

[Translation]
Stock code: 6101
May 27, 2024

To our shareholders,

Nobuhiro Watabe
Representative Director
TSUGAMI CORPORATION
12-20, Tomizawa-cho
Nihonbashi, Chuo-ku, Tokyo

Notice of the 121st Annual Shareholders Meeting

You are cordially invited to attend the 121st Annual Shareholders Meeting of TSUGAMI CORPORATION (the “Company”), to be held as set forth below.

In the convocation of this meeting, the Company has taken measures for providing information that constitutes the content of reference documents for the shareholders meeting, etc. in electronic format (matters subject to measures for electronic provision), and posts this information on the following websites on the Internet. Please access any of these websites by using the Internet address shown below to review the information.

[The Company’s website]

<https://www.tsugami.co.jp/> (in Japanese)

(Please access the website shown above by using the Internet address, select “Investor Relations” and then “Shareholders’ Meeting” to review the information.)

[Reference documents for the Shareholders Meeting website]

<https://d.sokai.jp/6101/teiji/> (in Japanese)

[TSE website (Listed Company Search)]

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)

(Please access the website of Tokyo Stock Exchange, Inc. (TSE) shown above by using the Internet address, enter “TSUGAMI” in the “Issue name (company name)” or “6101” in the “Code,” and click the “Search,” and then click the “Basic information” and select the “Documents for public inspection/PR information” to review the information.)

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 and exercise your voting rights.

[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 voting form, affix your seal and return it to us so that it will arrive no later than 5:30 p.m. on Tuesday, June 18, 2024.

If you exercise your voting rights in writing (by postal mail) and do not indicate “for” or “against” on any of the proposals, we will treat it as if you indicated your approval.

[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 voting form, and exercise your vote by indicating “for” or “against” for each agenda item according to the instructions on the screen no later than 5:30 p.m. on Tuesday, June 18, 2024.

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

Meeting Details

- 1. Date & Time** 10:00 a.m., Wednesday, June 19, 2024
2. Venue Sakura-no-ma, third floor of Hotel New Otani Nagaoka
2-8-35 Daimachi, Nagaoka City, Niigata Prefecture

3. Agenda:

Items to be reported

1. The Business Report, the Consolidated Financial Statements, and the report on the audit of the consolidated accounts by the Independent Auditors and the Audit and Supervisory Committee for the 121st term, from April 1, 2023 to March 31, 2024, will be reported at the meeting.
2. The Non-consolidated Financial Statements for the 121st term, from April 1, 2023 to March 31, 2024, will be reported at the meeting.

Items to be resolved

Item 1: Election of Five Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

Item 2: Election of Four Directors Who Are Audit and Supervisory Committee Members

Item 3: Determination of Compensation Concerning Measures to Transition to Restricted Shares from Share Acquisition Rights (Unexercised Portion) That Were Already Granted as Stock Compensation-Type Stock Options to Directors (Excluding Directors and Outside Directors who are Audit and Supervisory Committee Members)

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

At this Shareholders Meeting, regardless of whether or not a request for delivery of the document is made, the Company will uniformly send out documents containing the matters subject to measures for electronic provision. Of the matters subject to measures for electronic provision, the following items are not provided in this document because they have been posted on the websites listed on the preceding page where the matters subject to measures for electronic provision are posted, pursuant to the provisions of applicable laws and regulations as well as the Company's Articles of Incorporation. The Independent Auditors and the Audit and Supervisory Committee have audited the documents to be audited, including the following items.

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

If any amendments are made to the matters subject to measures for electronic provision, the fact that the revisions were made and the matters before and after the amendments will be posted on the websites listed on the preceding page where the matters subject to measures for electronic provision are posted.

If significant changes occur in the administration of the meeting due to changes in the situation, the relevant information will be posted on the Company website.

<Procedures for Online Exercise of the Voting Rights>

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

Details of Online Exercise of the Voting Rights

1. Website for Exercise of the Voting Rights

- (1) You can exercise your voting rights online only when you access to the site for exercise of the voting rights that the Company designates (<https://evote.tr.mufg.jp/>) through a personal computer or smartphone. (However, the site is not available from 2:30 a.m. to 4:30 a.m. each day.)
- (2) You may not exercise the voting rights online according to the environment in which you use the Internet, specifically, if a firewall and other similar programs are used in connection with the Internet, if an anti-virus software program is running, if a proxy server is used, or if TLS encryption communication is not designated.
- (3) You can exercise your voting rights online no later than 5:30 p.m. on Tuesday, June 18, 2024. However, you are recommended to exercise your voting rights early and if you have any questions, please contact the help desk.

2. Method of Online Exercise of the Voting Rights

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

*The QR code is a registered trademark of DENSO WAVE Incorporated.

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

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

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

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

End

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

Business Report

(From April 1, 2023 to March 31, 2024)

1. Current Status of the Group

(1) Business Performance for the Fiscal Year Ended March 31, 2024

(i) Business progress and results

During the fiscal year under review, while the profit structure of the Group as a whole remained unchanged, both domestic and overseas markets continue to experience a phase of adjustment. As a result, consolidated revenue for the fiscal year under review decreased 11.6% year on year, to ¥83,928 million.

A breakdown of consolidated revenue by machinery category shows that revenue of mainstay automatic lathes decreased 11.4% year on year, to ¥70,681 million, revenue of grinding machines decreased 7.5%, to ¥3,954 million, and revenue of machining centers, rolling machines and other specialized machines decreased 19.6%, to ¥4,740 million.

Consolidated operating profit decreased 21.9% year on year, to ¥13,095 million. Consolidated profit attributable to owners of parent decreased 30.1%, to ¥5,376 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	Repair of plant equipment
Precision Tsugami (China) Corporation	Additional installation of equipment for producing machine tools
Precision Tsugami (Anhui) Corporation	Additional installation of equipment for producing machine tools
Precision Nakatsu (China) Corporation	Extension of plant for manufacturing machine tools*
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	A new plant for manufacturing machine tools, casting and components*

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

Total investments amounted to ¥2,676 million, funded through the Company's own funds.

(iii) Financing activities

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

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

(Millions of yen)

Category	118 th term ended March 31, 2021	119 th term ended March 31, 2022	120 th term ended March 31, 2023	121 st term ended March 31, 2024
Revenue	61,662	93,174	94,963	83,928
Profit before tax	9,459	18,776	16,467	13,795
Profit attributable to owners of parent	4,917	9,486	7,695	5,376
Basic earnings per share	¥95.21	¥191.99	¥159.39	¥112.57
Total assets	79,278	103,761	112,364	117,714
Total equity	46,836	57,840	64,922	72,361
Equity attributable to owners of parent per share	¥751.14	¥941.82	¥1,057.67	¥1,190.52

Note: The Company has been preparing consolidated financial statements that conform to the IFRS.

