Directors)

If attending the meeting in person, please present the enclosed proxy card 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.

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 proxy card 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, smartphone or mobile phone (i-mode, EZweb, Yahoo! Keitai)*. (However, the site is not available from 2:00 a.m. to 5:00 a.m. each day.)

* "i-mode," "EZweb" and "Yahoo!" are the trademark or registered trademark of NTT DOCOMO, INC., KDDI CORPORATION, and Yahoo! Inc. of America, respectively.

(2) You may not exercise the voting rights through a personal computer or smartphone 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 a proxy server is used, and if TLS encryption communication is not designated.

(3) When you use a mobile phone in exercise of your voting rights, you are required to use any of the following services: i-mode, EZweb or Yahoo! Keitai. In addition, for the security purposes, you may not exercise your voting rights with any mobile phone on which neither TLS communication encryption nor transmission of mobile phone data is available.

(4) You can exercise your voting rights online no later than 5:30 p.m. on Tuesday, June 15, 21. 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 or mobile phone

- On the website for exercise of voting rights, please enter the login ID and temporary password printed on the proxy card 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 proxy card 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 log in 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 or mobile phone.
  *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 in writing 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. In addition, if you exercise your voting rights redundantly using more than one means from a personal computer, smartphone and mobile phone, 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). In addition, if you use a mobile phone, etc., fees for packet communication and other mobile phones services will be charged, which you are also required to bear.

5. Method for receiving notice of the shareholders meeting

You can receive the notice of the shareholders meeting by e-mail next time. If you would like to receive the notice by e-mail, please perform the procedure on the website for exercise of voting rights using a personal computer or a smartphone. (You cannot perform this procedure with a non-smartphone.)

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)

(Attachment)

Business Report

(From April 1, 2020 to March 31, 2021)

1. Current Status of the Group

(1) Business Performance for the Fiscal Year Ended March 31, 2021

(i) Business Progress and Results

During the fiscal year under review, markets in Japan and overseas continued to be in an adjustment phase amid the impact of COVID-19 and other factors. From the middle of the year onwards, orders received are rallying, reflecting a recovery of demand, primarily in China.

As a result, consolidated revenue for the fiscal year under review increased 25.0% year on year, to ¥61,662 million.

Consolidated revenue in Japan declined 37.4%, to ¥6,129 million. Consolidated exports increased 40.5%, to ¥55,532 million. The export ratio rose 10.0%, to 90.1%.

A breakdown of consolidated revenue by machinery category shows that revenue of mainstay automatic lathes rose 33.2% year on year, to ¥51,810 million, revenue of grinding machines decreased 28.8%, to ¥2,489 million, revenue of machining centers, rolling machines and other specialized machines increased 21.5%, to ¥4,096 million.

Consolidated operating profit increased 109.5% year on year, to ¥9,533 million. Consolidated profit attributable to owners of parent climbed 145.7%, to ¥4,917 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*
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 ¥2,456 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

(Million yen)

Category	115th term ended March 31, 2018	116th term ended March 31, 2019		117th term ended March 31, 2020	118th term ended March 31, 2021
	Japanese GAAP	Japanese GAAP	IFRS	IFRS	IFRS
Net sales or Revenue	57,576	67,447	68,486	49,310	61,662
Ordinary income or Profit before tax	6,510	10,154	10,384	4,259	9,459
Net income attributable to shareholders of parent or Profit attributable to owners of parent	4,171	6,033	6,192	2,001	4,917
Net income per share or Basic earnings per share	74.71 yen	114.94 yen	117.98 yen	38.60 yen	95.21 yen
Total assets	62,362	64,217	69,692	61,860	79,278
Net assets or Total equity	37,516	40,065	40,072	39,073	46,836
Net asset per share or Equity attributable to owners of parent per share	585.58 yen	632.63 yen	641.69 yen	628.14 yen	751.14 yen

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 yen	100.0	Inspections and maintenance of buildings and facilities of factories, and non-life insurance agency operations
Precision Tsugami (China) Corporation Limited	380 million Hong Kong dollar	70.9	Holding company
Precision Tsugami (Hong Kong) Limited	767 million Hong Kong dollar	100.0 (100.0)	Holding company
Precision Tsugami (China) Corporation	517 million yuan	100.0 (100.0)	Manufacturing and sales of machine tools
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	35 million yuan	100.0 (100.0)	Manufacturing and sales of machine tool castings
Precision Tsugami (Anhui) Corporation	150 million yuan	100.0 (100.0)	Manufacturing and sales of machine tools and metal castings
TSUGAMI KOREA Co., Ltd.	1,000 million won	100.0	Sales of machine tools
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	495 million Indian rupee	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. TSU GAMI MACHINERY CO., LTD. was excluded from the list of principal subsidiaries as a result of its merger with the Company as of October 1, 2020.

(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, the IT market, which includes more sophisticated HDDs, smart phones and the medical care market.

(ii) Business strategies targeting growth regions

The Group will continues 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) Strengthening sustainability initiatives

The Group recognizes that sustainability is an important management issue and has established the Sustainability Committee in April 2021. 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.

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, 2021)

Manufacturing and sale of precision machine tools

(6) Main Offices and Factories (as of March 31, 2021)

(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
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, 2021)

(i) Employees of the Tsugami Group

Number of employees	Change from the end of the previous term
2,586 (92)	Up 363 (Down 3)

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 363 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
496 (76)	Up 45 (Down 4)	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, 2021)

Lender	Outstanding loan amount
Sumitomo Mitsui Banking Corporation	¥2,500 million
MUFG Bank, Ltd.	¥2,200 million
Mizuho Bank, Ltd.	¥1,300 million
Daishi Hokuetsu Bank, Ltd.	¥1,200 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 stock 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 ¥26 per share, an interim dividend of ¥12, and a year-end dividend of ¥14, in the fiscal year ended March 31, 2021.

The Company plans to pay an annual dividend of ¥28 per share, an interim dividend of ¥14 and a year-end dividend of ¥14, in the fiscal year ending March 31, 2022.

2. Current Status of the Company

(1) Shares (as of March 31, 2021)

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

(ii) Number of shares outstanding: 55,000,000

(iii) Number of shareholders: 8,585

(iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	3,907	7.67
THE BANK OF NEW YORK MELLON 140051	2,579	5.06
Daishi Hokuetsu Bank, Ltd.	2,184	4.29
The Dai-ichi Life Insurance Company, Limited	2,100	4.12
THE BANK OF NEW YORK 133652	1,897	3.72
Custody Bank of Japan, Ltd. (trust account)	1,894	3.72
J.P. MORGAN CHASE BANK 385632	1,875	3.68
Sumitomo Mitsui Banking Corporation	1,516	2.97
Tsugami Customers' Shareholding Association	1,063	2.08
DAIKIN INDUSTRIES, LTD.	717	1.40

Notes 1. In calculating the ratio of holdings, treasury stock was excluded. The ratio was rounded down to the second decimal place.

2. Although the Company holds 4,105 thousand shares of treasury stock, it is excluded from the list of major shareholders.

3. Daishi Hokuetsu Bank, Ltd. is the surviving entity in the merger as of January 1, 2021 of Daishi Bank, Ltd. and Hokuetsu Bank, Ltd.

[Reference]

Matters regarding shares held by the Company (as of March 31, 2021)

(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 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 the issuer conducts anti-social behavior and whether the issuer downgrades shareholder value.

(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	¥4,093 million

Note. The ratio of the total amount on the balance sheet shown above to total equity (¥46,836 million) in the consolidated statement of financial position as of March 31, 2021 was 8.74%.

Status of Share Acquisition Rights, etc.

(i) Status of share acquisition rights held by officers (as of March 31, 2021)

<table>
<tr><td colspan="3">Date of resolution to issue share acquisition rights</td><td>June 24, 2005</td><td>June 23, 2006</td></tr>
<tr><td colspan="3">Number of share acquisition rights</td><td>35</td><td>22</td></tr>
<tr><td colspan="3">Class and number of shares to be delivered upon exercise of share acquisition rights</td><td>Common stock: 35,000 shares
(1,000 shares per share acquisition right)</td><td>Common stock: 22,000 shares
(1,000 shares per share acquisition right)</td></tr>
<tr><td colspan="3">Amount of payment for share acquisition rights</td><td>Free of charge</td><td>608 yen</td></tr>
<tr><td colspan="3">Value of assets to be paid in upon the exercise of share acquisition rights</td><td>One yen per share</td><td>One yen per share</td></tr>
<tr><td colspan="3">Exercise period</td><td>July 1, 2005 to June 30, 2025</td><td>July 21, 2006 to July 20, 2026</td></tr>
<tr><td colspan="3">Conditions of exercise</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td></tr>
<tr><td rowspan="3">Status of holding the rights by officers</td><td rowspan="2">Directors (excluding those who are Audit & Supervisory Committee members)</td><td>Directors (excluding Outside Directors)</td><td>Number of persons holding the rights: 1
Number of the rights held: 35
Number of subject shares: 35,000 shares</td><td>Number of persons holding the rights: 1
Number of the rights held: 22
Number of subject shares: 22,000 shares</td></tr>
<tr><td>Outside Directors</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td colspan="2">Directors
(Audit & Supervisory Committee members)</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td colspan="3">Date of resolution to issue share acquisition rights</td><td>June 22, 2007</td><td>June 20, 2008</td></tr>
<tr><td colspan="3">Number of share acquisition rights</td><td>29</td><td>20</td></tr>
<tr><td colspan="3">Class and number of shares to be delivered upon exercise of share acquisition rights</td><td>Common stock: 29,000 shares
(1,000 shares per share acquisition right)</td><td>Common stock: 20,000 shares
(1,000 shares per share acquisition right)</td></tr>
<tr><td colspan="3">Amount of payment for share acquisition rights</td><td>513 yen</td><td>279 yen</td></tr>
<tr><td colspan="3">Value of assets to be paid in upon the exercise of share acquisition rights</td><td>One yen per share</td><td>One yen per share</td></tr>
<tr><td colspan="3">Exercise period</td><td>July 10, 2007 to July 9, 2027</td><td>July 8, 2008 to July 7, 2028</td></tr>
<tr><td colspan="3">Conditions of exercise</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td></tr>
<tr><td rowspan="3">Status of holding the rights by officers</td><td rowspan="2">Directors (excluding those who are Audit & Supervisory Committee members)</td><td>Directors (excluding Outside Directors)</td><td>Number of persons holding the rights: 1
Number of the rights held: 29
Number of subject shares: 29,000 shares</td><td>Number of persons holding the rights: 1
Number of the rights held: 20
Number of subject shares: 20,000 shares</td></tr>
<tr><td>Outside directors</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td colspan="2">Directors
(Audit & Supervisory Committee members)</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
</table>

Date of resolution to issue share acquisition rights			June 19, 2009	June 18, 2010
Number of share acquisition rights			45	25
Class and number of shares to be delivered upon exercise of share acquisition rights			Common stock: 52,000 shares (1,000 shares per share acquisition right)	Common stock: 29,000 shares (1,000 shares per share acquisition right)
Amount of payment for share acquisition rights			123 yen	532 yen
Value of assets to be paid in upon the exercise of share acquisition rights			One yen per share	One yen per share
Exercise period			July 7, 2009 to July 6, 2029	July 6, 2010 to July 5, 2030
Conditions of exercise			Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.
Status of holding the rights by officers	Directors (excluding those who are Audit & Supervisory Committee members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 1 Number of the rights held: 45 Number of subject shares: 45,000 shares	Number of persons holding the rights: 1 Number of the rights held: 25 Number of subject shares: 25,000 shares
		Outside Directors	Number of persons holding the rights: - Number of the rights held: - Number of subject shares: -	Number of persons holding the rights: - Number of the rights held: - Number of subject shares: -
	Directors (Audit & Supervisory Committee members)		Number of persons holding the rights: - Number of the rights held: - Number of subject shares: -	Number of persons holding the rights: - Number of the rights held: - Number of subject shares: -

