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Securities code: 7220
June 15, 2020

To our shareholders:

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

NOTICE OF CONVOCATION OF THE 93RD ANNUAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 93rd Annual Meeting of Shareholders of Musashi Seimitsu Industry Co., Ltd. (the “Company”).

The Company recommends that you exercise your voting rights either in writing or via the Internet to avoid risk of infection of a novel coronavirus disease (COVID-19) at the meeting. Please review the Reference Documents for the Annual Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Monday, June 29, 2020.

Meeting Details

- 1. Date and Time:** Tuesday, June 30, 2020 at 10:00 a.m. (Reception will open at 9:00 a.m.; Japan Standard Time)
- 2. Venue:** Conference Room of the Company’s Head Office
39-5 Daizen, Ueta-cho, Toyohashi-shi, Aichi

3. Purposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements, as well as the audit reports of the Financial Auditor and the Audit and Supervisory Committee for Consolidated Financial Statements, for the 93rd fiscal term (from April 1, 2019 to March 31, 2020)
2. Non-consolidated Financial Statements for the 93rd fiscal term (from April 1, 2019 to March 31, 2020)

Items to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Seven (7) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
- Proposal 3:** Election of One (1) Directors Serving as Audit and Supervisory Committee Members

Requests to Ensure the Health and Safety of Our Shareholders

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

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

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

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

Instructions for Exercising Voting Rights, etc.

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

There are three methods exercising your voting rights.

[Exercising Voting Rights in writing]

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

Votes to be received by:

Monday, June 29, 2020 at 5:00 p.m.

[Exercising Voting Rights via the Internet]

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

Votes to be given by:

Monday, June 29, 2020 at 5:00 p.m.

[Attending the General Meeting of Shareholders]

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

Date and Time:

Tuesday, June 30, 2020 at 10:00 a.m.

Venue:

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

Handling of Multiple Exercises of Voting Rights

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

Exercising Voting Rights via the Internet

Voting by a smartphone

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

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

* Please note that it is not possible to complete this procedure via mobile phone.

Voting by a PC

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

Information for electronic voting platform

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

Inquiries for System, etc.

IR Japan Inc., Transfer Agency Services Department

Helpline: 0120-975-960

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

Reference Documents for the Annual Meeting of Shareholders

Proposal 1: Appropriation of Surplus

Returning profit to shareholders is recognized as one of the highest priorities in the Company's management, and the payment of stable, continuous dividends commensurate to business results is our basic policy. Regarding the appropriation of surplus for the 93rd fiscal term, taking into account such factors as our business results for the fiscal year under review, the strengthening of our management structure and future business development, and considering to secure internal reserves on one hand, we propose the following.

Matters relating to year-end dividends

- i) Type of dividend property
Cash
- ii) Dividend amount to be allocated
Per share of common stock: ¥ 10.5
Total dividends: ¥ 684,248,576
- iii) Effective date of dividends of surplus
July 1, 2020

Proposal 2: Election of Seven (7) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

The terms of office of eight (8) Directors (excluding Directors serving as Audit and Supervisory Committee Members; the same is applied throughout this proposal) shall expire upon the conclusion of this Annual Meeting of Shareholders.

Therefore, considering the composition of the Board of Directors as a whole, the Company proposes the election of 7 (seven) Directors, reducing the number of Directors by 1 (one).

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

The candidates for Director are as follows:

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions	Number of the Company's shares held
1	Hiroshi Otsuka (Jul. 6, 1965) Reappointment Number of Board of Directors' meetings attended during the fiscal year under review 9/9 Number of years since appointment as a director 19 years (at the conclusion of this meeting)	<p>Jul. 1993 Entered the Company</p> <p>Apr.1997 President and Director of TAP Manufacturing Ltd. (currently Musashi Auto Parts UK Ltd.)</p> <p>Feb. 2000 President and Director of Musashi Hungary Manufacturing, Ltd.</p> <p>Jun. 2001 Director of the Company</p> <p>May 2002 Senior General Manager of Sales Division of the Company</p> <p>Jun. 2004 Managing Director of the Company</p> <p>Jun. 2005 Senior General Manager of Sales and Management Divisions of the Company</p> <p>Jun. 2005 Senior Managing Director of the Company</p> <p>May 2006 Representative Director and President of the Company (present post)</p> <p>Apr. 2015 President Executive Officer of the Company</p> <p>Apr. 2019 Chief Executive Officer of the Company(present post)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hiroshi Otsuka, who was appointed Representative Director and President in 2006, has supervised the entire group with a wealth of experience and broad insight. Holding future vision for the group, he has shown strong leadership through developing policy and long-term strategy and furthermore implementing innovative strategies such as creation of a new business utilizing AI technology. Given his long-term excellent management performance, we determined him a right person to enhance corporate value and nominated him as a candidate for Director.</p>	1,449,900

2	<p>Takayuki Miyata (Nov. 8, 1965)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 8/9</p> <p>Number of years since appointment as a director 5 years (at the conclusion of this meeting)</p>	Dec. 1989	Entered the Company	22,500
		Apr. 2010	President and Director of Musashi Auto Parts Michigan Inc.	
		Apr. 2013	Executive Officer of the Company	
		Apr. 2015	Managing Executive Officer of the Company	
		Apr. 2015	Head of Machinery & Tools Division and Purchasing Division of the Company	
		Jun. 2015	Director of the Company (present post)	
		Oct. 2015	Head of Power Train (PT) Division and Forging Engineering Division of the Company (present post)	
		Mar. 2016	President and Director of Musashi Holdings Europe GmbH (present post)	
		Dec. 2017	Head of China Regional Operations of the Company	
		Apr. 2018	Senior Managing Executive Officer of the Company(present post)	
		Apr. 2018	CEO of China region of the Company	
		Apr. 2020	Representative Director(present post)	
		Apr. 2020	Chief Technical Officer(present post)	
		Apr. 2020	CEO of Europe region of the Company (present post)	
Apr. 2020	President and Director of Musashi Europe GmbH (present post)			
(Significant concurrent position)				
President and Director of Musashi Holdings Europe GmbH				
President and Director of Musashi Europe GmbH				
Reasons for nomination as a candidate for Director				
<p>Mr. Takayuki Miyata has extensive experience and insight in the PT Business, which is a core business of the Company. He concurrently serves as President and Director of Musashi Holdings Europe GmbH, and has a track record of increasing profit in existing businesses and creating new demand. The Company has determined, in view of his superior management ability cultivated through experience in supervision at multiple divisions that he is necessary to improve the future corporate value of the Group, and nominated him once again as a candidate for its Director.</p>				

3	Tracey Sivill (Dec. 2, 1963) Reappointment Number of Board of Directors' meetings attended during the fiscal year under review 9/9 Number of years since appointment as a director 3 years (at the conclusion of this meeting)	Dec. 1997	Entered Musashi Auto Parts Canada Inc.	0
		Oct. 2013	Executive Officer (present post), Compliance Officer and Senior Manager of Accounting, Purchasing, IT, HR, Production Control of Musashi Auto Parts Canada Inc.	
		Nov. 2013	Director of Musashi Auto Parts Canada Inc. (present post)	
		Apr. 2015	Executive Office of the Company	
		Apr. 2016	In charge of Global IT Strategy of the Company (present post)	
		Apr. 2017	Senior Executive Officer of the Company	
		Apr. 2017	Head of Finance and Accounting Division of the Company	
		June. 2017	Director of the Company (present post)	
		Apr. 2018	Managing Executive Officer of the Company(present post)	
		Apr. 2018	CFO of Group of the Company(present post)	
Reasons for nomination as a candidate for Director				
Ms. Tracey Sivill has extensive experience and insight in finance and accounting and IT divisions. She has been responsible for the finance and accounting and IT divisions in the Group company, and has a track record of promoting efficiency of the Group's management and operations. The Company has determined, in view of her superior management ability cultivated through ample experience in overseas subsidiary, that she is necessary to improve the future corporate value of the Group, and nominated her once again as a candidate for its Director.				