(3) Status of Parent Company and Principal Subsidiaries

(i) Parent company

Not applicable

(ii) Principal subsidiaries

Company name	Capital	Voting share of the Company	Main business
TSUGAMI GENERAL SERVICE CO., LTD.	¥42 million	100.0	Inspections and maintenance of buildings and facilities of factories, and non-life insurance agency operations
TSUGAMI EUROPE GmbH	€60 thousand	100.0	Sales, maintenance and repair service of machine tools
Precision Tsugami (China) Corporation	CNY517 million	100.0 (100.0)	Manufacturing and sales of machine tools
Precision Tsugami (China) Corporation Limited	HK\$380 million	71.5	Holding company
Precision Tsugami (Hong Kong) Limited	HK\$767 million	100.0 (100.0)	Holding company
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	CNY35 million	100.0 (100.0)	Manufacturing and sales of machine tool castings
Precision Tsugami (Anhui) Corporation	CNY150 million	100.0 (100.0)	Manufacturing and sales of machine tools and metal castings
Precision Nakatsu (China) Corporation	CNY223 million	100.0 (100.0)	Manufacturing and sales of machine tools
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	INR495 million	90.9 (15.1)	Manufacturing and sales of machine tools
TSUGAMI (THAI) CO.,LTD.	THB10 million	47.9	Sales, maintenance and repair service of machine tools
TSUGAMI KOREA Co., Ltd.	₩1,000 million	100.0	Sales, maintenance and repair service of machine tools
TSUGAMI Universal Pte.Ltd.	S\$125 thousand	100.0	Sales, maintenance and repair service of machine tools
TSUGAMI UNIVERSAL SDN.BHD.	MYR150 thousand	100.0 (100.0)	Sales, maintenance and repair service of machine tools
TSUGAMI VIETNAM COMPANY LIMITED	VND1,689 million	100.0	Sales, maintenance and repair service of machine tools

Note: The figure in the parenthesis is the indirect ownership of voting rights.

(4) Challenges to Address

(Challenges in the medium to long term)

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

(i) Introduction of new products targeting growth fields

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

(ii) Business strategies targeting growth regions

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

(iii) Management streamlining and customer satisfaction enhancement

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

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

(iv) Enhancement of the corporate governance system

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

(v) Strengthening sustainability initiatives

The Group recognizes that sustainability is an important management issue, and under the supervision of the Board of Directors, the Sustainability Committee plays a central role in promoting company-wide initiatives. To address climate change and environmental issues, the Group will continuously reduce CO2 emissions from all of its business activities and enhance non-financial information disclosure based on TCFD recommendations.

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, 2024)

Manufacturing and sale of precision machine tools

(6) Main Offices and Factories (as of March 31, 2024)

(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
TSUGAMI EUROPE GmbH	Germany
Precision Tsugami (China) Corporation	China
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	China
Precision Tsugami (Anhui) Corporation	China
Precision Nakatsu (China) Corporation	China
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED	India
TSUGAMI (THAI) CO.,LTD.	Thailand
TSUGAMI KOREA Co., Ltd.	South Korea
TSUGAMI Universal Pte.Ltd.	Singapore
TSUGAMI UNIVERSAL SDN.BHD.	Malaysia
TSUGAMI VIETNAM COMPANY LIMITED	Vietnam

(7) Employees (as of March 31, 2024)**(i) Employees of the Tsugami Group**

Number of employees	Change from the end of the previous term
3,063 [91]	Down 40 [UP 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.

(ii) Employees of Tsugami Corporation

Number of employees	Change from the end of the previous term	Average age	Average service years
491 [76]	Up 9 [Up 2]	43.8 years old	19.2 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, 2024)

Lender	Outstanding loan amount
Sumitomo Mitsui Banking Corporation	¥4,000 million
MUFG Bank, Ltd.	¥2,500 million
Daishi Hokuetsu Bank, Ltd.	¥2,500 million
Mizuho Bank, Ltd.	¥2,000 million
THE HACHIJUNI BANK, LTD.	¥300 million

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

The Group adopts the basic policy of increasing its collective capabilities and returning profits to shareholders by sustaining aggressive investment in development projects in response to changing social demands and continuing its efforts to enhance competitiveness and streamline management. Based on the policy, the Group will make united efforts to strengthen business structure and secure stable dividends.

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

The Company has decided to pay an annual dividend of ¥24 per share, an interim dividend of ¥24 and a year-end dividend of ¥48, in the fiscal year ended March 31, 2024.

The Company plans to pay an annual dividend of ¥24 per share, an interim dividend of ¥24 and a year-end dividend of ¥48, in the fiscal year ending March 31, 2025.

2. Current Status of the Company

(1) Shares (as of March 31, 2024)

- (i) Number of authorized shares: 320,000,000
(ii) Number of shares outstanding: 50,000,000
(iii) Number of shareholders: 13,166

(iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	6,501	13.67
Daishi Hokuetsu Bank, Ltd.	2,184	4.59
Custody Bank of Japan, Ltd. (trust account)	1,781	3.74
Sumitomo Mitsui Banking Corporation	1,516	3.18
The Dai-ichi Life Insurance Company, Limited	1,470	3.09
Tsugami Customers' Shareholding Association	1,177	2.47
THE BANK OF NEW YORK 133652	984	2.07
J.P. MORGAN CHASE BANK 385632	978	2.05
NORTHERN TRUST CO. (AVFC) RE THE HIGHCLERE INTERNATIONAL INVESTORS SMALLER COMPANIES FUND	811	1.70
THE BANK OF NEW YORK MELLON 140042	755	1.58

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

2. Although the Company holds 2,453 thousand treasury shares, it is excluded from the list of major shareholders.

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

	Number of shares	Number of eligible beneficiaries
Directors (excluding Director who are Audit and Supervisory Committee Members and Outside Directors)	21,700	4

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

[Reference]

Matters regarding shares held by the Company (as of March 31, 2024)

(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 discusses 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 Committee. 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-holdings have decreased, it will reduce the shareholding of such stock by selling them in view of market trends, etc.

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

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

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

Number of stocks	Total amount recorded on the balance sheet
16	¥4,608 million

Note: The ratio of the total amount on the balance sheet shown above to total equity (¥72,361 million) in the consolidated statement of financial position as of March 31, 2024 was 6.37%.