Date of resolution to issue share acquisition rights			June 17, 2011	June 17, 2011
Number of share acquisition rights			51	10
Class and number of shares to be delivered upon exercise of share acquisition rights			Common stock: 51,000 shares (1,000 shares per share acquisition right)	Common stock: 10,000 shares (1,000 shares per share acquisition right)
Amount of payment for share acquisition rights			408 yen	Free of charge
Value of assets to be paid in upon the exercise of share acquisition rights			One yen per share	One yen per share
Exercise period			July 5, 2011 to July 4, 2031	July 5, 2011 to July 4, 2031
Conditions of exercise			Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.	Partial exercise of each share acquisition right shall not be allowed. Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.
Status of holding the rights by officers	Directors (excluding those who are Audit & Supervisory Committee members)	Directors (excluding Outside Directors)	Number of persons holding the rights: 1 Number of the rights held: 45 Number of subject shares: 45,000 shares	Number of persons holding the rights: 1 Number of the rights held: 10 Number of subject shares: 10,000 shares
		Outside directors	Number of persons holding the rights: - Number of the rights held: - Number of subject shares: -	Number of persons holding the rights: - Number of the rights held: - Number of subject shares: -
	Directors (Audit & Supervisory Committee members)		Number of persons holding the rights: 1 Number of the rights held: 6 Number of subject shares: 6,000 shares	Number of persons holding the rights: - Number of the rights held: - Number of subject shares: -

<table>
<tr><td colspan="3">Date of resolution to issue share acquisition rights</td><td>June 15, 2012</td><td>June 21, 2013</td></tr>
<tr><td colspan="3">Number of share acquisition rights</td><td>55</td><td>61</td></tr>
<tr><td colspan="3">Class and number of shares to be delivered upon exercise of share acquisition rights</td><td>Common stock: 55,000 shares
(1,000 shares per share acquisition right)</td><td>Common stock: 61,000 shares
(1,000 shares per share acquisition right)</td></tr>
<tr><td colspan="3">Amount of payment for share acquisition rights</td><td>459 yen</td><td>445 yen</td></tr>
<tr><td colspan="3">Value of assets to be paid in upon the exercise of share acquisition rights</td><td>One yen per share</td><td>One yen per share</td></tr>
<tr><td colspan="3">Exercise period</td><td>July 3, 2012 to July 2, 2032</td><td>July 9, 2013 to July 8, 2033</td></tr>
<tr><td colspan="3">Conditions of exercise</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td></tr>
<tr><td rowspan="3">Status of holding the rights by officers</td><td rowspan="2">Directors (excluding those who are Audit & Supervisory Committee members)</td><td>Directors (excluding Outside Directors)</td><td>Number of persons holding the rights: 2
Number of the rights held: 50
Number of subject shares: 50,000 shares</td><td>Number of persons holding the rights: 2
Number of the rights held: 56
Number of subject shares: 56,000 shares</td></tr>
<tr><td>Outside Directors</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td colspan="2">Directors (Audit & Supervisory Committee members)</td><td>Number of persons holding the rights: 1
Number of the rights held: 5
Number of subject shares: 5,000 shares</td><td>Number of persons holding the rights: 1
Number of the rights held: 5
Number of subject shares: 5,000 shares</td></tr>
</table>

<table>
<tr><td colspan="3">Date of resolution to issue share acquisition rights</td><td>June 20, 2014</td><td>June 18, 2015</td></tr>
<tr><td colspan="3">Number of share acquisition rights</td><td>61</td><td>44</td></tr>
<tr><td colspan="3">Class and number of shares to be delivered upon exercise of share acquisition rights</td><td>Common stock: 61,000 shares
(1,000 shares per share acquisition right)</td><td>Common stock: 44,000 shares
(1,000 shares per share acquisition right)</td></tr>
<tr><td colspan="3">Amount of payment for share acquisition rights</td><td>452 yen</td><td>526 yen</td></tr>
<tr><td colspan="3">Value of assets to be paid in upon the exercise of share acquisition rights</td><td>One yen per share</td><td>One yen per share</td></tr>
<tr><td colspan="3">Exercise period</td><td>July 8, 2014 to July 7, 2034</td><td>July 7, 2015 to July 6, 2035</td></tr>
<tr><td colspan="3">Conditions of exercise</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td></tr>
<tr><td rowspan="3">Status of holding the rights by officers</td><td rowspan="2">Directors (excluding those who are Audit & Supervisory Committee members)</td><td>Directors (excluding Outside Directors)</td><td>Number of persons holding the rights: 2
Number of the rights held: 56
Number of subject shares: 56,000 shares</td><td>Number of persons holding the rights: 2
Number of the rights held: 40
Number of subject shares: 40,000 shares</td></tr>
<tr><td>Outside directors</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td colspan="2">Directors (Audit & Supervisory Committee members)</td><td>Number of persons holding the rights: 1
Number of the rights held: 5
Number of subject shares: 5,000 shares</td><td>Number of persons holding the rights: 1
Number of the rights held: 4
Number of subject shares: 4,000 shares</td></tr>
</table>

<table>
<tr><td colspan="3">Date of resolution to issue share acquisition rights</td><td>June 22, 2016</td><td>June 22, 2016</td></tr>
<tr><td colspan="3">Number of share acquisition rights</td><td>60</td><td>3</td></tr>
<tr><td colspan="3">Class and number of shares to be delivered upon exercise of share acquisition rights</td><td>Common stock: 60,000 shares
(1,000 shares per share acquisition right)</td><td>Common stock: 3,000 shares
(1,000 shares per share acquisition right)</td></tr>
<tr><td colspan="3">Amount of payment for share acquisition rights</td><td>272 yen</td><td>Free of charge</td></tr>
<tr><td colspan="3">Value of assets to be paid in upon the exercise of share acquisition rights</td><td>One yen per share</td><td>One yen per share</td></tr>
<tr><td colspan="3">Exercise period</td><td>July 8, 2016 to July 7, 2036</td><td>July 8, 2016 to July 7, 2036</td></tr>
<tr><td colspan="3">Conditions of exercise</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td></tr>
<tr><td rowspan="3">Status of holding the rights by officers</td><td rowspan="2">Directors (excluding those who are Audit & Supervisory Committee members)</td><td>Directors (excluding Outside Directors)</td><td>Number of persons holding the rights: 2
Number of the rights held: 55
Number of subject shares: 55,000 shares</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td>Outside Directors</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td colspan="2">Directors
(Audit & Supervisory Committee members)</td><td>Number of persons holding the rights: 1
Number of the rights held: 5
Number of subject shares: 5,000 shares</td><td>Number of persons holding the rights: 1
Number of the rights held: 3
Number of subject shares: 3,000 shares</td></tr>
<tr><td colspan="3">Date of resolution to issue share acquisition rights</td><td>June 21, 2017</td><td>June 20, 2018</td></tr>
<tr><td colspan="3">Number of share acquisition rights</td><td>38</td><td>430</td></tr>
<tr><td colspan="3">Class and number of shares to be delivered upon exercise of share acquisition rights</td><td>Common stock: 38,000 shares
(1,000 shares per share acquisition right)</td><td>Common stock: 43,000 shares
(100 shares per share acquisition right)</td></tr>
<tr><td colspan="3">Amount of payment for share acquisition rights</td><td>706 yen</td><td>771 yen</td></tr>
<tr><td colspan="3">Value of assets to be paid in upon the exercise of share acquisition rights</td><td>One yen per share</td><td>One yen per share</td></tr>
<tr><td colspan="3">Exercise period</td><td>July 7, 2017 to July 6, 2037</td><td>July 7, 2018 to July 6, 2038</td></tr>
<tr><td colspan="3">Conditions of exercise</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td></tr>
<tr><td rowspan="3">Status of holding the rights by officers</td><td rowspan="2">Directors (excluding those who are Audit & Supervisory Committee members)</td><td>Directors (excluding Outside Directors)</td><td>Number of persons holding the rights: 2
Number of the rights held: 27
Number of subject shares: 27,000 shares</td><td>Number of persons holding the rights: 4
Number of the rights held: 430
Number of subject shares: 43,000 shares</td></tr>
<tr><td>Outside directors</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td colspan="2">Directors
(Audit & Supervisory Committee members)</td><td>Number of persons holding the rights: 2
Number of the rights held: 11
Number of subject shares: 11,000 shares</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
</table>

<table>
<tr><td colspan="3">Date of resolution to issue share acquisition rights</td><td>June 19, 2019</td><td>June 17, 2020</td></tr>
<tr><td colspan="3">Number of share acquisition rights</td><td>430</td><td>440</td></tr>
<tr><td colspan="3">Class and number of shares to be delivered upon exercise of share acquisition rights</td><td>Common stock: 43,000 shares
(100 shares per share acquisition right)</td><td>Common stock: 44,000 shares
(100 shares per share acquisition right)</td></tr>
<tr><td colspan="3">Amount of payment for share acquisition rights</td><td>753 yen</td><td>753 yen</td></tr>
<tr><td colspan="3">Value of assets to be paid in upon the exercise of share acquisition rights</td><td>One yen per share</td><td>One yen per share</td></tr>
<tr><td colspan="3">Exercise period</td><td>July 6, 2019 to July 5, 2039</td><td>July 7, 2020 to July 6, 2040</td></tr>
<tr><td colspan="3">Conditions of exercise</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td><td>Partial exercise of each share acquisition right shall not be allowed.
Other conditions of exercise shall be stipulated in the agreement concerning the allocation of share acquisition rights to be concluded between the Company and the eligible person.</td></tr>
<tr><td rowspan="3">Status of holding the rights by officers</td><td rowspan="2">Directors (excluding those who are Audit & Supervisory Committee members)</td><td>Directors (excluding Outside Directors)</td><td>Number of persons holding the rights: 4
Number of the rights held: 430
Number of subject shares: 43,000 shares</td><td>Number of persons holding the rights: 5
Number of the rights held: 440
Number of subject shares: 44,000 shares</td></tr>
<tr><td>Outside Directors</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
<tr><td colspan="2">Directors
(Audit & Supervisory Committee members)</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td><td>Number of persons holding the rights: -
Number of the rights held: -
Number of subject shares: -</td></tr>
</table>

(ii) Subscription rights to shares issued to employees, etc. as compensation for the execution of their duties during the fiscal year under review

Subscription rights to shares associated with resolution by annual shareholders meeting held on June 17, 2020

- Number of subscription rights to shares
  800 (100 shares per subscription rights to share)
- Number of shares underlying subscription rights to shares
  80,000
- Amount to be paid for the exercise of subscription rights to shares
  Gratuitous
- Amount invested when exercising a subscription rights to share
  ¥100 per unit (¥1 per share)
- Items related to an increase in capital and capital legal reserve when shares are issued as a result of the exercise of the subscription rights to shares
  Issue price: ¥709
  Amount per share to be credited to capital: ¥355
- Period during which subscription rights to shares can be exercised
  From July 7, 2020 to July 6, 2040
- Conditions for exercise of subscription rights to shares
  (i) A holder of the subscription rights to shares may exercise the subscription rights to shares within the Exercise period only when the holder no longer holds a position as the Company's director, corporate auditor, executive officer, and/or employee with a similar title. In this case, the holder may only exercise the subscription rights to shares within a period of seven days from the next day of the date when he/she loses the above titles.
  (ii) The conditions for the exercise of the subscription rights to shares other than the above shall require approval by a resolution of the Board of Directors.
- Status of subscription rights to shares held by the Company's employees, etc.