5	<p>Goro Kamino (Aug. 29, 1960)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 9/9</p> <p>Number of years since appointment as a director 8 years (at the conclusion of this meeting)</p>	<p>Aug. 2000 Representative Director and President of Gastec Service, Inc. (currently Sala Energy Co., Ltd.)</p> <p>May 2002 Representative Director and President of Sala Corporation</p> <p>Mar. 2012 Representative Director and President of Chubu Gas Co., Ltd. (currently Sala Energy Co., Ltd.)</p> <p>Jun. 2012 Director of the Company (present post)</p> <p>Feb. 2018 Chairman and Representative Director of Gastec Service, Inc. (currently Sala Energy Co., Ltd.)</p> <p>Feb. 2018 Chairman and Representative Director of Chubu Gas Co., Ltd. (currently Sala Energy Co., Ltd.) (present post)</p> <p>Jan. 2020 Representative Director, President and Group CEO of Sala Corporation (present post)</p> <p>(Significant concurrent positions) Representative Director and President of Sala Corporation Chairman and Representative Director of Sala Energy Co., Ltd.</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Goro Kamino has provided appropriate advice on the Company's management as its Outside Director based on his extensive experience and a high level of knowledge as a corporate manager of listed companies. The Company believes that he will continue to supervise the Company's management based on his experience and knowledge, and requests his election as Outside Director.</p>	24,300
6	<p>Hari N. Nair (Jan. 1, 1960)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 9/9</p> <p>Number of years since appointment as a director 3 years (at the conclusion of this meeting)</p>	<p>Aug. 1985 Entered General Motors Corporation</p> <p>Mar. 1987 Retired</p> <p>Mar. 1987 Entered Tenneco Automotive. (currently Tenneco Inc.)</p> <p>Aug. 1997 Same as above Vice President and Managing Director, Asia</p> <p>Aug. 1999 Same as above Vice President, Managing Director, South America and Asia</p> <p>Apr. 2000 Same as above Senior Vice President, Managing Director, International</p> <p>May. 2001 Same as above Executive Vice President, Managing Director, Europe</p> <p>Jun. 2005 Same as above Executive Vice President, Managing Director, Europe, South America and India</p> <p>Apr. 2009 Same as above Appointed to Board of Directors</p> <p>May. 2010 Same as above Chief Operating Officer</p> <p>Jul. 2013 Entered Owens-Illinois Inc. Board of Directors(present position)</p> <p>Jan. 2015 Retired from Tenneco Inc. Board of Directors</p> <p>Mar. 2015 Retired from Tenneco</p> <p>Jun. 2017 Director of the Company (present post)</p> <p>Dec. 2017 Director of Delphi Technologies PLC. (present post)</p> <p>Feb. 2018 Chairman of the Board of Sintercom India. (present post)</p> <p>Jul. 2019 REE Automotive LTD Board of Directors (present post)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Hari Nair has provided appropriate advice on the Company's management as its Outside Director based on his extensive experience and a high level of knowledge of an overseas auto part manufacturer. The Company believes that he will continue to supervise the Company's management based on his experience and knowledge, and requests his election as Outside Director.</p>	0

7	<p>Keisuke Tomimatsu (May 2, 1974)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 9/9</p> <p>Number of years since appointment as a director 5 years (at the conclusion of this meeting)</p>	<p>Apr. 1997 Entered SBC Warburg Japan Ltd. (currently UBS Securities Japan Co., Ltd.)</p> <p>Dec. 2001 Entered UBS Securities Japan Co., Ltd.</p> <p>Mar. 2003 Director of UBS Securities Japan Co., Ltd.</p> <p>Mar. 2006 General Manager/Executive Director, Financial Products Equities Dept. of UBS Securities Japan Co., Ltd.</p> <p>Aug. 2008 Managing Director, Equities Dept. of Credit Suisse Securities (Japan) limited.</p> <p>Nov. 2009 Executive Director, Equities Dept. of Morgan Stanley Japan Securities (currently Morgan Stanley MUFG Securities Co., Ltd.)</p> <p>Sep. 2011 Resigned Morgan Stanley Japan Securities (currently Morgan Stanley MUFG Securities Co., Ltd.)</p> <p>Jun. 2013 Audit & Supervisory Board Member of the Company</p> <p>Jun. 2014 Director of IR Japan Inc.</p> <p>Feb. 2015 Director of IR Japan Holdings, Ltd.</p> <p>Jun. 2015 Director serving as an Audit and Supervisory Committee Member of the Company</p> <p>Jun. 2017 Director of the Company (present post)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Keisuke Tomimatsu has extensive experience at various companies such as securities industry and AI industry as well as considerable financial and accounting knowledge. Based on such experience and knowledge, he has provided appropriate advice on the Company's management. The Company believes that he will supervise the Company's management based on his experience and knowledge, and requests his election as Outside Director.</p>	9,400
8	<p>Yoshie Munakata (Jun. 20, 1958)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 9/9</p> <p>Number of years since appointment as a director 2 year (at the conclusion of this meeting)</p>	<p>Apr. 1981 Entered Dai Nippon Printing Co., Ltd.</p> <p>Dec. 1983 Entered Intel Japan K.K. (currently Intel K.K.)</p> <p>Apr. 1999 Manager, Communication Product Business Headquarters of Intel K.K.</p> <p>Apr. 2001 Executive secretary in charge of corporate planning/government relation of Intel K.K.</p> <p>Apr. 2002 Manager, Business Development Headquarters of Intel K.K.</p> <p>Apr. 2009 Director and executive deputy president of Intel K.K.</p> <p>Apr. 2016 Advisor of Intel K.K.</p> <p>Oct. 2016 Established B.Grove Inc., Representative Director of B.Grove Inc., (present post)</p> <p>Jun. 2017 Director of SoftBank Technology Corp.(currently SB Technology Corp.) (present post)</p> <p>Jun 2018 Director of the Company (present post)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Yoshie Munakata has extensive experience cultivated in the management at a global company in the data telecommunications technology industry. Based on such experience and knowledge, he has provided appropriate advice on the Company's management. The Company believes that he will supervise the Company's management based on his experience and knowledge, and requests his election as Outside Director.</p>	4,700

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

- the Company plans to continue the aforementioned agreements limiting liability.
4. The Company registered Mr. Goro Kamino, Mr. Hari N. Nair and Mr. Yoshie Munakata as independent officers with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof. Should their election be approved, the Company would continue his service as Independent Officer. Although the Company has fuel purchasing transactions etc. with Chubu Gas Co., Ltd. and Gastec Service, Inc., (currently Sala Energy Co., Ltd.) in which Mr. Goro Kamino serves concurrently. However, since the annual transaction amount relating thereto accounts for less than 1% of sales of the Company, Chubu Gas Co., Ltd. and Gastec Service, Inc., (currently Sala Energy Co., Ltd.) we believe that there would be no conflicts of interest with general shareholders.

Proposal 3: Election of One (1) Directors Serving as Audit and Supervisory Committee Members

We request the election of one (1) Director serving as an Audit and Supervisory Committee Member, increasing the number of Directors by one (1) Director serving as an Audit and Supervisory Committee Member to enhance the audit framework.

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

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions	Number of the Company's shares held
1	Kazutaka Okubo (March 22, 1973) New appointment	<p>Nov. 1995 Entered Century Audit Corporation (currently Ernst & Young ShinNihon LLC)</p> <p>Apr. 1999 Registered as certified public accountant</p> <p>Oct. 2003 Director of ShinNihon Integrity Assurance Inc. (currently Ernst & Young Sustainability Co., Ltd.)</p> <p>Feb. 2005 Managing Director of ShinNihon Integrity Assurance Inc. (currently Ernst & Young Sustainability Co., Ltd.)</p> <p>Jun. 2006 Partner of Ernst & Young ShinNihon LLC</p> <p>Jul. 2012 Senior Partner of Ernst & Young ShinNihon LLC</p> <p>Feb. 2016 Senior Managing Director and General Manager of ERM Division of Ernst & Young ShinNihon LLC</p> <p>Jun. 2019 Retired from Senior Managing Director of Ernst & Young ShinNihon LLC due to expiration of his term of office</p> <p>Jun. 2019 President and Representative Director of Okubo Associates Inc. (present position)</p> <p>Jun. 2019 Outside Audit & Supervisory Board Member of SEGA SAMMY HOLDINGS INC. (present position)</p> <p>Jun. 2019 Outside Director of Sun Frontier Fudousan Co., Ltd. (present position)</p> <p>Aug. 2019 Project Professor of Graduate School of Media and Governance of Keio University (present position)</p> <p>Sep. 2019 Outside Audit & Supervisory Board Member of BrainPad Inc. (present position)</p> <p>Dec. 2019 Outside Director of LIFULL Co., Ltd. (present position)</p> <p>Feb. 2020 Outside Director of Sala Corporation(present position)</p> <p>Jun. 2020 Outside Director of The Shoko Chukin Bank, Ltd. (scheduled to assume the position)</p> <p>Reasons for nomination as a candidate for Director</p> <p>Mr. Kazutaka Okubo has extensive financial and accounting knowledge gained from his audit experience as a certified public accountant. He is also familiar with governance and finance and has an abundance of insight and experience in the fields of compliance and CSR, having served particularly as a member on various expert panels in the public sector. The Company believes that he is capable of performing the functions of supervision and audit drawing on such extensive experience and his high level of specialized knowledge, and requests his election as Outside Director.</p>	0

Notes:

1. There is no special interests between the Company and the candidate.
2. Should Mr. Kazutaka Okubo's election be approved, the Company, with respect to liability under Article 423, paragraph 1

of the Companies Act, would enter into an agreement with her limiting the total amount of the liability to the amount stipulated in Article 425, paragraph 1 of the same Act.

3. Mr. Kazutaka Okubo is a candidate for independent officer with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof.

(Reference) Composition of the Board of Directors [Scheduled to be effective on June 30, 2020]

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

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

(Reference 2) Independence criteria for Outside Officers

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

1. They are not currently an executive, etc. <Note 1> of the Group, nor have they in the past been an executive, etc. or an Audit & Supervisory Board Member of the Group (excluding Outside Audit & Supervisory Board Members).

Also, none of their close relations, etc. <Note 2> shall have been executives, etc. of the Group within the past three years.