(2) Officers

(i) Directors (as of March 31, 2024)

Position	Name	Responsibility and important concurrent post
Director	Ken Kubo	Advisor of Sumitomo Mitsui Card Co., Ltd.
Representative Director	Nobuhiro Watabe	
Representative Director	Kenji Yoneyama	
Director	Donglei Tang	Chairman of Precision Tsugami (China) Corporation
Director	Takeshi Hirayama	
Director (Standing Audit and Supervisory Committee Member)	Yutaka Kimura	
Director (Audit and Supervisory Committee Member)	Yoshimi Takeuchi	Chairman of Chubu University
Director (Audit and Supervisory Committee Member)	Kenyu Adachi	Outside Director of Japan Alcohol Trading CO., LTD, Outside Director of ENECHANGE Ltd.
Director (Audit and Supervisory Committee Member)	Kunio Shimada	Representative partner at Shimada Hamba & Osajima, Outside Director of TOKYU CORPORATION, Audit & Supervisory Board Members of Sankyu Inc.
Director (Audit and Supervisory Committee Member)	Michiyo Yamamiya	Partner at Tanabe & Partners

- Notes: 1. Changes in Directors in the fiscal year under review were as follows:
Mr. Junichi Hyakuya, Representative Director; Mr. Motoi Yamada, Representative Director; Mr. Koichi Maruno, Director; Ms. Tomoko Takahashi, Director (Audit and Supervisory Committee Member) retired as of the closing of the 120th Annual Shareholders Meeting held on June 21, 2023, due to the expiration of their terms of office. Mr. Nobuhiro Watabe, Mr. Kenji Yoneyama and Mr. Takeshi Hirayama were newly elected as Directors, and Mr. Yutaka Kimura were newly elected as Director (Audit and Supervisory Committee Member) at the said meeting, and assumed the positions thereafter.
2. Directors Ken Kubo, and Directors (Audit and Supervisory Committee Members) Yutaka Kimura, Yoshimi Takeuchi, Kenyu Adachi, Kunio Shimada, and Michiyo Yamamiya are Outside Directors.
3. The Company has notified the Tokyo Stock Exchange of the appointment of Directors (Audit and Supervisory Committee Members) Yoshimi Takeuchi, Kenyu Adachi, Kunio Shimada and Michiyo Yamamiya as independent officers.
4. The Company has appointed Mr. Yutaka Kimura as standing Audit and Supervisory Committee Member to improve information and to enhance the effectiveness of audits and auditing and supervisory functions through sufficient collaboration with the internal audit division etc.

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

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

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

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

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

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

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

(iv) Compensation paid to Directors

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

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 by the Compensation Committee where a majority of members are independent Outside Directors, in order to ensure objectivity and transparency.
- Compensation must be within the total amount of compensation fixed by resolution of the shareholders meeting.

b. Structure of compensation

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

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

- Outside Directors and Directors who are Audit and Supervisory Committee Members are paid basic compensation only, in light of their role in the supervisory function.
- c. Basic compensation (monetary compensation)
 - Basic compensation is a fixed monthly compensation determined based on comprehensive consideration of a range of factors including rank and responsibilities, whether the Director is an Outside Director and is full-time or part-time, and the Company's business performance.
- d. Performance-linked compensation
 - Performance-linked compensation is monetary compensation that reflects performance indicators to motivate Directors to improve performance, and it is paid as monthly compensation. Performance indicators and their target levels are set and reviewed as appropriate according to changes in the environment to ensure that they are consistent with evaluations of the level of achievement of business performance forecasts (consolidated revenue, consolidated operating profit, etc.) and the performance of the business for which each Director is responsible.
- e. Non-monetary compensation
 - The Company pays non-monetary compensation in the form of restricted stock compensation as part of medium-to-long-term performance-linked compensation. The Company provides monetary compensation claims within the range of annual amounts set by resolution of a shareholders meeting, and each eligible director pays in the entire monetary compensation claim as an in-kind contribution to the Company and receives the allocated restricted shares. Restricted shares are allocated at a fixed time every year based on comprehensive consideration of a range of factors including rank, responsibilities and the Company's performance. Restrictions on transfer of shares are lifted at the time of retirement. With the introduction of a restricted stock compensation plan, stock compensation-type stock options were abolished except for those that were already granted.
- f. Procedure for determining details of compensation, etc. of each Director
 - Upon determination of the details of compensation, etc. of Directors (excluding Directors who are Audit and Supervisory Committee Members), the Compensation Committee is consulted by the Board of Directors and holds deliberations and issues a report based on the policy and standards outlined above.
 - The details of compensation, etc. of individual Directors (excluding Directors who are Audit and Supervisory Committee Members) are determined by the two Representative Directors under authority delegated by resolution of the Board of Directors, giving due respect to the report of the Compensation Committee.
 - Details of compensation, etc. of individual Directors who are Audit and Supervisory Committee Members are discussed and determined at the Audit and Supervisory Committee with the unanimous consent of all of the Audit and Supervisory Committee Members, giving due respect to the report of the Compensation Committee.

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

Post	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of eligible directors
		Basic compensation	Performance-linked compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding Audit and Supervisory Committee Members) [Outside Directors included]	¥130 million [¥16 million]	¥78 million [¥16 million]	¥22 million [-]	¥30 million [-]	8 [2]
Directors (Audit and Supervisory Committee Members) [Outside Directors included]	¥51 million [¥47 million]	¥51 million [¥47 million]	- [-]	- [-]	6 [5]
Total [Outside Officers included]	¥182 million [¥63 million]	¥129 million [¥63 million]	¥22 million [-]	¥30 million [-]	14 [7]

- Notes:
- The above includes three Directors (excluding Directors who are Audit and Supervisory Committee Members) and one Director (Audit and Supervisory Committee Member) who retired as of the closing of the 120th Annual Shareholders Meeting held on June 21, 2023.
 - Performance indicators for performance-linked compensation, etc. and their target levels are set and reviewed as appropriate according to changes in the environment to ensure that they are consistent with evaluations of the level of achievement of business performance forecasts (consolidated revenue, consolidated operating profit, etc.) and the performance of the business for which each Director is responsible.
 - Non-monetary compensation, etc. consists of stock compensation-type stock options and restricted stock compensation.
 - Stock compensation-type stock option: The Company determines the number of share acquisition rights of the Company to be granted based on comprehensive consideration of a range of factors including rank, responsibilities and the Company's performance and adopts a system whereby the share acquisition rights can then be exercised upon retirement. With the introduction of the restricted stock compensation plan, stock options as compensation were abolished except for those that were already granted.
 - Restricted stock compensation: The Company adopts a system whereby restricted shares are allocated based on comprehensive consideration of a range of factors including rank, responsibilities and the Company's performance. Restrictions on transfer of shares are lifted at the time of retirement.
 - It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that the amount of monetary compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) should be no more than ¥250 million per year. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the closing of the 115th Annual Shareholders Meeting was seven (including two Outside Directors). It was also resolved at the 118th Annual Shareholders Meeting held on June 16, 2021 that, separate from this monetary compensation, the provisions on the amount of compensation, etc. in the form of subscription rights to shares to be allocated as stock compensation-type stock options be repealed, and the amount of compensation, etc. related to restricted shares for Directors (excluding Directors who are Audit and Supervisory Committee Members) be set at not more than ¥80 million per year, and the total number of restricted shares allocated in each fiscal year be at not more than 150,000 shares. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members as well as Outside Directors) at the closing of the 118th Annual Shareholders Meeting was three.
 - It was resolved at the 115th Annual Shareholders Meeting held on June 20, 2018 that the amount of monetary compensation for Directors who are Audit and Supervisory Committee Members should be no more than ¥80 million per year. The number of Directors who are Audit and Supervisory Committee Members at the closing of the 115th Annual Shareholders Meeting was four.
 - The Board of Directors delegates authority to determine the details of compensation, etc. (including amounts of basic compensation and performance-linked compensation) of individual Directors (excluding Directors who are Audit and Supervisory Committee Members) to the two Representative Directors, Nobuhiro Watabe and Kenji Yoneyama. The Board of Directors delegated authority based on the judgment that the panel of two Representative Directors are the right people to evaluate the performance of the business unit each Director is responsible for whilst taking into consideration the performance of the Company as a whole and other pertinent factors. The Company established voluntary Nomination and Compensation Committees where the majority of members are independent Outside Directors as advisory bodies to the Board of Directors. 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 two Representative Directors, under authority delegated by the Board of Directors, giving due respect to the report of the Compensation Committee.