	Number of subscription rights to shares	Number of shares to be issued	Number of holders
Employees of the Company	800	80,000	24

(2) Officers

(i) Directors and Statutory Auditors (as of March 31, 2021)

Position	Name	Responsibility and important concurrent post
Representative Director, Chairman and CEO	Takao Nishijima	
Representative Director	Seiji Tsuishu	
Director	Byun Jae-Hyun	President of TSUGAMI KOREA Co., Ltd.
Director	Kameswaran Balasubramanian	Chairman of TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED.
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 members of the Audit and Supervisory Committee)	Kenji Yoneyama	
Director (Members of the Audit and Supervisory Committee)	Yoshimi Takeuchi	Advisor to the Chancellor and Professor at Chubu University
Director (Members of the Audit and Supervisory Committee)	Kenyu Adachi	
Director (Members of the Audit and Supervisory Committee)	Kunio Shimada	Representative partner at Shimada Hamba & Osajima
Director (Members of the Audit and Supervisory Committee)	Michiyo Yamamiya	Partner at Tanabe & Partners

Notes 1. Changes in Directors in the fiscal year under review were as follows:
Mr. Hiroaki Kazama, Representative Director & COO, retired as of the closing of the 117th Annual Shareholders Meeting held on June 17, 2020, due to the expiration of his term of office. Mr. Seiji Tsuishu was newly elected as a Director at the said meeting and assumed the position thereafter.

2. Director Ken Kubo, Director Koichi Maruno, Director (member of the Audit and Supervisory Committee) Yoshimi Takeuchi, Mr. Kenyu Adachi, Mr. Kunio Shimada, and Ms. Michiyo Yamamiya are outside directors.

3. The Company has notified the Tokyo Stock Exchange of the appointment of Director Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, Mr. Kunio Shimada and Ms. Michiyo Yamamiya as independent directors.

4. The Company has appointed Mr. Kenji Yoneyama as standing member of the Audit and Supervisory Committee 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 Paragraph 1 of Article 427 of the Company Law, the Company has concluded contracts with Non-Executive Directors Mr. Ken Kubo, Mr. Koichi Maruno, Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, Mr. Kunio Shimada and Ms. Michiyo Yamamiya for damages as stipulated in Paragraph 1 of Article 423 of the Company Law.

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

(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.

The Company also plans to renew the contract with the same content at next renewal.

(iv) Compensation paid to Directors and Statutory Auditors

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

At a meeting held on February 19, 2021, 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 overall compensation limited fixed by resolution of the General Meeting of Shareholders.

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 & Supervisory Committee members are paid basic compensation only, in light of their role in the supervisory function.

c. Basic salary (monetary compensation)

- Basic compensation is a fixed monthly salary 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 stock compensation-type stock options as part of medium-to-long-term performance-linked compensation. The Company determines the number of subscription rights to shares 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 Company grants subscription rights to shares at a certain time each year which can then be exercised upon retirement. At the Annual Shareholders Meeting to be held on June 16, 2021, the Company plans to newly introduce restricted stock compensation in place of the existing stock compensation-type stock options.

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

- Upon determination of the details of compensation, etc. of Directors (excluding those who are Audit &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 those who are Audit & 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, the number of stock compensation-type stock options 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 & Supervisory Committee members are discussed and determined at the Audit & Supervisory Committee with the unanimous consent of all of the Audit & 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 the members of the Audit and Supervisory Committee) (Outside Directors included)	¥160 million (¥18 million)	¥109 million (¥18 million)	¥19 million (--)	¥31 million (--)	10 (4)
Directors (members of the audit and supervisory committee) (Outside Directors included)	¥51 million (¥33 million)	¥51 million (¥33 million)	-- (--)	-- (--)	7 (6)
Total (Outside Officers included)	¥211 million (¥51 million)	¥160 million (¥51 million)	¥19 million (--)	¥31 million (--)	17 (10)

Notes 1. The above includes three Directors (excluding those who are Audit & Supervisory Committee members) and two Directors who are Audit & Supervisory Committee members who retired as of the closing of the 117th Annual Shareholders Meeting held on June 17, 2020.

2. 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.

3. Non-monetary compensation, etc. consists of stock compensation-type stock options. The Company determines the number of subscription rights to shares 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 subscription rights can then be exercised upon retirement.

4. It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that the amount of monetary compensation for Directors (excluding those who are Audit & Supervisory Committee members) should be no more than ¥250 million per year. The number of Directors (excluding those who are Audit & Supervisory Committee members) at the closing of the 115th Annual Shareholders Meeting was seven (including two Outside Directors). It was also resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that, separate from this monetary compensation, the amount of compensation, etc. related to subscription rights to shares to be allocated as stock compensation-type stock options should be no more than ¥80 million per year (excluding Outside Directors). The number of Directors (excluding those who are Audit & Supervisory Committee members as well as Outside Directors) at the closing of the 115th Annual Shareholders Meeting was five.

5. 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 & Supervisory Committee members should be no more than ¥80 million per year. The number of Directors serving as Audit & Supervisory Committee members at the closing of the 115th Annual Shareholders Meeting was four.

6. 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 those who are Audit & 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. At a meeting held on January 22, 2021, the Company's Board of Directors resolved to establish voluntary Nomination and Compensation Committees where the majority of members are independent Outside Directors. 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.

(iv) Matters concerning out 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 (Members of the Audit and Supervisory Committee), Yoshimi Takeuchi	Chubu University	Advisor to the Chancellor and Professor	No special interests exist between the Company and Chubu University
Director (Members of the Audit and Supervisory Committee), 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 (Members of the Audit and Supervisory Committee), Michiyo Yamamiya	Tanabe & Partners	Partner	No special interests exist between the Company and Tanabe & Partners

b. Major activities in the fiscal year under review

Names	Attendance, comments and outline of duties performed in relation to role expected of Outside Director
Ken Kubo, Director	He attended 7 of the 7 meetings of the Board of Directors meetings held in the fiscal year under review after he became Director on June 17, 2020. 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 meetings 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 (Members of the Audit and Supervisory Committee)	He attended 7 of the 7 meetings of the Board of Directors meetings and 4 of the 4 meetings of the Audit & Supervisory Committee held in the fiscal year under review after he became Director on June 17, 2020. He performed his role appropriately to ensure the appropriateness 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 (Members of the Audit and Supervisory Committee)	He attended 6 of the 7 meetings of the Board of Directors meetings and 3 of the 4 meetings of the Audit & Supervisory Committee held in the fiscal year under review after he became Director on June 17, 2020. He performed his role appropriately to ensure the appropriateness 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 (Members of the Audit and Supervisory Committee)	He attended 9 of the 9 meetings of the Board of Directors meetings and 5 of the 5 meetings of the Audit & Supervisory Committee held in the fiscal year under review. He made comments to ensure the appropriateness 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 (Members of the Audit and Supervisory Committee)	She attended 7 of the 7 meetings of the Board of Directors meetings and 4 of the 4 meetings of the Audit & Supervisory Committee held in the fiscal year under review after he became Director on June 17, 2020. He made comments to ensure the appropriateness 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	¥57 million
The total amount of cash and other assets to be paid by the Company and subsidiaries to independent auditors	¥57 million

Notes 1. The auditing contract between the Company and the independent auditor makes no distinction between auditing services based on the Company Law and auditing services based on the Financial Instruments and Exchange Law. 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 ENGEINEERING INDIA PRIVATE LIMITED are audited by certified public accountants, not the independent auditor.

(iii) 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 Company Law are deemed to be applicable to the relevant independent auditor. In this case, members of the audit and supervisory committee 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.

(iv) 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 systems (internal control systems) 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 systems as follows:

(i) Systems for ensuring the execution of the duties of directors and employees are in compliance with laws and ordinances 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 have an Audit Office, an organization under the direct control of the president, and shall conduct internal audits of compliance.

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

(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) Systems 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 have a 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) Systems 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 committee, 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) Systems for ensuring the appropriate implementation of the operations by the Group, consisting of the Company and its subsidiaries

(a) A system for reporting to the Company matters related to the execution of duties by the Directors of subsidiaries, and the like shall be put into operation.

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 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 with the subsidiaries in advance at regular, monthly management meetings, and the like, and by asking the subsidiaries to resolve such matters at the meetings of their Board of Directors.

(d) Systems 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 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 in-house 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 members of the Audit and Supervisory Committee) 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.

(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 members of the Audit and Supervisory Committee) 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) A system that enables the directors and employees of the Company to submit reports to the Audit and Supervisory committee.

The directors (excluding members of the Audit and Supervisory Committee) and employees of the Company shall report the following items without delay to 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) A system that enables the Directors, the Audit and Supervisory committee and employees of subsidiaries or individuals who received reports from them to submit reports to the statutory auditors 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 members of the Audit and Supervisory committee 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 a members of the Audit and Supervisory committee 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 members of the Audit and Supervisory committee.

(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 accounting 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). Statutory auditors 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 employees, and continuously takes steps to comply with laws and ordinances 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 risk management committee meetings 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 ordinances or the Articles of Incorporation and important management matters and oversees the directors' execution of their duties. The Company elects outside directors to strengthen the Board of Directors' function of overseeing the directors' execution of 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 the function of supervision of management from outside. However, recognizing that it is important to ensure supervisory functions from a 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, corporate management meetings and meeting for reporting the business of its subsidiaries are held every month. At these meetings, the subsidiaries report their monthly results and financial status and other important information. The internal audit division (the Audit Office) regularly carries out operations audits of important subsidiaries.

(v) The members of the Audit and Supervisory committee' execution of duties

The Audit and Supervisory committee 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. The statutory auditors view important documents on the execution of duties and request explanations from the Company's directors and employees as needed. The statutory auditors exchange information with the Company's 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, 2021)

(Million yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets:		**Current liabilities:**	
Cash and cash equivalents	17,207	Trade and other payables	14,797
		Borrowings	9,579
Trade and other receivables	20,428	Other financial liabilities	210
Other financial assets	30	Income taxes payable, etc.	1,332
		Provisions	384
Inventories	20,774	Contract liability	3,161
Other current assets	1,582	Other current liabilities	737
		Total current liabilities	**30,204**
Total current assets	**60,023**	**Non-current liabilities**	
Non-current assets:		Other financial liabilities	123
		Retirement benefit liability	893
Property, plant and equipment	11,808	Deferred tax liabilities	887
Right-of-use asset	1,302	Other non-current liabilities	333
		Total non-current liabilities	**2,237**
Intangible assets	1,116	**Total liabilities**	**32,441**
Retirement benefit asset	91	**(Equity)**	
		Share capital	12,345
Other financial assets	4,420	Capital surplus	3,332
Deferred tax assets	253	Treasury shares	-4,371
		Other components of equity	2,560
Other non-current assets	261	Retained earnings	24,362
		Total equity attributable to owners of parent	**38,229**
		Non-controlling interests	8,607
Total non-current assets	**19,254**	**Total equity**	**46,836**
Total Assets	**79,278**	**Total liabilities and equity**	**79,278**

Consolidated Statement of Profit or Loss

(From April 1, 2020 to March 31, 2021)

(Million yen)

Account title	Amount
Revenue	**61,662**
Cost of sales:	-44,457
Gross profit	**17,204**
Selling, general and administrative expenses	-8,297
Other income	670
Other expenses	-44
Operating profit	**9,533**
Finance income	339
Finance costs	-413
Profit before tax	**9,459**
Income tax expense	-2,822
Profit	**6,636**
Profit attributable to	
Owners of parent	4,917
Non-controlling interests	1,718
Profit	**6,636**

Consolidated Statement of Changes in Equity

(From April 1, 2020 to March 31, 2021)

(Million yen)

	Equity attributable to owners of parent				
				Other components of equity	
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2020	12,345	3,306	-2,994	-1,535	2,574
Profit					
Other comprehensive income				2,016	1,459
Total comprehensive income	--	--	--	2,016	1,459
Purchase of treasury shares			-1,495		
Disposal of treasury shares		-57	119		
Dividends					
Changes resulting from share-based payment transactions		88			
Transfer to retained earnings					-1,952
Capital transactions with non-controlling interests		-5		-1	
Total transactions with owners	--	25	-1,376	-1	-1,952
Balance as of March 31, 2021	12,345	3,332	-4,371	478	2,081

	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, 2020	--	1,038	18,784	32,480	6,593	39,073
Profit			4,917	4,917	1,718	6,636
Other comprehensive income	11	3,487		3,487	779	4,266
Total comprehensive income	11	3,487	4,917	8,405	2,497	10,902
Purchase of treasury shares				-1,495		-1,495
Disposal of treasury shares			-61	0		0
Dividends			-1,242	-1,242	-454	-1,697
Changes resulting from share-based payment transactions				88		88
Transfer to retained earnings	-11	-1,963	1,963	--		--
Capital transactions with non-controlling interests		-1		-7	-28	-35
Total transactions with owners	-11	-1,965	659	-2,656	-483	-3,140
Balance as of March 31, 2021	--	2,560	24,362	38,229	8,607	46,836

Notes to Consolidated Financial Statements

1. Important Matters that Become Basis of Presenting Consolidated Financial Statements

(1) Standards used to prepare the consolidated financial statements

Starting with the consolidated fiscal year under review, the Company and its subsidiaries (the "Group") are applying the International Financial Reporting Standards (IFRS) to prepare the Group's consolidated financial statements in accordance with the provisions of Article 120, Paragraph 1 of the Rules of Corporate Accounting. Part of the disclosure items requested under the IFRS are omitted in the consolidated financial statements, in accordance with the latter clause of said Paragraph.