2. They shall not come under any of the following categories currently, or within the past three years.
 - 1) Executives, etc. of other companies affiliated to the Company, or of other affiliated company groups
 - 2) Executives, etc. of major shareholders of the Company <Note 3>
 - 3) Executives, etc. of companies in which the Company is a major shareholder
 - 4) Executives, etc. of major business partners of the Company <Note 4>, or executives, etc. of companies that consider the Company a major business partner
 - 5) Individuals who execute duties for organizations that have received substantial <Note 5> donations or aid from the Group
 - 6) Executives, etc. of companies that have conducted mutual exchanges with the Group of Directors, Audit & Supervisory Board Members, or Executive Officers
 - 7) Executives, etc. of the Group's major lenders
 - 8) Certified Public Accountants (or Tax Accountants) who are Financial Auditors to the Group, or audit corporations (or tax accountant corporations) that are Financial Auditors to the Group, or partners, or others who are directly in charge of the Company in terms of being Financial Auditors to the Group
 - 9) Individuals who have received substantial monies or other financial profits, excluding Directors' remuneration, from the Group
 - 10) Individuals who are partners, etc. of specialist advisory firms, such as legal firms, that consider the Group a major business partner, but do not belong to categories 8) or 9) above, who are directly in charge of the Company
3. None of their close relations currently fall under categories 2-1 to 2-10.

<Notes >

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

(Attached materials)

Business Report

(April 1, 2019 to March 31, 2020)

1. Overview of the Group

(1) Business results for the fiscal year ended March 31, 2020

1) Progress and results of business

During the fiscal year ended March 31, 2020, the global economy slowed drastically in the fourth quarter as ramifications of COVID-19 spread worldwide, in addition to negative effects of developments such as those involving trade friction between the United States and China. In the automobile industry as well, demand was sluggish largely due to diminishing consumer sentiment globally as production volume headed lower due to the COVID-19.

Amid these circumstances, the Group made efforts to further strengthen our existing businesses, develop cutting-edge technology, and open up new businesses during the fiscal year under review.

On the businesses front, ASADAKATAN CHUTETSUSHO Co., Ltd., acquired in 2018, was renamed Musashi Casting Co., Ltd. We worked to further improve acceptance of the Musashi brand and to strengthen integration which entailed unifying the brand by prefixing names of Group companies with the “Musashi” name. Furthermore we will persist with efforts that involved further improving product development capabilities and enhancing the production system. In the Indian market which is poised for growth, we launched operations of a new factory located in the Industrial Growth Center in Bawal, India.

In terms of R&D, we have been making progress in researching and developing our proprietary gear reducer units essential for electronic applications with respect to hybrid vehicles, electric automobiles, and electric two-wheeled vehicles.

We have also been working toward employing optimal specifications and shortening development timeframes by fully drawing on simulations featuring the latest in computer design support.

On the sales front, we generated strong orders for items such as our main product of differentials, high-precision gears that facilitate marketability of electric vehicles which are encountering growing demand. In the motorcycle business, where we have the global top share for transmission components, we generated steadily increasing orders from overseas manufacturers, particularly those in developing countries.

In the above environment, the Company’s results for the fiscal year under review were affected by a downturn in sales such that consolidated net sales decreased by 7.6% year on year to 236,355 million yen over the twelve months of the fiscal year. On the profit front, operating profit was down 48.4% year on year to 7,285 million yen.

Meanwhile, ordinary profit fell 51.9% year on year to 7,113 million yen, and loss attributable to owners of parent amounted to 6,902 million yen, in comparison with a profit of 9,885 million yen in the previous fiscal year, due to factors such as recognition of impairment loss with respect to our European subsidiaries.

2) Segment Overview

Net sales in Japan rose 4.8% year on year to 35,316 million yen, and segment profit rose 2.2% year on year to 2,793 million yen. In the United States, net sales increased 0.0% year on year to 55,924 million yen, but segment profit fell 12.7% year on year to 1,761 million yen due to changes in model mix. In Asia, net sales declined 5.0% year on year to 61,678 million yen, and segment profit fell 23.1% to 4,309 million yen as a result of sluggish demand in India. In China, net sales were 22,003 million yen, down 6.8% year on year due to effects of the COVID-19, while the epidemic combined with effects of a downturn in exports to North America caused a 44.0% decrease in segment profit to 1,732 million yen. In Europe, net sales were 61,433 million yen, down 21.0% year on year, and segment loss amounted to 3,603 million yen, in comparison with a segment profit of 315 million yen in the previous fiscal year, due to sluggish demand with respect to passenger and commercial vehicles.

3) Group sales by product

(Unit: million yen)

Item	The 92nd fiscal year ended March 31, 2019		The 93rd fiscal year ended March 31, 2020		Increase / Decrease	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Year on Year (%)
PT Business	171,136	66.9	158,970	67.2	△12,166	△7.1
L&S Business	19,248	7.5	17,871	7.6	△1,377	△7.2
Motorcycle Business	65,549	25.6	59,514	25.2	△6,035	△9.2
Total	255,934	100.0	236,355	100.0	△19,578	△7.6

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

4) Status of capital investment

During the fiscal year under review, the Group implemented capital investments totaling 17,368 million yen, for such purposes as manufacturing newly ordered products and responding to increases in output by customers.

5) Status of fund procurement

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

6) Initiatives toward achieving sustainability

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

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

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

*2 CSR=Corporate Social Responsibility

(2) Issues to be handled

It is expected that global economy will be significantly slowed down by the novel coronavirus disease, and that it will take considerable time for it to recover. The automobile industry is facing a major wave of revolution, with the technological innovations such as EVs (electric vehicles), autonomous driving, and connected technology developing at an accelerated pace. Even in such circumstances, the Group seeks to achieve sustainable global growth, and to contribute to the resolution of social issues through new technologies, as promoted by the initiatives below.

1) Build a streamlined and solid corporate structure

In anticipation of the slowdown in the global automobile market, we will work to build a streamlined and solid corporate structure that can generate profits even with declining sales. Specifically, we will promote total cost reduction by thoroughly reviewing costs, improving efficiency of investment by utilizing technological capabilities, as well as improvement activities around the world. Especially in the European region, we will increase the utilization rate by consolidating production and rebuilding the production system in order to improve profitability, which is one of the issues to be handled.

2) Develop new products compatible with the era of EVs

With the increasing number of EVs, the power transmission parts, suspension parts, etc. that we supply are required to be smaller, lighter, and more accurate than ever before. By utilizing the technologies we have developed so far, we will focus on expanding our business for original small and lightweight differential assemblies and high-precision gears for speed reducers. Despite the difficult business environment, we will accelerate the development of original speed reducer units for EVs.

3) Creation of new business that contributes to solving social issues

We aim to contribute to solving social issues through business activity, innovating through the fusion of manufacturing techniques and advanced technologies. We will work to create new business that transcends existing business frameworks, such as AI-based solution services for the manufacturing industry, smart mobility-related businesses in collaboration with overseas start-up companies, flexible power supply, and energy solution businesses that contribute to optimization of power use, etc.

4) Improve operational efficiency by making full use of our global platforms

By making full use of the shared platforms that we have been rolling out at global sites, we can dramatically improve operational efficiency. We aim to maximize results through new work styles compatible with technological advances, such as the introduction of remote work and virtual technical support.

5) Carry out initiatives for sustainability that can be trusted by society

We will continue to treat initiatives for sustainability efforts as some of the most important corporate issues, and by contributing to achieving SDGs* through business activity aimed at solving social issues and harmony with local communities, we aim to become a corporate group that is trusted by stakeholders all over the world.

*SDGs (Sustainable Development Goals): International objectives for sustainable development adopted at the United Nations summit of September 2015

(3) Status of Group assets and income

(million yen, except for per share amounts)

Item	The 90th fiscal year ended March 31, 2017	The 91st fiscal year ended March 31, 2018	The 92nd fiscal year ended March 31, 2019	The 93rd fiscal year ended March 31, 2020
Net sales	180,522	237,910	255,934	236,355
Operating income	11,166	15,767	14,107	7,285
Ordinary income	10,323	15,929	14,791	7,113
Profit or loss(Δ) attributable to owners of parent	6,315	10,351	9,885	Δ6,902
Earnings or loss per share	¥ 101.24	¥ 165.85	¥ 155.55	¥ Δ105.95
Total assets	248,482	247,778	244,450	207,333
Net assets	88,312	100,350	108,333	82,511

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

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

(4) Status of parent company and major subsidiaries

1) Status of the parent company

No items to report.

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

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

3) Status of major subsidiaries

Company name	Capital (million)	The Company’s ownership ratio (%)	Principal business
Kyushu Musashi Seimitsu Co., Ltd.	JPY 100	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Casting Co., Ltd.	JPY 45	100.0	Manufacturing of ductile cast iron material
Musashi AI Ltd.	JPY 4.5	51.0	Manufacturing and sales businesses of AI Inspection machine and SDV
Musashi Auto Parts Michigan Inc.	USD 40	89.5	Manufacturing of automobile parts
Musashi Auto Parts Canada Inc.	CAD 20	100.0	Manufacturing of automobile parts
Musashi Auto Parts Mexico, S.A. de C.V.	USD 12.3	100.0	Manufacturing of automobile parts
Musashi do Brasil Ltda.	BRL 105.1	74.9	Manufacturing of motorcycle and general-purpose engine parts
Musashi da Amazonia Ltda.	BRL 109	100.0	Manufacturing of motorcycle and general-purpose engine parts