(v) Matters concerning outside officers

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

Position, Name	Company name	Post	Relationship
Director Ken Kubo	Sumitomo Mitsui Card Co., Ltd.	Advisor	No special interests exist between the Company and Sumitomo Mitsui Card Co., Ltd.
Director (Audit and Supervisory Committee Member) Yoshimi Takeuchi	Chubu University	Chairman	No special interests exist between the Company and Chubu University.
Director (Audit and Supervisory Committee Member) Kenyu Adachi	Japan Alcohol Trading CO., LTD ENECHANGE Ltd.	Outside Director Outside Director	No special interests exist between the Company and either Japan Alcohol Trading CO., LTD. or ENECHANGE Ltd.
Director (Audit and Supervisory Committee Member) Kunio Shimada	Shimada Hamba & Osajima TOKYU CORPORATION Sankyu Inc.	Representative partner Outside Director Audit & Supervisory Board Members	No special interests exist between the Company and either Shimada Hamba & Osajima, TOKYU CORPORATION or Sankyu Inc.
Director (Audit and Supervisory Committee Member) Michiyo Yamamiya	Tanabe & Partners	Partner	No special interests exist between the Company and Tanabe & Partners.

Note: Mr. Yutaka Kimura, Director (Audit and Supervisory Committee Member) has no significant concurrent positions.

b. Major activities in the fiscal year under review

Name	Attendance, comments and outline of duties performed in relation to role expected of Outside Director
Ken Kubo, Director	He attended 7 of the 10 meetings of the Board of Directors held in the fiscal year under review. He fulfilled his role and responsibilities in exercising effective supervision over the Company's management based on his vast experience and extensive knowledge as a corporate manager.
Yutaka Kimura, Director (Audit and Supervisory Committee Member)	He attended 8 of the 8 meetings of the Board of Directors and 4 of the 4 meetings of the Audit and Supervisory Committee held in the fiscal year under review after he became Director (Audit and Supervisory Committee Member) on June 21, 2023. He made statements to ensure the adequacy and appropriateness of decision-making based on his vast experience and extensive knowledge as a corporate manager.
Yoshimi Takeuchi, Director (Audit and Supervisory Committee Member)	He attended 10 of the 10 meetings of the Board of Directors and 5 of the 5 meetings of the Audit and Supervisory Committee held in the fiscal year under review. He performed his role appropriately to ensure the appropriateness and validity of decision-making, including providing supervision and advice mainly from his specialist standpoint as a researcher in areas closely related to the Company's business such as machine tools. Meanwhile, as a member of the Compensation Committee, he fulfilled a supervisory function in the process of determining the compensation, etc. of Directors of the Company from an objective and neutral standpoint.
Kenyu Adachi, Director (Audit and Supervisory Committee Member)	He attended 10 of the 10 meetings of the Board of Directors and 5 of the 5 meetings of the Audit and Supervisory Committee held in the fiscal year under review. He performed his role appropriately to ensure the appropriateness and validity of decision-making, including providing supervision and advice mainly based on his deep insight into industry trends. Meanwhile, as a member of the Nomination Committee, he fulfilled a supervisory function in the process of determining the selection, etc. of candidates for Directors of the Company from an objective and neutral standpoint.
Kunio Shimada, Director (Audit and Supervisory Committee Member)	He attended 8 of the 10 meetings of the Board of Directors and 4 of the 5 meetings of the Audit and Supervisory Committee held in the fiscal year under review. He made comments to ensure the appropriateness and validity of decision-making from his specialist standpoint as a lawyer. Meanwhile, as the chair of the Nomination Committee and a member of the Compensation Committee, he fulfilled a supervisory function in the process of determining the selection of candidates for Directors and the compensation, etc. of Directors of the Company from an objective and neutral standpoint.
Michiyo Yamamiya, Director (Audit and Supervisory Committee Member)	She attended 10 of the 10 meetings of the Board of Directors and 5 of the 5 meetings of the Audit and Supervisory Committee held in the fiscal year under review. She made comments to ensure the appropriateness and validity of decision-making from her specialist standpoint as a lawyer. Meanwhile, as the chair of the Compensation Committee, she fulfilled a supervisory function in the process of determining the compensation, etc. of Directors of the Company from an objective and neutral standpoint.

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

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	¥62 million
The total amount of cash and other assets to be paid by the Company and subsidiaries to independent auditors	¥62 million

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) Rules and systems concerning risk management

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (xi) Other systems for ensuring the effectiveness of audits performed by the Audit and Supervisory Committee
 - (a) The Audit and Supervisory Committee shall meet Representative Directors periodically and exchange opinions with them regarding important audit issues.
 - (b) The Audit and Supervisory Committee shall meet Independent Auditors periodically, to exchange opinions and information with them, and ask them to submit reports as needed.
 - (c) The Audit and Supervisory Committee shall stay in close cooperation with the internal audit division (the Audit Office). The Audit and Supervisory Committee may ask the internal audit division to perform investigations as needed.

- (xii) System for ensuring the reliability of financial reports
 - (a) The Company shall establish the Internal Control Reporting System for ensuring the reliability of financial reports and submitting internal control reports effectively and appropriately as prescribed in the Financial Instruments and Exchange Act.
 - (b) The Company shall continually evaluate internal control systems and take the necessary steps in order to correct them in order to ensure the compliance of such systems with the Financial Instruments and Exchange Act, other laws and regulations.
 - (c) The internal audit division (the Audit Office), as a responsible division, shall implement monitoring, evaluation and assist in improving the operation of internal control systems.

- (xiii) Systems for excluding antisocial forces
 - (a) The Company shall systematically deal with antisocial forces that threaten social order and sound corporate activities with a resolute attitude.
 - (b) The Company shall deal with antisocial forces in cooperation with police, lawyers and external specialized agencies, such as corporate defense councils, when cases of unreasonable demand by such forces, and the like emerge.