(2) Scope of consolidation

- Number of consolidated subsidiaries: 11
- Names of major consolidated subsidiaries: TSUGAMI GENERAL SERVICE CO., LTD.
Precision Tsugami (China) Corporation Limited
Precision Tsugami (Hong Kong) Limited
Precision Tsugami (China) Corporation
Shinagawa Precision Machinery (Zhejiang) Co., Ltd.
Precision Tsugami (Anhui) Corporation
TSUGAMI KOREA Co., Ltd.
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED
- Changes in scope of consolidation: TSUGAMI MACHINERY CO., LTD. is excluded from the scope of consolidation because it ceased to exist as a result of an absorption-type merger with the Company as the surviving company.

(3) Application of equity method

- Number of companies accounted for using equity method: 0

(4) Matters Concerning Fiscal year of consolidated subsidiaries, etc.

For subsidiaries that settle accounts on a day different from the Company's consolidated fiscal year-end, financial statements based on provisional settlement of accounts, carried out on the consolidated closing date, are used.

(5) Matters concerning significant accounting policies

(i) Financial assets

(a) Initial recognition and measurement

The Tsugami Group classifies financial assets at initial recognition as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortized cost.

The Tsugami Group recognizes these financial assets at the transaction date when the Group becomes a party to the contract for the financial assets.

At initial recognition, all financial assets are measured at fair value plus transaction expenses, except for those measured at fair value through profit or loss.

Financial assets are classified into financial assets measured at amortized cost, on the condition that they meet both of the following criteria:

- Financial assets are held based on the business model to hold financial assets for the purpose of collecting contractual cash flows
- Contractual terms associated with financial assets give rise to cash flows on specified dates, consisting only of payment of the principal and interest on the principal balance

Financial assets other than financial assets measured at amortized cost are classified as financial assets measured at fair value.

Equity instruments measured at fair value, except those held for trading purposes which must be measured at fair value through profit or loss, are each irrevocably designated as either assets measured at fair value through profit or loss or assets measured at fair value through other comprehensive income.

(b) Subsequent measurement

Financial assets are subsequently measured as follows depending on their classification.

a. Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method subsequent to the initial recognition.

b. Financial assets measured at fair value

Changes in fair value of financial assets measured at fair value are recognized in profit or loss subsequent to the initial recognition.

Any change in the fair value of equity instruments measured at fair value through other comprehensive income is recognized as other comprehensive income subsequent to the initial recognition. If such instruments are derecognized or the fair value decreased significantly, accumulated other comprehensive income is directly transferred to retained earnings. Dividends from such instruments are recognized in profit or loss as part of financial income.

(c) Derecognition of financial assets

The Tsugami Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to receive the cash flows from the financial assets are assigned and substantially all the risks and rewards of ownership are transferred. When the Group retains control of the assigned financial asset, it recognizes a liability in relation to the asset to the extent of its continuing involvement.

(d) Impairment of financial assets

For financial assets measured at amortized cost, the Tsugami Group recognized an allowance for doubtful accounts for expected credit losses.

The Group evaluates at the end of each reporting period whether there is a significant increase in credit risk of financial assets since initial recognition. When there is no significant increase in the credit risk since initial recognition, the amount equal to expected credit losses for 12 months are recognized as allowance for doubtful accounts. When there is a significant increase in credit risk since initial recognition, the amount equal to expected credit losses for the remaining life of the financial assets are recognized as allowance for doubtful accounts.

The Group considers, as a general rule, that there has been a significant increase in the credit risk when contractual payments are more than 30 days past due. The Group considers not only the information regarding due date but also other reasonable and supportable information (internal and external credit ratings, etc.) when determining whether credit risk has increased significantly since initial recognition.

The Group considers that there has not been a significant increase in the credit risk since initial recognition when the financial assets are determined to have low credit risk at the end of the reporting period.

However, for trade receivables that do not have a significant financing component, the allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses regardless of whether credit risk has increased significantly since initial recognition.

The Tsugami Group estimates credit losses on financial assets to reflect the following factors:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions

The Group endeavors to adjust estimated credit losses calculated in accordance with the above as necessary to reflect the impact of significant economic fluctuation, etc.

When the Tsugami Group has no reasonable expectation of recovery of all or part of a financial asset, it directly reduces the gross carrying amount of a financial asset.

A provision for doubtful accounts related to financial assets is recognized in profit or loss. The Group recognizes a reversal of provision for doubtful accounts in loss or profit when an event which decreases the allowance for doubtful accounts occurs.

(ii) Financial liabilities

(a) Initial recognition and measurement

The Tsugami Group classifies financial liabilities into financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost at initial recognition.

The Group initially recognizes all financial liabilities at the transaction date when the Group becomes a party to the contract for the financial liabilities.

All financial liabilities are measured at fair value at initial recognition, whereas financial liabilities measured at amortized cost are measured at the amount less directly attributable transaction costs.

(b) Subsequent measurement

Financial liabilities are subsequently measured as follows depending on their classification.

a. Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at initial recognition as financial liabilities measured at fair value through profit or loss and changes in fair value of financial liabilities measured at fair value through profit or loss are recognized in profit or loss subsequent to the initial recognition.

b. Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost subsequent to the initial recognition, by using the effective interest method.

Amortization by the effective interest method, as well as gains and losses associated with the derecognition shall be recognized in profit or loss as part of financial expenses.

(c) Derecognition of financial liabilities

The Tsugami Group derecognizes a financial liability when it is extinguished, namely when the obligation specified in the contract is discharged, cancelled or becomes invalid.

(iii) Derivatives and hedge accounting

The Tsugami Group uses derivatives (forward foreign exchange contracts) as hedging instruments against foreign exchange risk in respect of foreign currency denominated receivables. These derivatives are initially recognized at fair value at the time the forward foreign exchange contract is concluded and are measured at fair value subsequently. Hedge accounting is not applied to the derivatives.

(iv) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The acquisition cost of inventories is determined principally based on the moving average method and includes the purchase cost, processing cost, and any other costs incurred in bringing the inventories to their present location and condition.

(v) Property, plant and equipment

The Company uses the cost model for measuring property, plant and equipment and the value of acquisition cost is stated net of accumulated depreciation and impairment losses.

The acquisition cost of property, plant and equipment comprises any costs directly attributable to the acquisition of the item, the cost of site dismantlement, removal and restoration and borrowing costs that should be capitalized.

Depreciation costs on an item of property, plant and equipment, other than land and construction in progress, are recognized on a straight-line method over its estimated useful life. The range of estimated useful lives by major asset item is as follows:

- Buildings and structures: 15 to 38 years
- Machinery and equipment: 9 years
- Tools, furniture and fixtures: 2 to 20 years

Estimated useful life, residual value, and depreciation methods are reviewed at the end of each consolidated fiscal year and, if there is a change, adjustments will be applied from that point forward as changes in accounting estimate.

(vi) Intangible assets

Separately acquired intangible assets are recognized initially at cost.

The Company uses the the cost model for measuring intangible assets after initial recognition, and intangible assets are amortized on a straight-line basis over their estimated useful lives and stated at acquisition cost less accumulated amortization and impairment losses. The estimated useful lives of major asset items are as follows:

- Software: 5 years

Estimated useful life, residual value, and depreciation methods are reviewed at the end of each consolidated fiscal year and, if there is a change, adjustments will be applied from that point forward as changes in accounting estimate.

(vii) Lease

The Tsugami Group assesses whether a contract is or contains a lease at inception of a contract. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group assesses that a contract is or contains a lease, at the commencement of the lease, the Group recognizes a right-of-use asset and a lease liability. The Group has opted not to recognize assets and liabilities for short-term leases of less than 12 months and leases of low-value assets.

A right-of-use asset is measured by using the cost model and is stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The acquisition cost of a right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, and any initial direct costs. The right-of-use asset is depreciated using the straight-line method over its estimated useful life or lease term, whichever is shorter. Lease payments for short-term leases and leases of low-value assets are recognized as an expense over the lease term on a straight-line basis.

The lease liability is initially measured at the present value of the lease payment that is not paid at the commencement date. The lease payments are apportioned between the financial cost and the reduction in the lease liability based on the effective interest method. The financial costs are recognized in the consolidated statement of profit or loss.

(viii) Impairment losses on non-financial assets

Non-financial assets (excluding inventories and deferred tax assets) are assessed at the final date of each reporting period for indications of impairment. If there is an indication of impairment, the asset's recoverable amount is estimated. For intangible assets with an indefinite useful life or intangible assets not yet available for use, the Group estimates the recoverable amount at the same time every year regardless of whether there is an indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less the cost of disposal. In determining the value in use, estimated future cash flows arising from assets and cash-generating units are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets not tested individually at impairment test, assets are grouped together into the smallest cash-generating unit that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or asset group. The Tsugami Group's corporate assets do not generate independent cash flows. If there is an indication of impairment in corporate assets, the Group determines the recoverable amount of the cash-generating unit to which the corporate assets belong.

The Group recognizes impairment losses in profit or loss when the carrying amount of assets or cash-generating units exceeds the estimated recoverable amount. Impairment losses recognized in relation to a cash-generating unit are allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit and then the carrying amount of other assets in the cash-generating unit are reduced pro rata.

(ix) Provisions

The Group has present legal and constructive obligation arising from past circumstances and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If a reliable estimate for such obligation can be determined, it is recognized as a provision. In instances where the time value of money becomes material, the provision amount is measured based on estimated future cash flows discounted to their present value using a pre-tax discount rate reflecting the time value of money and risk specific to the liability. The unwinding of discount due to passage of time is recognised as finance costs.

(x) Employee benefits accruals

The Group uses funded and unfunded defined-benefit pension plans and defined-contribution pension plans as retirement benefit plans for employees.

Defined benefit obligation is determined using the projected unit credit method based on the present value of the defined benefit obligation and related current and past service costs.

The discount rates are determined based on market yields of high quality corporate bonds at the end of the fiscal year that correspond to the discount period, which is set on the basis of a period up to the estimated date of benefit payment for each future year.

Assets or liabilities related to the defined benefit plans are calculated as the net sum of the present value of the defined benefit obligation and the fair value of plan assets for each plan.