Company name	Capital (million)	The Company's ownership ratio (%)	Principal business
Musashi Auto Parts Co., Ltd.	THB 200	82.3	Manufacturing of motorcycle and general-purpose engine parts
P.T. Musashi Auto Parts Indonesia	USD 14	80.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts India Pvt. Ltd.	INR 10,100	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts Vietnam Co., Ltd.	USD 19	100.0	Manufacturing of motorcycle and general-purpose engine parts
Musashi Auto Parts (Zhongshan) Co., Ltd.	USD 65.2	100.0	Manufacturing of automobile parts
Musashi Seimitsu Investment (Zhongshan) Co., Ltd.	USD 30	100.0	Regional Headquarters in China
Musashi Auto Parts (Nantong) Co., Ltd.	USD 30	(100.0)	Manufacturing of automobile parts
Musashi Auto Parts (Tianjin) Co., Ltd.	USD 20	(75.0)	Manufacturing of automobile parts
Musashi Hungary Manufacturing, Ltd.	EUR 20.1	100.0	Manufacturing of automobile parts
Musashi Holdings Europe GmbH	EUR 320	75.0	Holding shares of subsidiaries conducting manufacturing and sales businesses relating to automobile parts
Musashi Europe GmbH	EUR 0.1	(75.0)	Holding shares of subsidiaries conducting manufacturing and sales businesses relating to automobile parts
Musashi Bockenau GmbH & Co.KG	EUR 15	(75.0)	Manufacturing of automobile parts
Musashi Bad Sobernheim GmbH&Co.KG	EUR 0.001	(75.0)	Manufacturing of automobile parts
Musashi Hann. Muenden Holding GmbH	EUR 6.6	(75.0)	Manufacturing of automobile parts
Musashi Hann. Muenden Forging GmbH	EUR 5	(75.0)	Manufacturing of automobile parts
Musashi Spain Villalba S.L	EUR 8.7	(75.0)	Manufacturing of automobile parts

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

(5) Principal business (As of March 31, 2020)

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

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

(6) Principal business locations and plants (As of March 31, 2020)

1) Musashi Seimitsu Industry Co., Ltd.

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

2) Principal subsidiaries

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

(7) Status of employees (As of March 31, 2020)**1) Employees of the Group**

Number of employees	Change from previous fiscal year-end
12,853(3,260)	△137 (△589)

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

2) Employees of the Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,138(218)	△3(44)	39.9 years old	15.5 Years

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

(8) Status of major lenders (As of March 31, 2020)

Lender	Balance of borrowings (million yen)
The Bank of Mitsubishi UFJ, Ltd.	27,189
Sumitomo Mitsui Banking Corporation	22,913
Mizuho Bank, Ltd.	20,611
Development Bank of Japan	3,433
Sumitomo Mitsui Trust Bank, Limited	3,000

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

2. Status of the Company

(1) Status of shares (As of March 31, 2020)

- | | |
|---|-------------|
| 1) Total Number of Shares Authorized to be Issued | 140,000,000 |
| 2) Total Number of Issued Shares | 65,184,001 |
| 3) Number of Shareholders | 3,099 |
| 4) Major Shareholders (Top 10) | |

Shareholder name	Number of shares (thousand shares)	Ownership ratio (%)
Honda Motor Co., Ltd.	16,364	25.1
Japan Trustee Services Bank, Ltd. (Trust Account)	3,968	6.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,321	5.0
JPMorgan Chase Bank, 385632	2,675	4.1
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,664	4.0
Joint Stock Company Otsuka Holdings	2,603	3.9
Hiroshi Otsuka	1,449	2.2
JPMorgan Bank Luxembourg S.A. 380578	1,391	2.1
Northern Trust Company (AVFC) Re Mondrian International Small Cap Equity Fund, L.P.	1,217	1.8
Juniper	1,038	1.5

- Notes:
1. Shares less than one thousand have been truncated.
 2. Ownership ratio is calculated excluding treasury shares (17,470shares).

(2) Status of share subscription rights

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

(3) Status of Corporate Officers

1) Status of the Directors (As of March 31, 2020)

Position	Name	Areas of responsibility in the Company and significant concurrent positions
Representative Director and President	Hiroshi Otsuka	
Director	Takayuki Miyata	Head of PT Business and Forging Engineering Head of China Regional Operations President and Director of Musashi Holdings Europe GmbH
Director	Haruhisa Otsuka	Head of L&S Business Head of North and South America Regional Operations President and Director of Musashi Auto Parts Canada Inc.
Director	Tracey Sivill	Head of Finance and Accounting In charge of Global IT strategy
Director	Goro Kamino	Representative Director and President of Sala Corporation and Group CEO Chairman and Representative Director of Sala Energy Co., Ltd.
Director	Hari N. Nair	
Director	Keisuke Tomimatsu	
Director	Yoshie Munakata	
Director (Full-time Audit and Supervisory Committee Member)	Michi Miyazawa	
Director (Audit and Supervisory Committee Member)	Yoshinori Morita	
Director (Audit and Supervisory Committee Member)	Makiko Yamamoto	Attorney at law

- Notes:
1. Directors Goro Kamino, Hari N. Nair, Keisuke Tomimatsu, Yoshie Munakata and Directors (Audit and Supervisory Committee Members) Yoshinori Morita and Makiko Yamamoto are Outside Directors.
 2. Director (Audit and Supervisory Committee Member) Makiko Yamamoto is qualified as a lawyer with high level of specialized knowledge in corporate legal affairs and compliance.
 3. To strengthen the auditing and supervisory functions of the Audit and Supervisory Committee, the company has designated Ms. Michi Miyazawa as Audit and Supervisory Committee Member (full-time) so that information gathering from the Director (excluding Audit and Supervisory Committee Member), information sharing through attendance of important in-house meetings and sufficient cooperation with the internal audit section will be allowed.
 4. The Company designated Messrs. Goro Kamino, Hari N. Nair, Keisuke Tomimatsu, Yoshie Munakata, Yoshinori Morita and Ms. Makiko Yamamoto as Independent Officers pursuant to the regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange, and registered them as such.
 5. The retired Directors during the fiscal year under review are as follows.
The terms of office of Directors (Audit and Supervisory Committee Member) Nobuyoshi Sakakibara and Asako Yamamoto expired as of the conclusion of the 92nd Annual Meeting of Shareholders held on June 21, 2019.

(Ref.) The Company has adopted the executive officer system. The executive officers as of April 1, 2020 are as follows.

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

2) Total amount of remuneration of Directors for the fiscal year under review

Classification	Number of payees	Amount paid (million yen)
Directors (excluding Directors serving as Audit and Supervisory Committee Members)	8	163
(Outside Director of the above)	(4)	(35)
Directors (Audit and Supervisory Committee Members)	5	31
(Outside Director of the above)	(3)	(16)
Total	13	194
(Outside Officers of the above)	(7)	(51)

- Notes:
1. The maximum amount of remuneration of Directors (excluding Directors serving as Audit and Supervisory Committee Members) was determined as 400 million yen per year (of which, 80 million yen or less for Outside Directors; provided, however, that this excludes the portion of employee salaries for Directors who serve concurrently as employees) by resolution at the 88th Annual Meeting of Shareholders held on June 23, 2015. And apart from this, for the Company's Directors (excluding Directors serving as Audit and Supervisory Committee Members), it was approved at the 90th Annual Meeting of Shareholders held on June 23, 2017, a resolution was adopted that the monetary remuneration to grant shares with transfer restrictions and monetary remuneration in an amount linked to the aforementioned share price, etc. shall be not more than 250 million yen per year (of which not more than 40 million yen per year shall be for Outside Directors; however, this excludes the portion of employee salaries of Directors serving concurrently as employees).
 2. The maximum amount of remuneration of Directors (Audit and Supervisory Committee Members) was determined as 80 million yen per year by resolution at the 88th Annual Meeting of Shareholders held on June 23, 2015.
 3. The total amount of remuneration of Directors does not include the portion of employee salaries for Directors who serve concurrently as employees.
 4. The total amount of remuneration paid includes the provision for Directors' bonuses for the fiscal year under review.

3) Matters regarding Outside Officers

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

- * Mr. Goro Kamino, Director, also serves as Representative Director and President of Sala Corporation and Group CEO and as Representative Director and Chairman of Chubu Gas Co., Ltd. and Gastec Service, Inc. (currently Sala Energy Co., Ltd). The Company has fuel purchasing transactions etc. with Chubu Gas Co., Ltd and Gastec Service, Inc. (currently Sala Energy Co., Ltd). However, the annual transaction amount relating thereto accounts for less than 1% of sales of the Company as well as the two companies. There is no special relationship between the Company and Sala Corporation.
- * Mr. Keisuke Tomimatsu, Director, had been a Director of ABEJA, Inc., but retired from serving as Director of ABEJA at the end of June 2019. The Company has consigned consulting operations and other services to ABEJA, Inc. Moreover, the annual transaction amount relating thereto accounted more than 1% of ABEJA Inc.'s net sales. Accordingly, he is not designated as an independent officer because of past conflict with the Company's criteria for independence. However, as the transactions with ABEJA, Inc. account for less than 1% of the consolidated net sales of the Company, and have accounted for a small proportion of ABEJA, Inc.'s net sales as of late, the Company believes that the risk of a conflict of interest with general shareholders arising is not substantial, and that Mr. Keisuke Tomimatsu can be expected to perform his duties of an Outside Director properly.