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

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

(i) Compliance system

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

(ii) Risk management system

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

(iii) Directors’ execution of duties

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

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

(iv) Group management system

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

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

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

Consolidated Statement of Financial Position

(As of March 31, 2024)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets:		Current liabilities:	
Cash and cash equivalents	30,495	Trade and other payables	17,546
Trade and other receivables	27,980	Borrowings	16,816
Other financial assets	142	Other financial liabilities	205
Inventories	32,730	Income taxes payable, etc.	1,670
Other current assets	1,586	Provisions	428
Total current assets	92,935	Contract liabilities	2,481
		Other current liabilities	898
		Total current liabilities	40,047
Non-current assets:		Non-current liabilities:	
Property, plant and equipment	16,308	Other financial liabilities	183
Right-of-use assets	2,094	Retirement benefit liability	903
Intangible assets	359	Provisions	5
Retirement benefit asset	110	Deferred tax liabilities	3,555
Other financial assets	5,104	Other non-current liabilities	655
Deferred tax assets	461	Total non-current liabilities	5,304
Other non-current assets	340		
Total non-current assets	24,779	Total liabilities	45,352
		(Equity)	
		Share capital	12,345
		Capital surplus	2,885
		Treasury shares	(3,008)
		Other components of equity	10,316
		Retained earnings	34,065
		Total equity attributable to owners of parent	56,605
		Non-controlling interests	15,756
		Total equity	72,361
Total Assets	117,714	Total liabilities and equity	117,714

Consolidated Statement of Profit or Loss

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

Account title	Amount
Revenue	83,928
Cost of sales:	(60,258)
Gross profit	23,669
Selling, general and administrative expenses	(11,775)
Other income	1,346
Other expenses	(145)
Operating profit	13,095
Finance income	1,071
Finance costs	(370)
Profit before tax	13,795
Income tax expense	(5,615)
Profit	8,180
Profit attributable to	
Owners of parent	5,376
Non-controlling interests	2,803
Profit	8,180

Consolidated Statement of Changes in Equity

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Equity attributable to owners of parent				
	Share capital	Capital surplus	Treasury shares	Other components of equity	
				Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2023	12,345	3,022	(2,247)	4,726	2,161
Profit					
Other comprehensive income				2,980	384
Total comprehensive income	–	–	–	2,980	384
Purchase of treasury shares			(934)		
Disposal of treasury shares		(35)	172		
Dividends					
Transfer to retained earnings					
Capital transactions with non-controlling interests		(100)		63	
Total transactions with owners	–	(136)	(761)	63	–
Balance as of March 31, 2024	12,345	2,885	(3,008)	7,771	2,545

	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, 2023	–	6,887	30,945	50,953	13,968	64,922
Profit		–	5,376	5,376	2,803	8,180
Other comprehensive income	80	3,445		3,445	1,206	4,651
Total comprehensive income	80	3,445	5,376	8,822	4,009	12,831
Purchase of treasury shares		–		(934)		(934)
Disposal of treasury shares		–	(26)	110		110
Dividends		–	(2,310)	(2,310)	(1,684)	(3,994)
Transfer to retained earnings	(80)	(80)	80	–		–
Capital transactions with non-controlling interests		63		(36)	(537)	(573)
Total transactions with owners	(80)	(16)	(2,256)	(3,170)	(2,221)	(5,392)
Balance as of March 31, 2024	–	10,316	34,065	56,605	15,756	72,361

Non-consolidated Balance Sheet

(As of March 31, 2024)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS:		LIABILITIES:	
Current assets:	23,277	Current liabilities:	17,906
Cash and deposits	4,315	Trade notes payable	208
Trade notes receivable	36	Electronically recorded obligations - operating	2,461
Electronically recorded monetary claims	27	Trade accounts payable	2,661
Accounts receivable	5,204	Short-term loans payable	11,300
Merchandise and finished goods	6,547	Accounts payable	217
Work in process	1,504	Accrued expenses payable	292
Raw materials and supplies	3,900	Income taxes payable	51
Short-term loans receivable from subsidiaries and associates	140	Provision for product warranties	225
Consumption taxes receivable	980	Provision for bonuses	346
Other	770	Other	144
Allowance for doubtful accounts	(150)		
Non-current assets:	15,536	Non-current liabilities:	1,127
Property, plant and equipment:	2,178	Deferred tax liabilities	184
Buildings	1,645	Provision for retirement benefits	923
Structures	46	Other	19
Machinery and equipment	156		
Vehicles	6	Total liabilities	19,034
Tools, furniture and fixtures	65		
Land	246	NET ASSETS:	
Leased assets	11	Shareholders' equity:	17,150
Intangible assets:	272	Share capital	12,345
Telephone subscription right	7	Retained earnings:	7,812
Software	259	Legal retained earnings	1,095
Leased assets	4	Other retained earnings:	6,716
Other	0	Retained earnings brought forward	6,716
Investments and other assets:	13,084	Treasury shares	(3,007)
Investment securities	4,608	Valuation and translation adjustments:	2,352
Shares of subsidiaries and associates	3,173	Valuation difference on available-for-sale securities	2,352
Investments in capital of subsidiaries and associates	859	Share acquisition rights	277
Long-term loans receivable from subsidiaries and associates	4,146		
Prepaid pension cost	101	Total net assets	19,779
Other	195		
Total Assets	38,813	Total Liabilities and Net Assets	38,813

Non-consolidated Statement of Income

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

Account title	Amount
Net sales	28,647
Cost of sales	24,388
Gross profit	4,258
Selling, general and administrative expenses	4,976
Operating loss	(718)
Non-operating income:	4,654
Interest income	83
Dividend income	4,237
Insurance income	32
Foreign exchange gain	247
Other	53
Non-operating expenses:	326
Interest expenses	168
Loss on sale of notes payable	71
Provision of allowance for doubtful accounts	48
Other	37
Ordinary income	3,609
Extraordinary income:	1
Gain on sale of non-current assets	1
Extraordinary losses:	0
Loss on retirement of non-current assets	0
Profit before taxes	3,610
Corporate, inhabitant and enterprise taxes	338
Deferred taxes	(93)
Net income	3,364

Non-consolidated Statement of Changes in Equity

(From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity					
	Share capital	Retained earnings			Treasury shares	Total shareholders' equity
		Legal retained earnings	Other retained earnings	Total retained earnings		
		Retained earnings brought forward				
Balance as of April 1, 2023	12,345	864	5,919	6,784	(2,246)	16,883
Change during the fiscal year						
Cash dividends paid		231	(2,541)	(2,310)		(2,310)
Net income			3,364	3,364		3,364
Purchase of treasury shares					(934)	(934)
Disposal of treasury shares			(26)	(26)	172	146
Changes in items other than shareholders' equity during the fiscal year (net)						
Total change during the fiscal year	-	231	797	1,028	(761)	267
Balance as of March 31, 2024	12,345	1,095	6,716	7,812	(3,007)	17,150