Differences arising in remeasurement of defined benefit plans are recognized in a lump sum in other comprehensive income in the period they are incurred and immediately transferred from other components of equity to retained earnings.

Past service costs are recognized as profit or loss in the period they occur.

In case that the Group has a surplus in the defined benefit plans as a result of calculation, the net defined benefit asset is measured to the extent of the present value of economic benefits available in the form of a future refund from the plan or a reduction in future contributions to the plan.

Expenses related to defined contribution retirement benefits are recognized as expenses at the time contributions are made.

(xi) Revenue

With regard to contracts with customers, the Tsugami Group recognizes revenue by applying the following steps (except for interest and dividend revenue, etc. under IFRS 9 "Financial Instruments").
Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Tsugami Group is engaged in the manufacture and sale of machine tools and the provision of services such as maintenance and repair services. With regard to the sales of machine tools and machine tool parts, performance obligations are satisfied when, in light of the contract terms, the customer obtains control over the product and the Group recognizes revenue either upon the product's arrival with/acceptance by the customer or based on trade terms, etc. With regard to machine tool-related services, performance obligations are satisfied when provision of the service is complete and the Group recognizes revenue at such time.

Revenue is measured at the amount of promised consideration in contracts with customers less rebates and others.

(xii) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Company will comply with any conditions attached to the grant and the grant will be received.

A grant relating to costs is recognized as income on a systematic basis, over the period in which the Company recognizes expenses for the related costs for which the grant is intended to compensate. A grant relating to assets is recognized as deferred income and is recognized in profit or loss on a systematic basis over the estimated useful life of the asset to which the grant relates.

(xiii) Foreign currencies

(a) Transactions denominated in foreign currencies

Transactions conducted in currencies other than the functional currency of each Group company are translated into the functional currency using the exchange rate on the transaction date or an exchange rate that approximates the exchange rate on that date.

Foreign currency monetary asset and liabilities at the end of a reporting period are converted into the functional currency at the exchange rate on that date.

Foreign currency non-monetary assets and liabilities measured at fair value are converted into the functional currency at the exchange rate on the date of calculation of fair value.

Any exchange difference arising from conversion or settlement is recognized in profit or loss. However, exchange differences arising from financial instruments measured through other comprehensive income are recognized in other comprehensive income.

(b) Foreign operations

Assets and liabilities of the Group's foreign operations are translated into Japanese yen using the exchange rates on the final date of the reporting period. Income and expense items are translated at the average exchange rates for the reporting period, unless any significant change has occurred. Any exchange differences arising from these translations are recognized in other comprehensive income. Exchange differences of foreign operations are recognized in profit or loss in the period in which the foreign operations are disposed of.

(xiv) Other important matters for the preparation of consolidated financial statements

Accounting method for consumption taxes

The tax-exclusion method is used for the calculation of consumption tax and local consumption tax.

2. Notes on Changes in Accounting Policy
Not applicable.

3. Notes to accounting estimates
(1) Valuation of inventories
(i) Amounts recorded in the consolidated financial statements for the fiscal year under review

Inventories	¥20,774 million
Write-down of inventories	¥770 million
Reversal of write-down of inventories	¥632 million

The write-down of inventories is recognized by the reversal method.

(ii) Information to facilitate understanding of accounting estimates

The Company measures inventories at acquisition cost but if their net realizable value at the end of the reporting period is lower than their acquisition cost, the Company measures inventories at their net realizable value and recognizes the difference between their net realizable value and acquisition cost in the cost of sales. The Company also estimates the net realizable value of slow-moving inventory deviating from the business cycle model to reflect the assumptions and judgments of management concerning factors such as future demand, selling prices and the estimated cost of additional machining. If the market environment experiences a sharper downturn than forecast and net realizable value falls dramatically, the Company may incur losses.

(2) Recoverability of deferred tax assets
(i) Amounts recorded in the consolidated financial statements for the fiscal year under review

Net deferred tax assets	¥253 million

Deferred tax assets before offset against deferred tax liabilities are ¥892 million.

(ii) Information to facilitate understanding of accounting estimates

A deferred tax asset is recognized for unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. The timing and amount of taxable profit that will arise in the future are based on a business plan approved by management. Since the timing and amount of future taxable profit will be affected by future uncertain changes in the environment, any discrepancies between the actual timing and amount and those estimated could seriously impact the amount recognized in the consolidated financial statements for subsequent fiscal years.

(Impact of COVID-19)
The COVID-19 pandemic has had far-reaching effects on business activities, with growing concerns over global economic slowdown.
Under such conditions, when making accounting estimates, the Group has made its best estimates based on the information currently available.
However, it is difficult to predict the future impact of the COVID-19 pandemic and future uncertainties may affect the outcome of the Group's accounting estimates.

4. Notes to Consolidated Statement of Financial Position

(1) Direct write-off amount of allowance for doubtful accounts from assets

Current assets	¥110 million
Non-current assets	¥ - million

(2) Accumulated depreciation and accumulated impairment losses of property, plant and equipment ¥12,071 million

5. Notes to Consolidated Statement of Profit or Loss

(1) The breakdown of “Other income” is as follows.

Government grant income	¥392 million
Proceeds from subsidy income	¥121 million
Other	¥156 million
Total	¥670 million

(2) The breakdown of “Other expenses” is as follows.

Loss on retirement of fixed assets	¥10 million
Other	¥34 million
Total	¥44 million

6. Notes to Consolidated Statement of Changes in Equity

(1) Matters relating to the total number of outstanding shares

Class of shares	Number of shares at the beginning of the consolidated fiscal year under review	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Common stock	55,000 thousand shares	- thousand shares	- thousand shares	55,000 thousand shares

(2) Matters relating to the number of treasury stock

Class of shares	Number of shares at the beginning of the consolidated fiscal year under review	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Common stock	3,291 thousand shares	945 thousand shares	131 thousand shares	4,105 thousand shares

Note. The increase of 945 thousand shares of treasury stock is due to purchases of treasury shares on the open market.

The decrease of 131 thousand shares of treasury stock was due to the exercise of stock options.

(3) Matters relating to dividends

(i) Dividends paid

Matters relating to dividends resolved at the Board of Directors meeting on May 27, 2020

- Total amount of dividend ¥620 million
- Dividend per share ¥12
- Record date March 31, 2020
- Effective date June 2, 2020

Matters relating to dividends resolved at the Board of Directors meeting on November 12, 2020

- Total amount of dividend ¥622 million
- Dividend per share ¥12
- Record date September 30, 2020
- Effective date November 30, 2020

(ii)Dividends with a record date in the fiscal year under review but an effective date in the following fiscal year

The following dividends will be submitted to the Board of Directors meeting on May 13, 2021 for approval.

- Total amount of dividend ¥712 million
- Dividend per share ¥14
- Record date March 31, 2021
- Effective date May 28, 2021

Dividend resources are planned to be retained earnings.

(4) Matters concerning share acquisition rights at the end of the consolidated fiscal year under review

	Resolved at the annual shareholders meeting on June 24, 2005	Resolved at the Board of Directors meeting on June 23, 2006
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	35,000 shares	22,000 shares
Unexercised share acquisition rights	35	22
	Resolved at the Board of Directors meeting on June 22, 2007	Resolved at the Board of Directors meeting on June 20, 2008
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	29,000 shares	20,000 shares
Unexercised share acquisition rights	29	20
	Resolved at the Board of Directors meeting on June 19, 2009	
Class of shares to be issued upon exercise of share acquisition rights	Common stock	
Number of shares to be issued upon exercise of share acquisition rights	45,000 shares	
Unexercised share acquisition rights	45	
	Resolved at the Board of Directors meeting on June 18, 2010	Resolved at the annual shareholders meeting on June 18, 2010
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	25,000 shares	3,000 shares
Unexercised share acquisition rights	25	3
	Resolved at the Board of Directors meeting on June 17, 2011	Resolved at the annual shareholders meeting on June 17, 2011
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	51,000 shares	16,000 shares
Unexercised share acquisition rights	51	16
	Resolved at the Board of Directors meeting on June 15, 2012	Resolved at the annual shareholders meeting on June 15, 2012
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	55,000 shares	10,000 shares
Unexercised share acquisition rights	55	10

	Resolved at the Board of Directors meeting on June 21, 2013	Resolved at the annual shareholders meeting on June 21, 2013
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	61,000 shares	29,000 shares
Unexercised share acquisition rights	61	29
	Resolved at the Board of Directors meeting on June 20, 2014	Resolved at the annual shareholders meeting on June 20, 2014
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	61,000 shares	32,000 shares
Unexercised share acquisition rights	61	32
	Resolved at the Board of Directors meeting on June 18, 2015	Resolved at the Board of Directors meeting on June 18, 2015
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	44,000 shares	41,000 shares
Unexercised share acquisition rights	44	41
	Resolved at the Board of Directors meeting on June 22, 2016	Resolved at the Board of Directors meeting on June 22, 2016
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	60,000 shares	75,000 shares
Unexercised share acquisition rights	60	75
	Resolved at the Board of Directors meeting on June 21, 2017	Resolved at the Board of Directors meeting on June 21, 2017
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	38,000 shares	57,000 shares
Unexercised share acquisition rights	38	57
	Resolved at the Board of Directors meeting on June 20, 2018	Resolved at the Board of Directors meeting on June 20, 2018
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	43,000 shares	68,000 shares
Unexercised share acquisition rights	430	680
	Resolved at the Board of Directors meeting on June 19, 2019	Resolved at the Board of Directors meeting on June 19, 2019
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	56,000 shares	81,000 shares
Unexercised share acquisition rights	560	810

	Resolved at the Board of Directors meeting on June 17, 2020	Resolved at the Board of Directors meeting on June 17, 2020
Class of shares to be issued upon exercise of share acquisition rights	Common stock	Common stock
Number of shares to be issued upon exercise of share acquisition rights	44,000 shares	80,000 shares
Unexercised share acquisition rights	440	800

7. Notes on Financial Instruments

(1) Situation of financial instruments

(i) Capital management

The Group's basic policy for capital management is to seek to strengthen its business structure through sustainable growth and aim for improvement of shareholder returns.

The main indicators used by the Group for monitoring capital management are ratio of equity attributable to owners of parent and ratio of profit to equity attributable to owners of parent.

The Group is not subject to substantial capital requirements.

(ii) Credit risk management

Credit risk is the possibility that a counterparty to a financial asset held by the Group will fail to fulfil its contractual obligations and the Group will incur a financial loss as a result.

The Group seeks to quickly detect and reduce credit risk by having systems in place to manage due dates and outstanding balances for each counterparty and regularly monitor the credit status of major counterparties.

The Group does not have excess concentration of credit risk in specific counterparties or specific groups of counterparties.

(iii) Liquidity risk management

Liquidity risk is the possibility that the Group will be unable to fulfil its obligation to repay financial liabilities as they fall due.

The Group manages liquidity risk by setting aside appropriate funds for repayment and also by ensuring readily accessible lines of credit from financial institutions and monitoring actual cash flows against forecasts on an ongoing basis.

(iv) Foreign currency risk management

The Tsugami Group operates globally and, with production and sales of subsidiaries in China accounting for an increasing percentage of total production and sales, fluctuations of the Chinese yuan exchange rate in particular may impact the Group's performance.

Overseas export transactions are denominated in yen while overseas subsidiaries conduct sales and purchases locally in the local currency. Foreign currency-denominated trade payables are within the balance of trade receivables denominated in the same foreign currency and the Group believes that it is, by and large, capable of dealing with foreign currency risk. The Group will continue seeking to balance foreign currency-denominated receivables and payables and will also consider hedging instruments such as forward foreign exchange contracts to hedge its foreign exchange fluctuation risks depending on the situation.