B. Main activities during the fiscal year under review

- * Mr. Goro Kamino, Director, attended 9 out of the 9 Board of Directors Meetings held during the fiscal year under review at which he actively provided comments necessary for the deliberation of agenda items of the Board of Director Meetings thereat based on his broad experience and extensive knowledge in corporate management.
- * Mr. Hari N. Nair, Director, attended 9 out of the 9 Board of Directors Meetings held during the fiscal year under review and has utilized his abundant experience of company management and the deep insights cultivated over many years in the industry to actively contribute as required to the deliberation of resolutions by the Board of Directors.
- * Mr. Keisuke Tomimatsu, Director, attended 9 out of the 9 Board of Directors Meetings held during the fiscal year under review and has utilized his abundant experience of the securities industry and his wide-ranging knowledge of the economy to actively contribute as required to the deliberation of resolutions by the Board of Directors.
- * Mr. Yoshie Munakata, Director, attended 9 out of the 9 Board of Directors Meetings held during the fiscal year under review and has utilized his abundant experience of company management and the deep insights cultivated over many years in the industry to actively contribute to the deliberation of resolutions by the Board of Directors.
- * Mr. Yoshinori Morita, Director (Audit and Supervisory Committee Member) attended 9 out of the 9 Board of Directors Meetings held during the fiscal year under review and has utilized his abundant experience and deep insights cultivated over many years to put appropriate questions and offer appropriate advice to the Board of Directors. Also, he has attended 11 out of 11 meetings of the Audit and Supervisory Committee held during the fiscal year under review and has voiced his opinions on audit methods and on other matters related to the duties of the Audit and Supervisory Committee.
- * Since taking up the role of Director(Audit and Supervisory Committee Member) on June 21, 2019, Ms. Makiko Yamamoto, Director (Audit and Supervisory Committee Member) attended 7 of the 7 Board of Directors Meeting held during the fiscal year under review where she raised questions and provided advice whenever appropriate from a professional perspective as a lawyer. Also, since taking up the role of Director (Audit and Supervisory Committee Member) on June 21, 2019, she attended 7 of the 8 Audit and Supervisory Committee Meetings held during the fiscal year under review where she expressed opinions regarding matters that concern the audit methods and execution of Audit and Supervisory Committee Member duties.

4) Overview of limited liability agreements

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

(4) Financial Auditor

1) Name: Ernst & Young ShinNihon LLC

2) Amount of remuneration, etc.

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

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

3) Description of non-auditing services

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

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

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

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

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

contribute to the formation of an efficient and effective audit framework and deepen collaboration with such Audit and Supervisory Committee while ensuring the independence of the internal audit section.

- 7) System for reporting from Directors (excluding Audit and Supervisory Committee Members) and employees to Audit and Supervisory Committee, and other systems for reporting to Audit and Supervisory Committee
 - * Periodical reports are made to Audit and Supervisory Committee on the status of the business of the Company and subsidiaries, etc. as well as the status of preparation and operation of internal control system covering areas such as compliance and risk management. Also, other factors that may potentially have significant influence on the Company have to be reported.
 - * Audit and Supervisory Committee Members have no obligation to report information obtained from Directors (excluding Audit and Supervisory Committee Members) or employees to the third parties, and may request Directors (excluding Audit and Supervisory Committee Members) to disclose reasons for the transfer, evaluation and disciplinary action, etc. of such employees who made reports.
 - 8) Other systems to ensure that auditing by Audit and Supervisory Committee is conducted effectively
 - * Form an audit framework and establish audit environment to increase the effectiveness of audits. Audit & Supervisory Committee conduct audits on the Company and subsidiaries, etc. in close collaboration with the Internal Audit Office, the internal audit section, and Audit & Supervisory Committee Members attend management meetings and other important meetings.
 - * When an Audit and Supervisory Committee Member requests prepayment or reimbursement of expenses that arise in relation to the execution of duties or repayment of obligations incurred, the Company shall comply, except in cases where it can be proved that the expenses, etc. did not arise in relation to the execution of duties of the Audit and Supervisory Committee Member.
- Status of operation of the internal control system
- Major operational status of the systems to ensure the adequacy of operations for the fiscal year under review is as follows:
- 1) Systems for ensuring that the execution of duties by Directors and employees comply with laws and regulations and the Articles of Incorporation, and any other systems for ensuring proper operations
 - * The Company has appointed a compliance officer who promotes initiatives relating to compliance and has established an Internal Control Committee, deliberating business ethics and compliance.
 - * The Company has implemented compliance training for all employees based on the “Our Compliance” code of conduct, and seeks to further enhance corporate ethics.
 - * The Company has handled proposals regarding compliance concerns at the Musashi compliance hotline, the in-house reporting hotline. In addition to this hotline, there are also contact points set up with external lawyers and with the Audit and Supervisory Committee, improving the effectiveness of the system by creating an environment in which it is easier to disclose information.
 - 2) System for the preservation and management of information relating to the execution of duties by Directors
 - * The Company has preserved and managed information by prescribing matters relating to management and preservation period of documents in the document management rules.
 - * It also has properly managed information regarding the execution of duties of Directors by specifying the preservation period and indicating the degree of confidentiality under the document management rules.
 - * In fiscal 2019, the Company implemented confidentiality management training for all employees, reaffirmed its confidentiality management regulations, and otherwise took steps to heighten awareness of confidentiality management.
 - 3) Rules concerning loss risk management and other systems
 - * The Company has appointed a risk management officer who promotes initiatives concerning risk management. It has established a BCP Committee where it has deliberated business continuity risks and its countermeasures and developed the Business Continuity Plan (BCP).

- * The Company has continuously conducted BCP drills for a large-scale earthquake with an assumption of the maximum risk.
 - * In fiscal 2019, the Company systematically implemented measures to prevent damage caused by typhoons and heavy rains. The Company also took action with respect to the COVID-19 epidemic by establishing a system for crisis management during emergencies, centered on the risk management officer, and has accordingly been gathering information on business continuity risks and implementing measures to prevent the spread of infection to employees.
- 4) Systems to ensure efficiency of execution of duties by Directors
- * The Board of Directors have allocated duties of Directors and appointed executive officers, efficiently operating the duties. In addition, the management strategy and medium- to long-term management plans for the Group as a whole are actively deliberated with the aim of enhancing corporate value.
 - * As a company with an Audit and Supervisory Committee, the Company has delegated parts of the executions of important operations resolved at the Board of Directors Meeting to management meetings in accordance with the provisions of the Articles of Incorporation, making efficient and flexible management decisions.
 - * Execution of operations is performed with flexibility under the clear accountability of the executive officers.
 - * In order to share these policies with all Group companies and to achieve the aims of the business plan, in addition to holding Global Top Meetings (GTM) to discuss issues and so on, the Company seeks to optimize the execution of duties and to improve efficiency for the Group as a whole, primarily through broadening the global platform, by means of redesigning the core systems.
- 5) Systems to ensure the adequacy of the business of the Company and the corporate group constituted by the parent company and subsidiaries
- * The Board of Directors has set out the basic policy relating to the establishment of the internal control system and is supervising the establishment and the operational status of the system of the Group.
 - * The Company has formulated the “Regulations on Control of Affiliate Companies,” which stipulates matters to be reported from companies of the Group to the Head Office, and is managing companies of the Group.
 - * The Company is working to ensure that the shared rules (global policies) drawn up to contribute to the efficient management, and the unified administration of the Group as a whole, take root.
 - * Each companies of the Group periodically conduct self-assessment regarding laws and regulations complied and risks considered in business operations by using checklists. Based on the assessment results, the Internal Control Committee has deliberated issues which need to be taken as a Group. In fiscal year 2018, self-assessment was conducted throughout the Group, including ASADAKATAN CHUTETSUSHO Co., Ltd. that was integrated in October, 2018.
 - * The Internal Audit Office belonging to the internal audit section of the Company periodically audits each section of the Company and companies of the Group.
- 6) Matters concerning a Director and employee who is to assist the duties of the Audit and Supervisory Committee and matters concerning the independence of such Director and employee from other Directors (excluding Directors serving as Audit and Supervisory Committee Members (hereinafter, the “Audit and Supervisory Committee Members”))
- * The Internal Audit Office independent from the business execution section assists the Audit and Supervisory Committee, thereby fortifying the auditing function. As the Internal Audit Office is an office independent from other business execution sections, when assisting the duties of the Audit and Supervisory Committee, the Internal Audit Office follows the instructions of the Audit and Supervisory Committee.
- 7) System of reporting from Directors (excluding Audit and Supervisory Committee Members) and employees to the Audit and Supervisory Committee, and other systems reporting to the Audit and Supervisory Committee
- * The internal audit section, internal control section and other business sections periodically report to the Audit and Supervisory Committee so that the Committee may obtain information necessary for auditing.