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of April 1, 2023	2,001	2,001	313	19,198
Change during the fiscal year				
Cash dividends paid				(2,310)
Net income				3,364
Purchase of treasury shares				(934)
Disposal of treasury shares				146
Changes in items other than shareholders' equity during the fiscal year (net)	350	350	(35)	314
Total change during the fiscal year	350	350	(35)	581
Balance as of March 31, 2024	2,352	2,352	277	19,779

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Report

May 14, 2024

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC
Niigata Office

Eiichi Shimizu
Designated Limited Partner and Operating Partner
Certified Public Accountant

Hiroyuki Ishii
Designated Limited Partner and Operating Partner
Certified Public Accountant

Auditor's Opinion

We have audited, pursuant to Article 444, paragraph (4) of the Companies Act of Japan, the consolidated financial statements, which consist of the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements of Tsugami Corporation (the "Company") for the consolidated fiscal year from April 1, 2023 to March 31, 2024.

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

Basis for Auditor's Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting standards presented in the provisions of the second sentence of Article 120, paragraph (1) of the Regulations on Corporate Accounting which prescribe some omissions of disclosure items required under the designated International Financial Reporting Standards, and for the development and implementation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibility in Auditing Consolidated Financial Statements

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

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

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

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

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

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

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

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 14, 2024

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC
Niigata Office

Eiichi Shimizu
Designated Limited Partner and Operating Partner
Certified Public Accountant

Hiroyuki Ishii
Designated Limited Partner and Operating Partner
Certified Public Accountant

Auditor's Opinion

We have audited, pursuant to Article 436, paragraph (2), item 1 of the Companies Act of Japan, the non-consolidated financial statements, namely the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, notes to non-consolidated financial statements and the related supplementary schedules (the "Non-consolidated Financial Statements, etc."), of Tsugami Corporation (the "Company") for the 121st fiscal year from April 1, 2023 through March 31, 2024.

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

Basis for Auditor's Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

Audit Report by the Audit and Supervisory Committee

Audit Report

The Audit and Supervisory Committee has audited the execution of duties by the Directors during the 121st fiscal year from April 1, 2023 to March 31, 2024.

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

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

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

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

2. Results of the Audit

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

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

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

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

(3) Results of the audit of consolidated financial statements

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

May 14, 2024

The Audit and Supervisory Committee
Tsugami Corporation

Yutaka Kimura
Standing Audit and Supervisory Committee
Member

Yoshimi Takeuchi
Audit and Supervisory Committee Member

Kenyu Adachi
Audit and Supervisory Committee Member

Kunio Shimada
Audit and Supervisory Committee Member

Michiyo Yamamiya
Audit and Supervisory Committee Member

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

Reference Materials for the Annual Shareholders Meeting

Item 1: Election of Five Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

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

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

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

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

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
1	Ken Kubo (November 20, 1953) [Outside Director, Part-time]	Apr. 1977 Joined the Sumitomo Bank, Ltd. (now Sumitomo Mitsui Banking Corporation) Nov. 2009 President and CEO of Promise Co. Ltd. (now SMBC Consumer Finance Co., Ltd.) Apr. 2013 Deputy President and Executive Officer of Sumitomo Mitsui Financial Group, Inc. Deputy President and Executive Officer of Sumitomo Mitsui Banking Corporation June 2013 Director of Sumitomo Mitsui Financial Group, Inc. June 2015 President and CEO of Sumitomo Mitsui Card Co., Ltd. Apr. 2019 Special Advisor June 2020 Outside Director of the Company (current position) Nov. 2023 Advisor of Sumitomo Mitsui Card Co., Ltd. (current position)	0
(Reason for nomination as candidate for Outside Director and overview of the role expected) Ken Kubo has worked for financial institutions for many years and has also gained extensive experience and deep insight as manager in globally operating companies. The Company expects that he will draw on this experience to exercise supervision over the performance of duties by Directors and give advice from a specialist perspective especially with regard to finance and business management and has once again nominated him as candidate for Outside Director.			
2	Nobuhiro Watabe (January 29, 1971)	Apr. 1993 Joined the Company Apr. 2011 Executive Officer, Deputy General Manager of Overseas Division Dec. 2014 Seconded to TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED Apr. 2019 Co-COO and Domestic Sales and Operation Manager of the Company June 2022 Head of Domestic Sales and Operation June 2023 Representative Director and President Head of Domestic Sales and Operation Oct. 2023 Representative Director and President Head of Domestic Sales and Operation and Factories (current position)	18,500
(Reason for nomination as candidate for Director) Nobuhiro Watabe has worked for many years for the Company's engineering division and domestic and overseas sales divisions and has extensive experience and deep insight. The Company would like to take advantage of his experience and insight for the Group's sustainable growth and improvement of its corporate value and has once again nominated him as candidate for Director.			

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held	
3	Mami Matsushita (July 3, 1964) [New appointment]	Jan. 2010	Joined the Company	18,200
		Apr. 2011	Executive Officer, Deputy General Manager of Overseas Division	
		June 2013	Senior Executive Officer, General Manager of Overseas Division	
		Apr. 2016	Senior Executive Officer, General Manager of Overseas Division	
		Apr. 2017	COO, General Manager of Overseas Division	
		June 2021	Co-COO, Head of Overseas Sales and Operation, General Manager of Overseas Division	
		June 2022	Head of Overseas Sales and Operation, General Manager of Overseas Division	
		Apr. 2024	Head of Overseas Sales and Operation, General Manager of Overseas Division (current position)	
(Reason for nomination as candidate for Director) Mami Matsushita has worked for many years for the Company's overseas business division and has extensive experience and deep insight. The Company would like to take advantage of her experience and insight for the Group's sustainable growth and improvement of its corporate value and has nominated her as candidate for Director.				
4	Kenji Yoneyama (March 7, 1965)	Apr. 1988	Joined The Hokuetsu Bank, Ltd. (now Daishi Hokuetsu Bank, Ltd.)	14,700
		Apr. 2015	Advisor of Accounting of the Company	
		June 2017	Standing Statutory Auditor of the Company	
		June 2018	Director of the Company (Standing Audit and Supervisory Committee Member)	
		June 2021	CLO of the Company	
		Apr. 2023	Head of Administration of the Company	
		June 2023	Representative Director and President Head of Administration of the Company (current position)	
(Reason for nomination as candidate for Director) Kenji Yoneyama has experience in financial institutions and work experience in the Company's administration department. The Company would like to take advantage of his experience for the Group's sustainable growth and improvement of its corporate value and has once again nominated him as candidate for Director.				