(v) Interest rate risk management

The Group is exposed to various interest rate risks in the course of carrying out its business activities and movements in interest rates have a significant effect on the cost of borrowing in particular.

To reduce interest rate risk, the Group endeavors to properly manage borrowings balances and also considers the use of interest rate swap transactions and other measures where necessary.

(vi) Market risk management

The Group holds listed shares for strategic purposes such as the facilitation of business alliances. The share prices of listed shares are determined based on market principles and market and economic trends may cause price fluctuation. The Group monitors the share prices of listed shares and the financial status of the issuers on a regular basis and continuously reviews its shareholdings in light of its relationships with business partners.

(2) The carrying amount and fair value of financial instruments

The table below shows the carrying amounts and fair values of financial instruments and the differences between them as of March 31, 2021.

(Million yen)

	Carrying amount	Fair value
Assets		
Cash and cash equivalents	17,207	17,207
Trade and other receivables	20,428	20,428
Other financial assets	4,450	4,450
Total	42,086	42,086
Liabilities		
Trade and other payables	14,797	14,797
Borrowings	9,579	9,579
Other financial liabilities	334	334
Total	24,711	24,711

Methods to calculate the fair values of financial instruments are as follows.

(Cash and cash equivalents, Trade and other receivables, and Trade and other payables)

The fair value is based on the carrying amount as the carrying amount approximates fair value due to the short period of settlement terms.

Some trade receivables are classified as financial assets which are measured at fair value through other comprehensive income, and fair value is based on the present discounted value of the future net cash flows calculated using a discount rate which takes the time to maturity and credit risk into consideration.

(Other financial assets and Other financial liabilities)

The fair value of listed equity securities is based on quoted market prices at the end of the period. The fair value of non-listed equity securities and investments in capital, etc. is calculated by an appropriate method giving comprehensive consideration to net asset value, important assets held by the investee and other quantitative information.

The fair value of time deposits and other included in other financial assets is based on the carrying amount as the carrying amount approximates fair value due to the short period of settlement terms.

The fair value of lease liabilities included in other financial liabilities is calculated by periodically classifying lease liabilities and discounting them to their present value using a rate which reflects the remaining term and credit risk.

(Borrowings)

The fair value of short-term borrowings is based on the carrying amount as the carrying amount approximates fair value due to the short period of settlement terms.

8. Notes on Per Share Information

(1) Equity attributable to owners of parent per share ¥751.14

(2) Basic earnings per share ¥95.21

9. Notes to revenue recognition

(1) Disaggregation of revenue

Disaggregation of revenue by major product line is as follows.

	Reportable segment					
	Japan	China	India	South Korea	Other	Total
Automatic lathes	10,876	37,468	1,738	1,500	225	51,810
Grinding machines	901	1,570	--	5	10	2,489
Machining centers, rolling machines and specialized machines	914	3,156	10	5	8	4,096
Other	2,104	976	47	47	89	3,265
Total	14,798	43,172	1,797	1,558	334	61,662

Note. "Other" in main product lines include components and services

(2) Information concerning satisfaction of performance obligations

In sales of machine tools (automatic lathes, grinding machines, machining centers, rolling machines and specialized machines) and related parts, the performance obligation is satisfied when, according to contract terms and conditions, the customer is deemed to have gained control of the products, etc. and the Company recognizes revenue on arrival of the products, etc. at the customer, at the time of the acceptance inspection or based on the trading terms and conditions, etc. In the case of services related to machine tools, the performance obligation is satisfied when delivery of the services is complete and the Company recognizes revenue at such time. In the case of receivables from contracts with customers, the Company usually receives the consideration within six months after satisfaction of the performance obligation in accordance with payment terms and conditions established separately. Receivables from contracts with the Group's customers do not include a significant financing component.

(3) Contract balances

A breakdown of receivables from contracts with customers and contract liabilities at the end of the fiscal year under review is as follows.

Receivables from contracts with customers	¥20,393 million
Contract liabilities	¥3,161 million

The amount of revenue recognized in the fiscal year under review included in the balance of contract liabilities at the beginning of the fiscal year is ¥1,021 million.

Contract liabilities mainly relate to advances received from customers.

10. Notes on Important Post-Balance Sheet Events

Not applicable.

Non- Consolidated Balance Sheet

(As of March 31, 2021)

(Million yen)

Account title	Amount	Account title	Amount
ASSETS:		**LIABILITIES:**	
Current assets:	**21,105**	**Current liabilities:**	**14,027**
Cash and deposits	7,470	Trade notes payable	2,640
Trade notes receivable	651	Trade accounts payable	2,521
Electronically recorded monetary claims	326	Short-term loans payable	7,500
Accounts receivable	3,387	Accounts payable	161
Merchandise and finished goods	3,743	Accrued expenses payable	231
Work in process	1,385	Income taxes payable	303
Raw materials and supplies	3,026	Provision for product warranties	208
Short-term loans receivable from subsidiaries and associates	333	Provision for bonuses	180
Consumption taxes receivable	745	Other	282
Other	145	**Non-current liabilities:**	**1,143**
Allowance for doubtful accounts	-110	Deferred tax liabilities	250
Non-current assets:	**14,170**	Provision for retirement benefits	853
Property, plant and equipment	**2,440**	Other	40
Buildings	1,813		
Structures	67	**Total liabilities**	**15,171**
Machinery and equipment	196		
Vehicles	4		
Tools, furniture and fixtures	89	**NET ASSETS:**	
Land	246	**Shareholders' equity:**	**17,530**
Leased assets	21	**Share Capital**	**12,345**
Construction in progress	0	**Retained earnings:**	**9,556**
Intangible assets:	**1,057**	Legal retained earnings	491
Telephone subscription right	7	Other retained earnings:	9,065
Software	1,049	Retained earnings brought forward	9,065
Other	0	**Treasury shares**	**-4,371**
Investments and other assets:	**10,671**	**Valuation and translation adjustments:**	**1,950**
Investment securities	4,093	Valuation difference on available-for-sale securities	1,950
Shares of subsidiaries and associates	3,173		
Investments in capital of subsidiaries and affiliates	849	**Share acquisition rights**	**623**
Long-term loans receivable from subsidiaries and affiliates	2,221	**Total net assets**	**20,104**
Prepaid pension cost	135		
Other	198		
Total Assets	**35,275**	**Total Liabilities and Net Assets**	**35,275**

Non- Consolidated Statements of Income

(From April 1, 2020 to March 31, 2021)

(Million yen)

Account title	Amount
Net sales	**20,367**
Cost of sales:	**16,261**
Gross profit	**4,105**
Selling, general and administrative expenses:	**3,995**
Operating profit	**109**
Non-operating income:	**1,676**
Interest income	48
Dividend income	1,382
Insurance income	56
Other	188
Non-operating expenses:	**218**
Interest expenses	103
Loss on sales of notes payable	38
Provision of allowance for doubtful accounts	39
Foreign exchange losses	3
Other	33
Ordinary income	**1,568**
Extraordinary income:	**2,868**
Gain on sale of fixed assets	0
Gain on sales of investment securities	2,806
Gain on extinguishment of tie-in shares	61
Extraordinary losses:	**21**
Loss on retirement of non-current assets	9
Loss on valuation of shares of subsidiaries and associates	11
Loss on sales of golf memberships	0
Profit before taxes	**4,414**
Corporate, inhabitant and enterprise taxes	680
Deferred taxes	-77
Profit	**3,810**

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity					
		Capital surplus		Retained earnings		
	Share capital	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance as of April 1, 2020	12,345	—	—	367	6,682	7,050
Change during the fiscal year						
Cash dividends paid				124	-1,366	-1,242
Profit					3,810	3,810
Purchase of treasury shares						
Disposal of treasury shares					-61	-61
Changes in items other than shareholders' equity during the fiscal year (net)						
Total change during the fiscal year	—	—	—	124	2,382	2,506
Balance as of March 31, 2021	12,345	—	—	491	9,065	9,556

	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, 2020	-2,994	16,400	2,432	2,432	591	19,424
Change during the fiscal year						
Cash dividends paid		-1,242				-1,242
Profit		3,810				3,810
Purchase of treasury shares	-1,495	-1,495				-1,495
Disposal of treasury shares	119	57				57
Changes in items other than shareholders' equity during the fiscal year (net)			-481	-481	31	-449
Total change during the fiscal year	-1,376	1,130	-481	-481	31	680
Balance as of March 31, 2021	-4,371	17,530	1,950	1,950	623	20,104

Notes to Non-Consolidated Financial Statements

1. Matters Concerning Significant Accounting Policies

(1) Valuation standard and valuation method for assets

(i) Shares in subsidiaries and affiliates: Cost accounting method using the moving average method

(ii) Other securities:

- Securities with fair market value: Market value method based on the quoted market value on the closing date of the fiscal year (Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.)
- Securities without fair market value: Cost accounting method using the moving average method

(iii) Valuation standard and valuation method for inventories

Primarily cost accounting method using the moving average method (The values in the balance sheet were calculated using the book- value write-down method based on the decline of profitability.).

(2) Depreciation method for non-current assets

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

The straight-line method is adopted.

The significant service lives are summarized as follows:

Buildings: 15 to 38 years

Machinery and equipment: 9 years

Tools, furniture and fixtures 5 years

(ii) Intangible assets (excluding leased assets)

- Software for internal use Such assets are amortized using the straight-line method based on the effective period of internal use (five years).

(iii) Leased assets

- Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.

(3) Accounting standards for allowances

(i) Allowance for doubtful accounts To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.

(ii) Allowance for employees' bonuses To prepare for bonus payments to employees, an amount that needs to be paid in the fiscal year under review are provided as an estimate.

(iii) Allowance for retirement benefits To prepare for retirement benefits payment to employees, the allowance is provided on the basis of amounts of retirement benefit obligations and pension assets estimated at the end of the fiscal year under review.

Any actuarial difference is expensed equally from the fiscal year following its accrual over the average remaining service period (five years) of employees at the time of the accrual using the straight-line method.

(iv) Allowance for product warranties To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.

(4) Standards for recognition of revenues and expenses

The Company is engaged in the manufacture and sale of machine tools and the provision of services such as maintenance and repair services.

In sales of machine tools and related parts, the performance obligation is satisfied when, according to contract terms and conditions, the customer is deemed to have gained control of the products, etc. and the Company recognizes revenue on arrival of the products, etc. at the customer, at the time of the acceptance inspection or based on the trading terms and conditions, etc. In the case of services related to machine tools, the performance obligation is satisfied when delivery of the services is complete and the Company recognizes revenue at such time.

(5) Other matters that form the basis for the preparation of financial statements

Accounting method for consumption taxes

The tax-exclusion method is used for the calculation of consumption tax and local consumption tax.

2. Changes of Accounting Policy

Not applicable.

3. Notes to changes in presentation method

(Change as a result of adoption of "Accounting Standard for Disclosure of Accounting Estimates")

Starting from the fiscal year under review, the Company adopted "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31 issued on March 31, 2020) and included notes on accounting estimates in the Notes to Non-Consolidated Financial Statements.

4. Notes to accounting estimates

(1) Valuation of inventories

(i) Amounts recorded in the financial statements for the fiscal year under review

Inventories	¥8,155 million
Write-down of inventories	¥559 million
Reversal of write-down of inventories	¥442 million

The write-down of inventories is recognized by the reversal method.

(ii) Information to facilitate understanding of accounting estimates

Notes are omitted since information is included in Notes to Consolidated Financial Statements.

(2) Recoverability of deferred tax assets

(i) Amounts recorded in the financial statements for the fiscal year under review

Net deferred tax assets	¥ - million

The amount before offset with deferred tax liabilities is ¥510 million.

(ii) Information to facilitate understanding of accounting estimates

Notes are omitted since information is included in Notes to Consolidated Financial Statements.