8) Other systems to ensure that auditing by the Audit and Supervisory Committee is conducted effectively

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

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

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

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

Consolidated Balance Sheet
(As of March 31, 2020)

(Unit: million yen)

Account title	Amount	Account title	Amount
Assets	207,333	Liabilities	124,821
Current assets	89,075	Current liabilities	87,800
Cash and bank deposits	20,665	Notes and accounts payable – trade	15,189
Notes and accounts receivable – trade	25,370	Short-term loans payable	31,803
Merchandise and finished goods	7,817	Current portion of long-term loans payable	19,345
Work in process	7,054	Current portion of bonds	3,002
Raw materials and supplies	18,843	Accounts payable – other	8,424
Others	9,401	Income taxes payable	1,247
Allowance for doubtful accounts	△78	Provision for bonuses	2,230
Non-current assets	118,258	Provision for directors' bonuses	42
Property, plant and equipment	98,219	Provision for product warranties	1,144
Buildings and structures	22,167	Others	5,369
Machinery, equipment and vehicles	52,659	Non-current liabilities	37,021
Tools, furniture and fixtures	3,949	Long-term loans payable	27,958
Land	6,994	Deferred tax liabilities	2,285
Construction in progress	12,449	Liabilities on employees' retirement benefits	5,169
Intangible assets	7,423	Others	1,607
Goodwill	972	Net assets	82,511
Customer relationship assets	2,948	Shareholders' equity	89,317
Software	1,560	Capital stock	5,361
Software in progress	33	Capital surplus	4,340
Others	1,908	Retained earnings	79,624
Investments and other assets	12,614	Treasury shares	△8
Investment securities	6,203	Accumulated other comprehensive income	△17,882
Investments in capital	667	Valuation difference on available-for-sale securities	1,437
Long-term loans receivable	993	Foreign currency translation adjustment	△19,314
Deferred tax assets	2,189	Remeasurements of defined benefit plan	△6
Others	2,604	Non-controlling interests	11,076
Allowance for doubtful accounts	△43		
Total assets	207,333	Total liabilities and net assets	207,333

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

Consolidated Statement of Income
(April 1, 2019 - March 31, 2020)

(Unit: million yen)

Account title	Amount
Net sales	236,355
Cost of sales	203,665
Gross profit	32,690
Selling, general and administrative expenses	25,405
Operating income	7,285
Non-operating income	1,621
Interest income	596
Dividend income	425
Others	598
Non-operating expenses	1,792
Interest expenses	743
Foreign exchange losses	629
Others	419
Ordinary income	7,113
Extraordinary income	77
Gain on sales of non-current assets	77
Extraordinary losses	17,052
Loss on sales of non-current assets	17
Loss on retirement of non-current assets	130
Impairment loss	13,762
Loss on litigation	3,142
Loss before income taxes	△9,861
Income taxes – current	3,883
Income taxes – deferred	△3,065
Loss	△10,679
Loss attributable to non-controlling interests	△3,776
Loss attributable to owners of parent	△6,902

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

Consolidated Statement of Changes in Net Assets

(April 1, 2019 - March 31, 2020)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2019	5,326	4,305	89,261	△8	98,884
Changes of items during period					
Share issuance	35	35			70
Dividends of surplus			△2,735		△2,735
Loss attributable to owners of parent			△6,902		△6,902
Purchase of treasury shares				△0	△0
Increase (decrease) due to change fiscal year of subsidiaries			2		2
Net changes of items other than shareholders' equity					
Total changes of items during period	35	35	△9,636	△0	△9,566
Balance at March 31, 2020	5,361	4,340	79,624	△8	89,317

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plan	Total accumulated other comprehensive income		
Balance at April 1, 2019	2,026	△9,593	192	△7,374	16,823	108,333
Changes of items during period						
Share issuance						70
Dividends of surplus						△2,735
Loss attributable to owners of parent						△6,902
Purchase of treasury shares						△0
Increase (decrease) due to change fiscal year of subsidiaries						2
Net changes of items other than shareholders' equity	△588	△9,720	△198	△10,507	△5,747	△16,255
Total changes of items during period	△588	△9,720	△198	△10,507	△5,747	△25,822
Balance at March 31, 2020	1,437	△19,314	△6	△17,882	11,076	82,511

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

Notes to Consolidated Financial Statements

1. Notes relating to the assumptions of the going concern

No items to report

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

(1) Matters relating to the scope of consolidation

1) Status of consolidated subsidiaries

i) Number of consolidated subsidiaries:

33

ii) Names of consolidated subsidiaries:

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

iii) Changes of the scope of consolidation

Musashi AI Ltd. was included in the scope of consolidation during the fiscal year ended March 31, 2020 because of increased materiality of Musashi AI Ltd.

2) Status of non-consolidated subsidiaries:

i) Names of principal non-consolidated subsidiaries:

Musashi Auto Parts UK Ltd.

ii) Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation because their respective total assets, net sales, profit or loss, and retained earnings do not have a material effect on the consolidated financial statements.

(2) Matters concerning application of equity method

Status of non-consolidated subsidiaries to which the equity method is not applied

i) Names of principal companies, etc.:

Musashi Auto Parts UK Ltd.

ii) Reason for not applying equity method

Non-consolidated subsidiaries have an immaterial effect on profit or loss and retained earnings; they do not have a material effect on the items of the consolidated financial statements and are therefore not accounted for by the equity method.

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

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

For Musashi Holdings Europe GmbH, a consolidated subsidiary, and its subsidiaries whose account closing date is December 31, previously, financial statements as of the foregoing date were used and material transactions occurring during the period from the said date to the consolidated account closing date were adjusted as necessary for consolidation. However, to increase the usefulness as financial information based on more timely and appropriate information, the method applied to them has been changed to the one where consolidation is made based on the provisional settlement of accounts carried out on the consolidated account closing date, from the fiscal year ended March 31, 2020. Accordingly, profit or loss of these consolidated subsidiaries in the period between January 1, 2019 to March 31, 2019, was each adjusted as increase or decrease in retained earnings.

(4) Change in accounting policies

Overseas consolidated subsidiaries except for that in the United States have applied IFRS 16 “Leases” from the fiscal year ended March 31, 2020. Accordingly, a lessee in a lease records all leases as assets and liabilities in principle. In the application of IFRS 16, the Group has used the method where the cumulative effect of applying this accounting standard is recognized at the date of initial application, which is permitted as a transitional measure. The impact of this change on consolidated financial statements is immaterial.

(5) Change in presentation

“Insurance income” of “Non-operating income,” which was posted independently in the previous fiscal year, has been included in “Other” from the current fiscal year, because the amount has become less important. The amount of “Insurance income” included in “Other” under “Non-operating income” for the current fiscal year was 22 million yen..

(6) Matters regarding accounting policies

1) Valuation basis and method for significant assets

i) Securities

A. Shares of subsidiaries

Stated at cost using the moving average method

B. Available-for-sale securities

* Securities with market value

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

* Securities without market value

Stated at cost using the moving average method

ii) Derivatives

Market value method

iii) Inventories

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

2) Depreciation methods for material depreciable assets

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

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

Buildings and structures	20 to 50 years
Machinery, equipment and vehicles	5 to 20 years

ii) Intangible assets (excluding leased assets)

The straight-line method is applied. However, for software for internal use, the straight-line method is applied based on the expected usable period within the Group (mainly 5 years).

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

iv) Leased assets

Leased assets related to ownership transfer finance lease transactions

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

Leased assets in non-ownership-transfer finance lease transactions

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

v) Right-of-use assets

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

3) Accounting policy for significant provisions

i) Allowance for doubtful accounts

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

ii) Provision for bonuses

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

iii) Provision for directors' bonuses

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

iv) Provision for product warranties

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

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

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

5) Hedge accounting method

i) Hedge accounting method

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

ii) Hedging instruments and hedged items

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

iii) Hedging policy

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

iv) Hedge effectiveness evaluation method

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

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

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

i) Accounting treatment for retirement benefits

A. The attribution of benefits to periods of service

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

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

Past service costs are amortized using the straight-line method over a certain period (mainly, 15 years), which is within the average remaining service period of the employees, when they are recognized.

Actuarial gains and losses will be amortized over a certain period (mainly, 15 years), which is within the average remaining service period of the employees, using the straight-line method, from the following fiscal year when the actuarial gains and losses is recognized.

ii) Method and period for amortization of goodwill

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

iii) Accounting treatment of consumption taxes

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

iv) Application of Consolidated Taxation System

From this fiscal year Consolidated Taxation System is applied.

3. Additional information

(Accounting estimates due to the growing spread of infections of the novel coronavirus disease (COVID-19))

Due to the growing global spread of infections of COVID-19, each country has seen a slowdown in economic activities and been slipping into severe recession. Because automakers, which are major customers, made operational adjustments due to sluggish demand for new cars, the Group's net sales of products have decreased. Since it is difficult to predict future spread of infections of COVID-19, timing of returning to normal, etc., the Group made accounting estimates, including judgment on whether or not an impairment loss on non-current assets needs to be recognized, based on a certain assumption that impact of the infectious disease will last over a certain period of time in the fiscal year ending March 31, 2021, taking into account information from outside sources.

4. Notes to the consolidated balance sheet

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

181,413 million yen

5. Notes to the consolidated statement of income

(1) Impairment loss in extraordinary losses

Location	Use	Type	Amount
Musashi Europe GmbH	Other	Goodwill Customer relationship assets	13,731 million yen
	Business assets	Machinery and equipment	31 million yen

The Group groups assets for the smallest cash-generating unit that independently generates cash flow.

With regard to Musashi Europe GmbH, a consolidated subsidiary, as a result of reviewing future prospects on the car market environment in Europe and the world under the current situation, the total estimated amount of cash flows in the initially assumed period is expected to decline. Consequently, the book value of the asset groups was reduced to their recoverable value.

While the recoverable amount of the asset group was measured in terms of its value in use, its future cash flows were computed by discounting them by 7.2%.

(2) Loss on litigation

The Group has been investigated by overseas authorities on suspicion of violation of the competition law in certain past transactions acted earlier the Company acquired the subsidiary and has provided all-out cooperation on the investigations. With the progress in the investigations, the Company estimated the amount of losses expected to be incurred in the future in light of current information and advice from experts.