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
5	Donglei Tang (November 27, 1962)	<p>Nov. 2005 Joined the Company</p> <p>June 2010 Director, Managing Executive Officer in Charge of China Operations Vice Chairman and CEO of Precision Tsugami (China) Corporation</p> <p>Feb. 2017 Vice Chairman and CEO of Precision Tsugami (China) Corporation Director of Precision Tsugami (Hong Kong) Limited (current position) Executive Director of Precision Tsugami (China) Corporation Limited</p> <p>June 2018 Director and Senior Advisor of the Company (current position)</p> <p>Apr. 2022 Chairman and CEO of Precision Tsugami (China) Corporation Chairman and CEO of Precision Tsugami (China) Corporation Limited (current position)</p> <p>Oct. 2023 Chairman of Precision Tsugami (China) Corporation (current position)</p>	13,000
<p>(Reason for nomination as candidate for Director)</p> <p>Donglei Tang has been involved in the management of the Company's overseas subsidiaries for many years and contributed to global business expansion. The Company judges that his extensive experience and deep insight are essential for the Group's sustainable growth and improvement of its corporate value and has once again nominated him as a candidate for Director.</p>			

- Notes:
1. Ken Kubo is a candidate for Outside Director and he served as Director of Sumitomo Mitsui Financial Group, Inc. until April 2015. Its affiliate, Sumitomo Mitsui Banking Corporation, is one of the Company's main financial institutions. Mr. Kubo is currently an Outside Director of the Company and his term of office as Outside Director is four years at the close of this Annual Shareholders Meeting.
 2. No special interest exists between the Company and any of the other candidates for the position of Director.
 3. In accordance with the provisions provided in Article 427, paragraph (1) of the Companies Act, the Company has concluded a contract with Outside Director Ken Kubo to limit his liability for damages as stipulated in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages based on the above contract is the minimum liability amount set forth in the laws and regulations. If the election of Mr. Kubo is approved, the Company will renew this agreement.
 4. 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 12 of the business report. If the election of the candidates for Director is approved, the Directors will continue to be included in the insured persons under the insurance contract. The Company plans to renew the insurance contract with the same content at the next renewal.

Item 2: Election of Four Directors Who Are Audit and Supervisory Committee Members

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

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

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

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
1	Yoshimi Takeuchi (August 21, 1948) [Outside Director] [Independent officer]	Jan. 1978 Assistant Professor at Kyushu Institute of Technology Jan. 1988 Professor at the University of Electro-Communications June 2002 Professor at the Graduate school of Engineering Science, Osaka University Sep. 2011 Professor at the College of Engineering, Chubu University Honorary Professor at Osaka University (current position) Apr. 2017 Vice-President of Chubu University Apr. 2019 Advisor to the Chancellor and Professor at Chubu University June 2020 Outside Director (Audit and Supervisory Committee Member) of the Company (current position) Apr. 2021 President of Chubu University (current position) June 2023 Chairman of Chubu University (current position)	0
(Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of the role expected) Mr. Yoshimi Takeuchi has been involved in research into machine tools and production and machining systems for many years and he is also very familiar with areas related to the Company's business. The Company expects that he will exercise supervision and give advice on the performance of duties by Directors on this basis, and accordingly has nominated him once again as a candidate for Director who is an Audit and Supervisory Committee Member.			
2	Kenyu Adachi (July 27, 1952) [Outside Director] [Independent officer]	Apr. 1977 Joined the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry (METI)) July 2007 Director-General of Trade and Economic Cooperation Bureau, METI July 2008 Director-General of Minister's Secretariat, METI July 2010 Director-General of Economic and Industrial Policy Bureau, METI Aug. 2011 Vice-Minister of Economy, Trade and Industry June 2014 Outside Director of Asahi Kasei Corporation Outside Director of Toyo Engineering Corporation June 2016 President of the Shoko Chukin Bank, Ltd. June 2020 Outside Director (Audit and Supervisory Committee Member) of the Company (current position) June 2021 Outside Director of Japan Alcohol Trading CO., LTD (current position) Mar. 2023 Outside Director of ENECHANGE Ltd. (current position)	0
(Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of the role expected) Mr. Kenyu Adachi has many years of experience and deep insight in relation to all industry sectors including the machine tools industry in which the Company operates. The Company expects that he will exercise supervision and give advice on the performance of duties by Directors on this basis, and accordingly has nominated him once again as a candidate for Outside Director who is an Audit and Supervisory Committee Member.			

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
3	Shu Hamba (August 21, 1965) [New appointment] [Outside Director] [Independent Officer]	Apr. 1993 Registered as an attorney	0
		Apr. 1993 Joined Iwata Godo	
		Feb. 2004 Registered as an attorney in New York State	
		Aug. 2010 Joined Shimada Hamba & Osajima	
		Aug. 2010 Partner of Shimada Hamba & Osajima (current position)	
(Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of the role expected) Mr. Shu Hamba has extensive experience and deep insight as an attorney and he is also familiar with corporate law and has a great deal of knowledge of business management in general. The Company expects that he will exercise supervision and give advice on the performance of duties by Directors on this basis, and accordingly has nominated him as a candidate for Outside Director who is an Audit and Supervisory Committee Member.			
4	Michiyo Yamamiya (July 26, 1969) [Outside Director] [Independent Officer]	Apr. 1998 Registered as an attorney in Tokyo	0
		Sep. 2005 Registered as an attorney in New York State	
		July 2010 Joined Tanabe & Partners	
		Jan. 2011 Partner at Tanabe & Partners (current position)	
		June 2020 Outside Director (Audit and Supervisory Committee Member) of the Company (current position)	
(Reason for nomination as candidate for Outside Director who is an Audit and Supervisory Committee Member and overview of the role expected) Ms. Michiyo Yamamiya has extensive experience and deep insight as an attorney and she is also familiar with corporate law and has a great deal of knowledge of business management in general. The Company expects that she will exercise supervision and give advice on the performance of duties by Directors on this basis, and accordingly has nominated her once again as a candidate for Outside Director who is an Audit and Supervisory Committee Member.			

- Notes:
1. No special interest exists between the Company and any of the candidates for the position of Director.
 2. Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, and Ms. Michiyo Yamamiya are currently Outside Directors who are Audit and Supervisory Committee Members of the Company. The terms of office of them as Outside Directors who are Audit and Supervisory Committee Members are four years.
 3. In accordance with the provisions provided in Article 427, paragraph (1) of the Companies Act, the Company has concluded contracts with Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, and Ms. Michiyo Yamamiya to limit their liability for damages as stipulated in Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages based on the above contracts is the minimum liability amount set forth in the laws and regulations. If the reelection of Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, and Ms. Michiyo Yamamiya is approved, the Company will renew this agreement. If the election of Mr. Shu Hamba is approved, the Company will conclude a similar contract with him.
 4. 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 12 of the business report. If the election of the candidates for Director who is an Audit and Supervisory Committee Member is approved, they will continue to be included in the insured persons under the insurance contract. The Company plans to renew the insurance contract with the same content at the next renewal.
 5. The Company designated Mr. Yoshimi Takeuchi, Mr. Kenyu Adachi, and Ms. Michiyo Yamamiya as independent officers pursuant to the provisions of the Tokyo Stock Exchange (TSE) and registered them with the TSE. If their reappointment is approved, the Company will continue to designate them as independent officers. The Company judges that Mr. Shu Hamba meets the independence requirements of the TSE and if he is appointed, the Company will register him as an independent officer with the TSE.