5. Notes to Balance Sheet

(1) Accumulated depreciation of property, plant and equipment	¥5,752 million
(2) Discounted notes receivable	¥ - million
Discounts on export bills receivable	¥2,079 million
(3) Direct write-off amount of allowance for doubtful accounts from assets	
Investments and other assets	¥11 million

(4) Monetary receivables and payables from/to subsidiaries and associates are as follows.

(i) Short-term monetary receivables	¥1,859 million
(ii) Long-term monetary receivables	¥2,232 million
(iii)Short-term monetary payables	¥1,365 million

(5) Liabilities on guarantee

Guarantee to establish a letter of credit	¥152 million

6. Notes to Non-Consolidated Statements of Income

Transactions with affiliates

(1) Transactions by business transactions

Sales	¥5,567 million
Purchases	¥6,214 million
Selling, general and administrative expenses	¥46 million

(2) Transactions other than business transactions

Dividend income	¥1,242 million
Other	¥48 million

7. Notes to Non-Consolidated Statements of Changes in Net Assets

Matters relating to the number of treasury stock

Share type	Number of shares at the beginning of the current fiscal year	Increase in shares in the fiscal year under review	Decrease in shares in the fiscal year under review	Number of shares at the end of the fiscal year under review
Common shares	3,291 thousand	945 thousand	131 thousand	4,105 thousand

Note. The increase of 945 thousand treasury shares of common stock is due to the purchase of treasury shares on the open market.
The decrease in common shares of treasury stock of 131 thousand shares was due to the exercise of stock options.

8. Deferred Tax Accounting

The major causes for the generation of deferred tax assets are the denials of provision for retirement benefits, provision for product warranties, reduction in valuation of inventories and reserve for bonus payment, etc., while the major cause for the generation of deferred tax liabilities is unrealized gains on marketable securities.

9. Notes on Non-current assets Used under Lease Contracts

Not applicable.

10. Notes on Transactions with Related Parties

Notes on transactions with subsidiaries and affiliates

Attributes	Company names	Ownership of voting rights in percentage	Relationships	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Subsidiary	Precision Tsugami (China) Corporation	(Owning) Indirect: 100.0%	Manufacture and sales of products of the Company Purchase of products of the company Concurrent service by directors	Sales of the Company's products and parts Purchase of products of the company (Note1)	4,617 6,027	Accounts receivable Accounts payable	622 1,297
Subsidiary	TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	(Owning) Direct: 75.7% Indirect: 15.1%	Manufacture and sales of products of the Company Concurrent service by directors Financial support Loan guarantee	Sales of the Company's products and parts Collection of interest (Note2) Loan guarantee	629 47 152	Accounts receivable Long-term loans receivable	487 2,232

Business terms and policies for their determination, etc.

Notes 1. Terms for sales and purchases of the Company's products, etc. are determined with their market prices as reference data.

2. Reasonable interest rates on loans are determined in consideration of market interest rates.

3. The Company provided a loan guarantee to a subsidiary establishing a letter of credit. The transaction amount is the guaranteed balance at the end of the fiscal year.

11. Notes on Per Share Information

(1) Net assets per share ¥382.78

(2) Net income per share ¥73.78

12. Notes on Important Post-Balance Sheet Events

Not applicable.

13. Other notes

(Business combinations)

Transactions under common control

The Company merged TSUGAMI MACHINERY CO., LTD., which is a wholly owned subsidiary of the Company, by an absorption-type merger with October 1, 2020 as the effective date, based on a resolution of a meeting of the Board of Directors held on June 17, 2020.

(1) Overview of the transaction

(i) Name of combined entity and description of its business

Name of combined entity: TSUGAMI MACHINERY CO., LTD.

Description of business: Installation and repair of machine tools

(ii) Date of business combination

October 1, 2020

(iii) Legal form of business combination

Absorption-type merger in which the Company is the surviving company and TSUGAMI MACHINERY CO., LTD. is the dissolving company.

(iv) Name of the company after business combination
TSUGAMI CORPORATION

(v) Other matters concerning the transaction overview
TSUGAMI MACHINERY CO., LTD. was engaged in after-sales services such as the installation and repair of the Company's products but decided to merge with the Company to integrate its operations with the Company's user support operations and to build a structure for even faster more efficient services.

(2) Overview of accounting procedures implemented
The Company accounted for the business combination as a transaction under common control based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on January 16, 2019).

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Report

May 13, 2021

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC

Kazunari Tsukada
Designated Limited Partner and Operating Partner
Certified Public Accountant

Shinichi Oshima
Designated Limited Partner and Operating Partner
Certified Public Accountant

Auditor's opinion

We have audited, pursuant to Article 444 (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 the consolidated financial statements of Tsugami Corporation (the "Company") for the consolidated fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the consolidated financial statements referred to above, prepared with partial omission of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Rules of Corporate Accounting, 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.

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 pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Rules of Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under 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.

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, pursuant to the second sentence of the first paragraph of Article 120 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items under 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 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 to it in the footnotes of 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 second sentence of the first paragraph of Article 120 of the Rules of Corporate Accounting that prescribes some omissions of disclosure items required under 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 13, 2021

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC

Kazunari Tsukada
Designated Limited Partner and Operating Partner
Certified Public Accountant

Shinichi Oshima
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 sheets, non-consolidated statements of income, non-consolidated statement of changes in net assets, notes to the non-consolidated financial statements and the related supplementary schedules, of Tsugami Corporation (the "Company") for the 118th fiscal year from April 1, 2020 through March 31, 2021.

In our opinion, the non-consolidated financial statements 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 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 Financial Statements". 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.

Responsibility of Management and the Audit and Supervisory Committee in relation to the Financial Statements
Management is responsible for preparing and appropriately presenting non-consolidated financial statements 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 non-consolidated financial statements that do not have material misstatements due to wrong doing or error.
Management is responsible for deciding whether it is appropriate to prepare 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, 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 Financial Statements

The Auditor's responsibility is to express an opinion from an independent perspective on the financial statements based on our audit. As Auditor we are required to perform the audit to obtain reasonable assurance that the 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 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 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 financial statements.
- Arrive at a conclusion regarding the appropriateness of management preparing 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 to it in the footnotes of the financial statements. If a footnote entry on material uncertainty regarding the going concern premise in the financial statements is not appropriate, the Auditor is required to express a qualified opinion on the 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 financial statements are in accordance with business accounting standards generally accepted in Japan, and whether the representations, composition, and content of the financial statements (including related footnotes) and the financial statements 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.

Report by the Board of audit and supervisory committee

Auditors' Report

The Audit and Supervisory Committee has audited the execution of duties by the Directors during the 118th fiscal year from April 1, 2020 to March 31, 2021.

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 (1) (i) (b) and (c) of the Company Law, 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 Corporate Calculation Regulations) 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 (balance sheets, statements of income, statements of changes in equity, and notes to financial statements) and their supplementary schedules, and consolidated financial statements (balance sheets, statements of income, statements of changes in equity and notes to financial statements) for the fiscal year under review.

2.Results of the Audit

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

(a) The business report and its supporting 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 supporting schedules

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

May 13, 2021

The Audit and Supervisory committee
Tsugami Corporation

Kenji Yoneyama
Standing members of the Audit and Supervisory committee

Yoshimi Takeuchi
Members of the Audit and Supervisory committee

Kenyu Adachi
Members of the Audit and Supervisory committee

Kunio Shimada
Members of the Audit and Supervisory committee

Michiyo Yamamiya
Members of the Audit and Supervisory committee

(Note) The members of the Audit and Supervisory committee Yoshimi Takeuchi, Kenyu Adachi, Kunio Shimada and Michiyo Yamamiya are outside statutory auditors stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Company Law.

Reference Materials for the Annual Shareholders Meeting

Item 1: Appointment of Five Directors (excluding directors who are members of the Audit and Supervisory committee)
The term of office for all (seven) Directors (excluding directors who are members of the audit and supervisory committee ; the same applies hereinafter in this item) shall expire at the close of this Annual Shareholders Meeting.
We therefore propose the appointment of five Directors (including two Outside Directors), reducing the number of directors by two to enable more agile decision-making by the Board of Directors.
This proposal has been deliberated by the Nomination Committee, where a majority of members are independent Outside Directors, and the Audit & Supervisory Committee judges that all the director candidates are qualified.
The five candidates for the position of Director (other than Directors who are members of the audit and supervisory committee) are as follows:

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, and positions and responsibilities at the Company
(including representation at other companies, etc.)</th><th>Number of shares in the Company held</th></tr>
<tr><td rowspan="2">1</td><td>Takao Nishijima
(December 14, 1947)</td><td>May 1999

Jun. 2000

Apr. 2003
Apr. 2012
Jun. 2019</td><td>Joined the Company
General Manager of the Sales Development Division of the Company
Managing Director of Tsugami Kohan Co., Ltd.
Director and General Manager of the Sales Development Division, Control Headquarters
Representative Director, Chairman and CEO
Representative Director, Chairman and CEO
Representative Director, Chairman and CEO (current positions)</td><td>10 thousand</td></tr>
<tr><td colspan="4">(Reason for nomination as candidate for Director)
Mr. Takao Nishijima has helped improve the Group’s corporate value by driving the Group as a whole and making improvements such as developing global business operations and strengthening corporate governance. The Company expects that Mr. Nishijima will continue to drive the Group’s business forward and further strengthen its management structure and has once again nominated him as a candidate for Director.</td></tr>
<tr><td rowspan="2">2</td><td>Ichiro Muromoto
(May 7, 1958)
[New appointment]</td><td>Apr. 1982
Jun. 2009

Jun. 2013

Jun. 2015

Feb. 2021</td><td>Joined Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.)
General Manager of the General Planning Department of Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.)
General Manager of the Personnel Department of Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.)
Managing Director of Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.)
Full-time advisor and assistant general manager of the administrative operations of the Company (current positions)</td><td>0</td></tr>
<tr><td colspan="4">(Reason for nomination as candidate for Director)
Mr. Ichiro Muromoto has worked for financial institutions for many years and has also gained extensive experience and deep insight as manager of business administration. The Company would like to take advantage of Mr. Muromoto’s experience and insight for the Group’s sustainable growth and improvement of its corporate value and has nominated him as candidate for Director.</td></tr>
</table>

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, and positions and responsibilities at the Company
(including representation at other companies, etc.)</th><th>Number of shares in the Company held</th></tr>
<tr><td rowspan="2">3</td><td>Donglei TANG
(November 27, 1962)</td><td>Nov. 2005
Jun. 2010

Feb. 2017

Jun. 2018</td><td>Joined the Company
Director, Managing Executive Officer in Charge of China Operations of the Company
Vice Chairman and CEO of Precision Tsugami (China) Corporation
Vice Chairman and CEO of Precision Tsugami (China) Corporation (current position)
Director of Precision Tsugami (Hong Kong) Limited (current position)
Executive director of Precision Tsugami (China) Corporation Limited (current position)
Director, Senior Advisor (current position)</td><td>0</td></tr>
<tr><td colspan="4">(Reason for nomination as candidate for Director)
Mr. 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 Mr. Jae-Hyun's 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.</td></tr>
<tr><td rowspan="2">4</td><td>Ken Kubo
(November 20, 1953)
[Outside Director]</td><td>Apr. 1977

Nov. 2009

Apr. 2013

Jun. 2013
Jun. 2015
Apr. 2019

Jun. 2020</td><td>Joined the Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation)
President and CEO of Promise Co. Ltd. (now SMBC Consumer Finance Co., Ltd.)
Deputy President and Executive Officer of Sumitomo Mitsui Financial Group, Inc.
Deputy President and Executive Officer of Sumitomo Mitsui Banking Corporation
Representative Director of Mitsui Sumitomo Financial Group
President and CEO of Sumitomo Mitsui Card Co., Ltd.
Special Advisor of Sumitomo Mitsui Card Co., Ltd. (current position)
Outside director of the Company (current position)</td><td>0</td></tr>
<tr><td colspan="4">(Reason for nomination as candidate for Outside Director)
Mr. Ken Kubo has worked for a financial institution for many years and has also gained extensive experience and deep insight as corporate manager. The Company expects that Mr. Kubo 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.</td></tr>
</table>

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)	
		Jun. 2018	Outside director of the Company (Members of the Audit and Supervisory Committee) (current position)	
		Jun. 2020	Outside director of the Company (current position)	
	(Reason for nomination as candidate for Outside Director) Mr. Koichi Maruno has worked for life insurance companies for many years and has extensive knowledge of economics and business management. The Company expects that Mr. Maruno 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. Mr. 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 one year at the close of this Annual Shareholders Meeting.