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

(1) Matters concerning total number of issued shares

(thousand shares)

Types of shares	April 1, 2019	Increase	Decrease	March 31, 2020
Common shares	65,135	49	–	65,184

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

- Increase due to the insurance of new shares as share-based remuneration with transfer restrictions: 49 thousand shares

(2) Matters concerning number of treasury shares

(shares)

Types of shares	April 1, 2019	Increase	Decrease	March 31, 2020
Common shares	16,152	1,318	–	17,470

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

- Increase due to the purchase of shares less than one unit: 40 shares

- Increase due to the lapse of rights to share-based remuneration with transfer restrictions: 1,278 shares

(3) Matters concerning dividends of surplus

1) Paid amount of dividends

i) Matters concerning dividends resolved at the 92nd Annual Meeting of Shareholders held on June 21, 2019

* Total dividends	1,367 million yen
* Dividends per share	21 yen
* Record date	March 31, 2019
* Effective date	June 24, 2019

ii) Matters concerning dividends resolved at the Board of Directors Meeting held on November 6, 2019

* Total dividends	1,368 million yen
* Dividends per share	21 yen
* Record date	September 30, 2019
* Effective date	November 29, 2019

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

The following shall be presented at the 93rd Annual Meeting of Shareholders to be held on June 30, 2020

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

7. Notes concerning financial instruments

(1) Matters concerning the conditions of financial instruments

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

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

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

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

Amounts on the consolidated balance sheet, fair values and their differences at March 31, 2020 are as follows.

(Unit: million yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and bank deposits	20,665	20,665	–
(2) Notes and accounts receivable – trade	25,370	25,370	–
(3) Investment securities	3,645	3,645	–
Total assets	49,680	49,680	–
(4) Notes and accounts payable – trade	15,189	15,189	–
(5) Short-term loans payable	31,803	31,803	–
(6) Accounts payable – other	3,002	3,002	–
(7) Accrued expenses	8,424	8,424	–
(8) Income taxes payable	1,247	1,247	–
(9) Long-term loans payable (*1)	47,304	48,375	1,070
Total liabilities	106,972	108,042	1,070
(10) Derivative transactions (*2)	△496	△496	–

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

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

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

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

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

(3) Investment securities

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

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

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

(9) Long-term loans payable

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

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

(10) Derivative transactions

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

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

2. Unlisted equity securities (2,558 million yen posted) among investment securities are not included in “(3) Investment securities” as no quoted market price is available and it is extremely difficult to ascertain fair value by such means as estimating future cash flows.

8. Per share information

- (1) Net assets per share: 1,096.20 yen
- (2) Earnings per share: 105.95yen

9. Notes concerning significant subsequent events

(Business combination through acquisition)

On January 27, 2020, the Company entered into a share transfer contract with JSR Corporation to acquire 80% of issued shares of JM Energy Corporation and make this company a subsidiary of the Company, and acquired all the shares as of April 1, 2020.

(1) Overview of business combination

1) Name of the acquired entity and description of its business

Name of acquired entity: JM Energy Corporation

Description of the business: Development, manufacturing and sale of lithium ion capacitors

2) Main reason for the business combination

The Company conducted the business combination for the purpose of acquiring sophisticated development technologies, production technologies and production infrastructure for lithium ion capacitors, which are expected to grow in the near future, and developing energy solution business that can respond to diverse needs in electrified society, including products for high-value-added electric mobility.

3) Date of the business combination

April 1, 2020

4) Legal form of the business combination

Acquisition of shares

5) Name of the entity after the combination

JM Energy Corporation

6) Percentage of voting rights acquired

80%

7) Main grounds for determining the acquiring entity

The basis is that the Company acquired shares in exchange for cash.

(2) Breakdown of acquisition cost of the acquired entity and consideration by type

As we are obligated to confidentiality pursuant to the stock transfer agreement, we will not disclose this information.

(3) Content and amount of major acquisition-related expenses

Advisory expenses, etc. 24 million yen

(4) Amount, cause, amortization method and amortization period of goodwill incurred

They have not been determined at present.

(5) Amounts of assets acquired and liabilities assumed at the date of business combination and their main components

They have not been determined at present.

Non-consolidated Balance Sheet

(As of March 31, 2020)

(Unit: million yen)

Account title	Amount	Account title	Amount
Assets	104,250	Liabilities	69,730
Current assets	16,356	Current liabilities	48,685
Cash and bank deposits	21	Notes payable – trade	42
Accounts receivable – trade	10,063	Electronically recorded obligations – operating	4,336
Finished goods	1,695	Accounts payable – trade	3,841
Work in process	1,521	Short-term loans payable	20,375
Raw materials and supplies	822	Current portion of long-term loans payable	15,319
Prepaid expenses	362	Lease obligations	49
Accounts receivable – other	837	Accounts payable – other	629
Others	1,032	Accrued expenses	1,962
Non-current assets	87,893	Income taxes payable	585
Property, plant and equipment	10,531	Deposits received	117
Buildings	2,599	Provision for bonuses	1,035
Structures	168	Provision for directors' bonuses	32
Machinery and equipment	4,720	Provision for product warranties	55
Vehicles	24	Notes payable – facilities	250
Tools, furniture and fixtures	515	Others	51
Land	2,490	Non-current liabilities	21,045
Construction in progress	12	Long-term loans payable	20,395
Intangible assets	625	Lease obligations	65
Software	584	Provision for retirement benefits	451
Software in progress	33	Long-term accounts payable – other	71
Others	7	Asset retirement obligations	62
Investments and other assets	76,736	Net assets	34,519
Investment securities	1,627	Shareholders' equity	33,142
Shares of subsidiaries and associates	50,813	Capital stock	5,361
Investments in capital	620	Capital surplus	5,102
Long-term loans	876	Legal capital surplus	5,102
Long-term loans receivable from subsidiaries and associates	2,986	Retained earnings	22,688
Investments in capital of subsidiaries and associates	19,237	Legal retained earnings	306
Long-term prepaid expenses	67	Other retained earnings	22,381
Deferred tax asset	499	General reserve	23,500
Others	45	Retained earnings brought forward	△1,118
Allowance for doubtful accounts	△36	Treasury shares	△8
		Valuation and translation adjustments	1,377
		Valuation difference on available-for-sale securities	1,377
Total assets	104,250	Total liabilities and net assets	104,250

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

Non-consolidated Statement of Income
(April 1, 2019 - March 31, 2020)

(Unit: million yen)

Account title	Amount
Net sales	56,052
Cost of sales	45,127
Gross profit	10,924
Selling, general and administrative expenses	7,992
Operating income	2,932
Non-operating income	6,256
Interest income	6
Dividend income	5,814
Guarantee commission received	386
Others	49
Non-operating expenses	355
Interest expenses	102
Foreign exchange losses	104
Others	148
Ordinary income	8,833
Extraordinary income	3
Gain on sales of non-current assets	3
Extraordinary loss	16,667
Loss on retirement of non-current assets	4
Loss on valuation of shares of subsidiaries and associates	16,662
Loss before income taxes	△7,830
Income taxes – current	1,626
Income taxes – deferred	△224
Loss	△9,232

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

Non-consolidated Statement of Changes in Net Assets
(April 1, 2019 - March 31, 2020)

(Unit: million yen)

	Shareholders' equity						
	Capital stock	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
Balance at April 1, 2019	5,326	5,067	306	34,349	34,656	△8	45,041
Changes of items during period							
Share issuance	35	35					70
Dividends of surplus				△2,735	△2,735		△2,735
Loss				△9,232	△9,232		△9,232
Purchase of treasury shares						△0	△0
Net changes of items other than shareholders' equity							
Total changes of items during period	35	35	—	△11,968	△11,968	△0	△11,898
Balance at March 31, 2020	5,361	5,102	306	22,381	22,688	△8	33,142

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2019	1,929	1,929	46,970
Changes of items during period			
Share issuance			70
Dividends of surplus			△2,735
Loss			△9,232
Purchase of treasury shares			△0
Net changes of items other than shareholders' equity	△552	△552	△552
Total changes of items during period	△552	△552	△12,450
Balance at March 31, 2020	1,377	1,377	34,519

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

*Other retained earnings

(Unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance at April 1, 2019	23,500	10,849	34,349
Change in the fiscal year			
Dividends of surplus		△2,735	△2,735
Loss		△9,232	△9,232
Total changes of items during period	—	△11,968	△11,968
Balance at March 31, 2020	23,500	△1,118	22,381

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

Notes to Non-consolidated Financial Statements

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

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

- 3) Provision for directors' bonuses

To provide for the future payment of directors' bonuses, the Company reports the anticipated amount of bonus payments.
- 4) Provision for product warranties

To provide for product warranty expenses, the Company reports the anticipated amount of warranty expenses.
- 5) Provision for retirement benefits

To provide for employee retirement benefits, this provision is posted based on an estimate of retirement benefit obligations and plan assets at fiscal year-end.

 - i) The attribution of benefits to periods of service

For the calculation of projected benefit obligation, the Company adopts the plan's benefit formula for the attribution of benefits to the end of the fiscal year under review.
 - ii) Accounting method of actuarial gains and losses and past service costs

Past service costs are amortized using the straight-line method over a certain period (15 years), which is within the average remaining service period of the employees, when they are recognized. Actuarial gains and losses will be amortized over a certain period (15 years), which is within the average remaining service period of the employees, using the straight-line method, from the following fiscal year when the actuarial gains and losses is recognized.
- (6) Accounting policy for translating assets or liabilities denominated in a foreign currencies into Japanese currency

Foreign currency-denominated receivables and payables are converted to yen at the spot exchange rate on the closing date and the translation adjustment is treated as a profit or loss.
- (7) Hedge accounting method
 - 1) Hedge accounting method

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

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

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

The effectiveness of hedges is evaluated by comparing the cumulative cash flow fluctuations of hedged items or market fluctuations with cumulative cash flow fluctuations of the hedging method or market fluctuations based on the changes of both.
Please note that this assessment is omitted for interest-rate swaps subject to special treatment.