(Reference)

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

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

	Planning & management	Industry knowledge	International experience	Sales, marketing	Technology, R&D	Legal affairs	Financial accounting
Ken Kubo	●		●	●			●
Nobuhiro Watabe	●	●	●	●	●		
Mami Matsushita	●	●	●	●		●	
Kenji Yoneyama	●					●	●
Donglei Tang	●	●	●	●	●		
Yutaka Kimura (Audit and Supervisory Committee Member)	●					●	●
Yoshimi Takeuchi (Audit and Supervisory Committee Member)		●	●		●		
Kenyu Adachi (Audit and Supervisory Committee Member)	●		●			●	
Shu Hamba (Audit and Supervisory Committee Member)			●			●	
Michiyo Yamamiya (Audit and Supervisory Committee Member)			●			●	

* The above does not represent all the expertise, experience, etc. possessed by each Director.

* In addition to the above, all Directors are committed to management from a sustainability perspective.

Item 3: Determination of Compensation Concerning Measures to Transition to Restricted Shares from Share Acquisition Rights (Unexercised Portion) That Were Already Granted as Stock Compensation-Type Stock Options to Directors (Excluding Directors and Outside Directors who are Audit and Supervisory Committee Members)

The 118th Annual Shareholders Meeting of the Company held on June 16, 2021 gave approval, in accordance with the introduction of the restricted stock compensation plan (hereinafter referred to as the “Plan”) for Directors (excluding Directors and Outside Directors who are Audit and Supervisory Committee Members; hereinafter referred to as “Eligible Directors”) of the Company, and the Plan, to repeal provisions on compensation, etc. regarding the stock compensation-type stock options, which was approved at the 115th Annual Shareholders Meeting of the Company held on June 20, 2018; to set 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; and to set the total number of restricted shares allotted to the Eligible Directors in each fiscal year at not more than 150,000 shares.

The Company will not allot new stock compensation-type stock options (hereinafter referred to as “Stock Option”) in accordance with the repeal of the provisions on compensation, etc. regarding the stock compensation-type stock options. We now propose to implement the following measures (hereinafter referred to as the “Transition Measures”), in return for waiving all of the unexercised portion of Stock Option by Directors (excluding Directors who are Audit and Supervisory Committee Members) of the Company who are reappointed or newly appointed under the Item 1, of those who have already received an allotment of Stock Option and currently hold unexercised Stock Option (hereinafter, “Reappointed Directors”), to allot them the same number of restricted shares as the number of shares (167,000 shares) intended for such Stock Option (limited to the Company’s common shares subject to a certain transfer restriction period and provisions of 3 below, on grounds for acquisition by the Company without compensation, etc.; hereinafter referred to as “Restricted Shares”), 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 by operating stock compensation plans in an integrated manner. The details of the Transition Measures are as follows.

Reappointed Directors holding Stock Option who will retire from their positions as Directors of the Company at the conclusion of this Shareholders Meeting of the Company, shall exercise such Stock Option in accordance with the agreement concerning the allotment of share acquisition rights already executed at the time of allotment in previous fiscal years.

Accordingly, only for the 122nd fiscal year of the Company (April 1, 2024 to March 31, 2025) (hereinafter referred to as “the Fiscal Year”), in which the Company implements the Transition Measures, we propose to set the amount of monetary compensation claims to be granted to Reappointed Directors as compensation, etc. related to the Transitional Measures at ¥334 million (excluding salary for employees of Directors who also serve as employees), and set the number of the Company’s common shares at not more than 167,000 shares to be issued or disposed of, separately from the amount of compensation for Directors under the Plan which was approved at the 118th Annual Shareholders Meeting of the Company held on June 16, 2021. The Board of Directors will determine the specific timing and allocation of payments to each Reappointed Director in relation to the Transition Measures.

Such allotment entails the waiver of Stock Option allotted to Reappointed Directors in the previous fiscal years and does not, in effect, add any new compensation. At a meeting held on June 22, 2022, the Company’s Board of Directors established a policy for determining details of compensation, etc. for individual Directors (excluding Directors who are Audit and Supervisory Committee Members), 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. Therefore, we believe that this proposal is appropriate.

The Company currently has five Directors (excluding Directors who are Audit and Supervisory Committee Members) (including one Outside Directors) and if the Item 1 is approved as proposed, the Company will have five Directors (excluding Directors who are Audit and Supervisory Committee Members) (including one Outside Director).

Notes

1. Allotment of and payment for Restricted Shares

The Company will grant to Reappointed Directors monetary compensation claims within the annual limit of ¥334 million (excluding salary for employees of Directors who also serve as employees) as compensation, etc. related to Restricted Shares granted for the implementation of the Transition Measures based on resolutions of the Board of Directors of the Company, and each of Reappointed Director will receive the issuance or disposal of Restricted Shares by paying in all such monetary compensation claims by way of in-kind contribution in accordance with the Transition Measures.

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 Reappointed Directors who subscribe for such Restricted Shares.

Additionally, the above monetary compensation claims shall be provided under the conditions that the Reappointed Directors will abandon all unexercised stock options held, agree to the above contributions in kind, and conclude agreements on the allotment of shares with transfer restrictions that include the content as defined in 3. below.

2. Total number of Restricted Shares

The total number of the Company's common shares to be issued or disposed of for Reappointed Directors in order to implement the Transition Measures shall not exceed 167,000 shares per year.

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 Shares 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 Reappointed Directors who will be allotted Restricted Shares, based on resolutions of the Board of Directors of the Company.

(1) Details of transfer restrictions

Reappointed 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 Reappointed 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 Reappointed 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

On the day when the relevant Transfer Restriction Period expires, the Company may lift the Transfer Restrictions for all of the Allotted Shares that are held by Reappointed Directors who have been allotted Restricted Shares.

However, if such Reappointed Directors retire from all the positions they hold as Directors, Executive Officers or employees equivalent thereto of the Company for reasons that the Board of Directors acknowledges to be justifiable, the Company may make a reasonable adjustment to 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 Reappointed 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. for all of the Allotted Shares based on a resolution of the Board of Directors of the Company.

(Reference)

As with the Transition Measures, after the close of this Shareholders Meeting, the Company plans to allot restricted shares similar to the abovementioned Restricted Shares in place of the unexercised portion of allotted Stock Option to Executive Officers and employees equivalent thereto of the Company.