2. Mr. Koichi Maruno is a candidate for Outside Director and 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 a member of the Audit & Supervisory Committee is two years at the close of this Annual Shareholders Meeting, while his term of office as Outside Director who is not a member of the Audit & Supervisory Committee is one year.

3. No special interest exists between the Company and each of the other candidates for the position of Director.

4. The Company has executed an agreement with Mr. Ken Kubo and Mr. Koichi Maruno on the limitation of liability for damages as provided for under the provisions of Paragraph 1, Article 423 of the Companies Act according to the provisions of Paragraph 1, Article 427 thereof. The limited amount of liability for damages under the said agreement is the minimum liability stipulated under laws. If Mr. Ken Kubo and Mr. Koichi Maruno are reappointed, 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 15 of the business report. If 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 2: Appointment of a Director Who is a Member of the Audit and Supervisory Committee

Mr. Kenji Yoneyama, a Director who is a member of the Audit & Supervisory Committee, will retire from office at the close of this Annual Shareholders Meeting. We therefore propose the appointment of a Director who is a member of the Audit & Supervisory Committee.

This proposal has been deliberated by the Nomination Committee, where a majority of members are independent Outside Directors, and the consent of the Audit & Supervisory Committee has been obtained. The candidate for Director who is Member of the Audit and Supervisory Committee is as follow:

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	Tomoko Takahashi (March 9, 1956) [New appointment]	Apr. 1974	Joined the Company	5,000
		Jun. 2013	Executive Officer and General Manager of the Administration Division of the Company	
		Apr. 2014	Senior Executive Officer and General Manager of the Administration Division of the Company	
		Apr. 2017	Senior Executive Officer, head of the Personnel Affairs Division and head of the Secretary Office of the Company	
		Jun. 2018	CHO, head of the Personnel Affairs Division and head of the Secretary Office of the Company (current position)	
	(Reason for nomination as candidate for Director who is a Member of the Audit and Supervisory Committee) Ms. Tomoko Takahashi has been involved in the administrative operations and personnel operations of the Company for many years. The Company judges that she is capable of executing the duties of a member of the Audit & Supervisory Committee appropriately based on her extensive experience and deep insight and has nominated her as a candidate for Director who is a member of the Audit & Supervisory Committee.			

Notes 1. No special interest exists between the Company and the candidate for the position of Director.

2. 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 15 of the business report. If election of the candidate for Director who is Member of the Audit and Supervisory Committee is approved, the Director 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: Determination of amounts of compensation for allotment of restricted stock to Directors (excluding Directors who are Audit & Supervisory Committee members and Outside Directors)

The 115th Annual Shareholders Meeting of the Company held on June 20, 2018 gave approval to set the amount of compensation, etc. for Directors (excluding those who are members of the Audit & Supervisory Committee) at "not more than ¥250 million per year (excluding salary for employees), and, separate from the above amount, to set the amount of compensation, etc. in the form of subscription rights to shares to be allocated as stock compensation-type stock options to Directors (excluding those who are members of the Audit & Supervisory Committee and Outside Directors; hereinafter referred to as "Eligible Directors") of the Company at not more than ¥80 million per year.

We now propose allocating to Eligible Directors shares of common stock of the Company that are subject to a certain transfer restriction period and provisions on grounds for acquisition by the Company without compensation, etc. (hereinafter referred to as "Restricted Shares") as described below in place of the abovementioned subscription rights to shares to be allocated as stock compensation-type stock options, in order to promote the sharing of benefits and risks of share price fluctuations with shareholders and further incentivize the Eligible Directors of the Company to increase the share price and enhance the Company's corporate value.

We, therefore, propose repealing the abovementioned provisions on the amount of compensation, etc. in the form of subscription rights to shares to be allocated as stock compensation-type stock options and, comprehensively considering matters such as the contribution of the Eligible Directors within the Company, setting, separate from the amount of compensation, etc. for Directors (excluding those who are members of the Audit & Supervisory Committee) described above, the total amount of monetary compensation claims to be granted as compensation, etc. related to Restricted Shares to Eligible Directors at not more than ¥80 million per year. Allotments of Restricted Shares have been determined based on comprehensive consideration of matters such as contribution of Eligible Directors and, given that the dilution rate is insignificant, with the maximum number of Restricted Shares to be allotted each fiscal year as stipulated in 2. below accounting for around 0.27% of shares outstanding (if the Company issued the maximum number of Restricted Shares for a period of 10 years, Restricted Shares would account for around 2.73% of shares outstanding), we believe that the details are reasonable.

At a meeting held on February 19, 2021, the Company's Board of Directors established a policy and standards for determining details of compensation, etc. for individual Directors and Executive Officers, an outline of which is as described in the business report, and allotment of the Restricted Shares based on this proposal will be in accordance with this policy.

The Company currently has seven Directors (excluding those who are members of the Audit & Supervisory Committee) (including two Outside Directors) and if approval for Item No. 1 is obtained, the Company will have five Directors (excluding those who are members of the Audit & Supervisory Committee) (including two Outside Directors).

If this proposal is approved and adopted, the Company shall not make any further allotments of subscription rights to shares to be allotted as stock compensation-type stock options to the Eligible Directors, excepting those already allotted.

Specific details and maximum number of Restricted Shares to be allotted to Eligible Directors, etc. of the Company

1. Allotment of and payment for Restricted Shares
   The Company will grant to Eligible Directors monetary compensation claims within the abovementioned annual limit as compensation, etc. related to Restricted Shares based on resolutions of the Board of Directors of the Company, and each of the Eligible Directors will receive allotment of Restricted Shares by paying in all such monetary compensation claims by way of in-kind contribution.

The amount paid for Restricted Shares will be determined by the Board of Directors based on the closing price of the Company's common shares at the Tokyo Stock Exchange on the business day immediately before the day on which resolutions are made at a meeting of the Board of Directors (or the closing price on the immediately preceding day if no trades are made on this day) with respect to the issuance or disposal of such shares, provided that such amount shall not be particularly favorable to the Eligible Directors who subscribe for such Restricted Shares.

In addition, the abovementioned monetary compensation claims shall be granted on the condition that the Eligible Directors agree to the abovementioned in-kind contribution and conclude an agreement on the allotment of shares with transfer restrictions that includes the provisions specified in 3. below.

In addition, the abovementioned monetary compensation claims shall be granted on the condition that the Eligible Directors agree to the abovementioned in-kind contribution and conclude an agreement on the allotment of shares with transfer restrictions that includes the provisions specified in 3. below.

2. Total number of Restricted Shares

   The total number of Restricted Shares allotted to the Eligible Directors in each fiscal year shall not exceed 150,000 shares. However, if, after the day on which a resolution is passed to adopt this Proposal, there is a stock split (including the gratis allotment of the Company's common shares) or stock consolidation of the Company's common shares, or any other similar event requiring adjustment to the total number of Restricted Shares to be allotted, the total number of Restricted Stock to be allotted will be adjusted accordingly within a reasonable range.

3. Details of agreement on the allotment of shares with transfer restrictions

   In conjunction with the allotment of Restricted Shares, the following provisions shall be included in an agreement on the allotment of shares with transfer restrictions to be concluded between the Company and the Eligible Directors who will be allotted Restricted Shares, based on resolutions of the Board of Directors of the Company.

(1) Details of transfer restrictions

Eligible Directors who have been allotted Restricted Shares shall not engage in transfer, the establishment of a pledge, the establishment of security by way of assignment, transfer in the form of inter vivos gifts, disposition at will, or any other act of disposition to any third party (hereinafter referred to as the “Transfer Restrictions") with respect to the Restricted Shares allotted to such Eligible Directors (hereinafter referred to as the "Allotted Shares") during the period from the day on which the Restricted Shares are delivered until the day on which the Eligible Directors retire from all positions they hold as Directors, Executive Officers or employees equivalent thereto of the Company (hereinafter referred to as the “Transfer Restriction Period").

(2) Acquisition of Restricted Shares without Compensation

If Eligible Directors who have been allotted Restricted Shares retire from all the positions they hold as Directors, Executive Officers or employees equivalent thereto of the Company during the period from the start date of the Transfer Restriction Period until the day before the first Annual Shareholders Meeting of the Company to be held after such start date, the Company may automatically acquire the Allotted Shares without compensation, unless such acquisition is denied for reasons that the Board of Directors acknowledges to be justifiable.

In addition, if there are any Allotted Shares whose Transfer Restrictions are not lifted when the Transfer Restriction Period defined in (1) above has expired due to provisions on the lifting of the Transfer Restrictions specified in (3) below, the Company may automatically acquire such Shares without compensation.

(3) Lifting of the Transfer Restrictions

Provided that Eligible Directors who have been allotted Restricted Shares have continually held positions as Directors, Executive Officers or employees equivalent thereto during the period from the start date of the Transfer Restriction Period until the day of the first Annual Shareholders Meeting of the Company to be held after such start date, the Company may lift the Transfer Restrictions for all of the Allotted Shares on the day when the relevant Transfer Restriction Period expires.

However, if such Eligible Directors retire from all the positions they hold as Directors, Executive Officers or employees equivalent thereto of the Company during the period from the start date of the Transfer Restriction Period until the day before the first Annual Shareholders Meeting of the Company to be held after such start date for reasons that the Board of Directors acknowledges to be justifiable, the Company may make reasonable adjustments to the number of the Allotted Shares on which transfer restrictions are lifted and the timing of the lifting of restrictions as necessary.

(4) Handling in the case of organizational restructuring, etc.

If, during the Transfer Restriction Period, the Shareholders Meeting of the Company approves a proposal concerning a merger contract under which the Company will cease to exist, a share exchange agreement or share transfer plan under which the Company will become a wholly owned subsidiary, or any other organizational restructuring, etc. (or, in cases where approval at the Shareholders Meeting of the Company for said organizational restructuring, etc. is not necessary, if the Board of Directors of the Company approves the same) (only applies if the effective date of said organizational restructuring, etc. precedes expiration of the Transfer Restriction Period; hereinafter referred to as the "In the Event of Approval of Organizational Restructuring, etc.") and if the Eligible Directors who have been allotted Restricted Shares will retire from all the positions they hold as Directors, Executive Officers or employees equivalent thereto of the Company as a result of said organizational restructuring, etc., the Company will lift the Transfer Restrictions prior to the effective date of said organizational restructuring, etc. with respect to the number of the Allotted Shares that is reasonably calculated considering the period from the start date of the Transfer Restriction Period to the date of approval of the said organizational restructuring, etc., based on a resolution of the Board of Directors of the Company.

In the Event of Approval of Organizational Restructuring, etc., the Company will, on the business day before the effective date of said organizational restructuring, etc., automatically acquire without compensation any of the Allotted Shares in relation to which the Transfer Restrictions have not been lifted.

(Reference)

After the close of this Shareholders Meeting, the Company plans to allot restricted shares similar to the abovementioned Restricted Shares to Executive Officers and employees equivalent thereto of the Company.