- (8) Other significant matters that serve as the basis for the preparation of financial statements
- | | |
|---|---|
| 1) Accounting treatment of consumption taxes | Accounting treatment for consumption tax and local consumption tax is based on the tax-excluded method. |
| 2) Application of consolidated tax payment system | Consolidated taxation system is applied. |

3. Additional information

(Accounting estimates due to the growing spread of infections of COVID-19)

Due to the growing global spread of infections of COVID-19, each country has seen a slowdown in economic activities and been slipping into severe recession.

Because automakers, which are major customers, made operational adjustments due to sluggish demand for new cars, the Group's net sales of products have decreased.

Since it is difficult to predict future spread of infections of COVID-19, timing of returning to normal, etc., the Group made accounting estimates, including judgment on whether or not an impairment loss on non-current assets needs to be recognized, based on a certain assumption that impact of the infectious disease will last over a certain period of time in the fiscal year ending March 31, 2021, taking into account information from outside sources.

4. Notes to the non-consolidated balance sheet

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

Short-term cash credit	9,215 million yen
Short-term cash debt	3,766 million yen
Long-term cash debt	6,000 million yen

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

39,869 million yen

(3) Contingent liabilities

Guarantee obligations

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

(Unit: million yen)

Company name	Guarantee balance
Musashi Europe GmbH	17,108
Musashi Auto Parts (Tianjin) Co., Ltd.	4,006
Musashi Auto Parts Michigan Inc.	1,958
Musashi Auto Parts Mexico, S.A. de C.V.	2,448
Musashi Auto Parts India Pvt. Ltd.	78
Musashi da Amazonia Ltda.	26
Total	25,627

5. Notes to the non-consolidated statement of income

Transactions with subsidiaries and associates

Net sales	44,999 million yen
Purchases	15,423 million yen
Transactions other than operational transactions	6,237 million yen

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

Matters concerning number of treasury shares

(shares)

Types of shares	April 1, 2019	Increase	Decrease	March 31, 2020
Common shares	16,152	1,318	–	17,470

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

- Increase due to the purchase of shares less than one unit: 40 shares
- Increase due to the lapse of rights to share-based remuneration with transfer restrictions: 1,278 shares

7. Notes concerning tax effect accounting

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

(Unit: million yen)

Deferred tax assets

Payable for enterprise tax refund	52
Provision for bonuses	309
Provision for directors' bonuses	9
Accrued social security premiums	48
Loss on evaluation of inventories	324
Credit for foreign tax	241
Over depreciation	165
Provision for retirement benefits	134
Directors' retirement benefits payable	21
Loss on valuation of investment securities	42
Loss on sales of shares of subsidiaries and associates	6,149
Allowance for doubtful accounts	10
Shares of subsidiaries acquisition costs	28
Others	89
Subtotal deferred tax assets	<u>7,629</u>
Valuation allowance	<u>△6,540</u>
Total deferred tax assets	<u>1,088</u>

Deferred tax liabilities

Valuation difference on available-for-sale securities	△588
Others	△0
Total deferred tax liabilities	<u>△588</u>
Net deferred tax assets (liabilities)	<u>499</u>

8. Notes concerning transactions with related parties

(1) Parent company and principal corporate shareholder

Category	Company name	Ownership percentage of voting rights (%)	Relationship	Transaction details	Transaction amounts (million yen) (Note 2)	Account item	Fiscal year-end balance (million yen) (Note 2)
Other affiliate	Honda Motor Co., Ltd.	25.1	Sale of the Company's products	Sales of products (Note 1)	19,420	Accounts receivable – trade	2,179

Conditions of transactions and policy for determining the conditions of transactions

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

(2) Subsidiaries

Category	Company name	Ownership percentage of voting rights (%)	Relationship	Transaction details	Transaction amounts (million yen) (Note 4)	Account item	Fiscal year-end balance (million yen) (Note 4)
Subsidiary	Kyushu Musashi Seimitsu Co., Ltd.	100.0	Product purchasing and secondment of officers	Product purchasing (Note 1)	8,230	Accounts payable – trade	1,794
Subsidiary	Musashi Auto Parts Michigan Inc.	89.5	Debt guarantees and secondment of officers	Underwriting of debt guarantees (Note 2)	1,958	–	–
Subsidiary	Musashi Auto Parts Canada Inc.	100.0	Capital Lending and secondment of officers	Receipt of interest (Note3)	0	Long-term loans receivable from subsidiaries and associates	2,448
Subsidiary	Musashi Auto Parts Co., Ltd.	82.3	Capital borrowing and secondment of officers	Payment of interest (Note3)	–	Long-term loans payable	6,000
Subsidiary	Musashi Hungary Manufacturing, Ltd.	100.0	Capital borrowing and secondment of officers	Payment of interest (Note3)	8	Current portion of long-term loans payable	1,357
Subsidiary	Musashi Auto Parts (Zhongshan) Co., Ltd	100.0	Sale of the Company's products and secondment of officers	Sales of products (Note 1)	4,644	Accounts receivable – trade	1,064
Subsidiary	Musashi Auto Parts Mexico, S.A. de C.V.	100.0	Sale of the Company's products Debt guarantees and secondment of officers	Sales of products (Note 1)	5,174	Accounts receivable – trade	1,240
				Underwriting of debt guarantees (Note 2)	2,448		

Category	Company name	Ownership percentage of voting rights (%)	Relationship	Transaction details	Transaction amounts (million yen) (Note 4)	Account item	Fiscal year-end balance (million yen) (Note 4)
Subsidiary	Musashi Europe GmbH	75.0	Debt guarantees and secondment of officers	Underwriting of debt guarantees (Note 2)	17,108	–	–
				Guarantee commissions income (Note 2)	386		
Subsidiary	Musashi Auto Parts (Tianjin) Co., Ltd.	Indirect 75.0	Debt guarantees and secondment of officers	Underwriting of debt guarantees (Note 2)	4,006	–	–

Conditions of transactions and policy for determining the conditions of transactions

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

9. Per share information

- (1) Net assets per share: 529.72yen
(2) Earnings per share: 141.71yen

10. Significant subsequent events

No items to report.

Independent Auditor's Report

June 3, 2020

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

Ernst & Young ShinNihon LLC

Shigeki Hiki (Seal)

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant

Toshikatsu Sekiguchi (Seal)

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements of Musashi Seimitsu Industry Co., Ltd. (the "Company") applicable to the fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

Independent Auditor's Report

June 3, 2020

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

Ernst & Young ShinNihon LLC

Shigeki Hiki (Seal)

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant

Toshikatsu Sekiguchi (Seal)

Designated Limited Liability Partner,
Engagement Partner,
Certified Public Accountant

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to non-consolidated financial statements and the supplementary schedules (hereinafter referred to as "Financial Statements, etc.") of Musashi Seimitsu Industry Co., Ltd. (the "Company") applicable to the Company's 93rd fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the Financial Statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations, applicable to the fiscal year ended March 31, 2020, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

Audit Report

The Audit and Supervisory Committee has conducted audit on the performance of duties of the Directors during the 93rd fiscal year from April 1, 2019 to March 31, 2020, and hereby reports the methods and results of audit as follows:

1. Auditing Methods and Contents

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

- 1) In accordance with the Audit and Supervisory Committee's auditing standards, auditing policies, share of assignment, and other matters stipulated by the Audit and Supervisory Committee, we cooperated with the Internal Auditing Department and other departments for internal control; attended important meetings; received reports of execution of duties from Directors and employees; demanded explanations, as the occasion demanded; inspected important documents; and investigated the activities and assets of the head office and of other principal places of business.
As for the subsidiaries, we communicated and exchanged information with the Directors and Audit & Supervisory Board Members, etc. of the subsidiaries, and received reports on their business operations as the occasion demanded.
- 2) We monitored and verified whether or not the Financial Auditor had maintained their independent positions and had conducted appropriate audits and received reports on activities of execution of duty from the financial auditor and received explanation as the occasion demanded. Also, we received notice that the "system to assure that duty is executed appropriately" (the matters listed in the items of Article 131 of the Corporate Accounting Rules) has been maintained in accordance with the "Quality Control Standards for Audits" (October 28, 2005, the Business Accounting Council) from the Financial Auditor and demanded explanation as the occasion demanded.

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

2. Results of Audit

(1) Results of audit on the business report

- 1) The business report and accompanying schedule are found to accurately present the status of the Company in conformity with the laws and regulations and Articles of Incorporation.
- 2) In connection with the performance by the Directors of their duties, no dishonest act or significant fact of a violation of laws, regulations, or the Articles of Incorporation is found to exist.
- 3) The contents of the resolutions of the Board of Directors regarding the internal control systems are found to be proper. Also, the descriptions in the business report and execution of duty by the Directors regarding the relevant internal control system are found to accurately present the matters to be stated therein and have nothing to be pointed out including the internal control system

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

June 3, 2020

Audit and Supervisory Committee of
Musashi Seimitsu Industry Co., Ltd.
Michi Miyazawa (Seal)
Audit and Supervisory Committee Member (Full-time)
Yoshinori Morita (Seal)
Audit and Supervisory Committee Member
Makiko Yamamoto (Seal)
Audit and Supervisory Committee Member

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