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Securities code: 7220
May 31, 2019

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 92ND ANNUAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 92nd Annual Meeting of Shareholders of Musashi Seimitsu Industry Co., Ltd. (the “Company”).

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet, etc. Please review the Reference Documents for the Annual Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on Thursday, June 20, 2019.

Meeting Details

- 1. Date and Time:** Friday, June 21, 2019 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 92nd fiscal term (from April 1, 2018 to March 31, 2019)
2. Non-consolidated Financial Statements for the 92nd fiscal term (from April 1, 2018 to March 31, 2019)

Items to be resolved:

- Proposal 1:** Appropriation of Surplus
- Proposal 2:** Election of Eight (8) Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)
- Proposal 3:** Election of Three (3) Directors Serving as Audit and Supervisory Committee Members

4. Instructions for Exercising Voting Rights, etc.:

Please refer to “Instructions for Exercising Voting Rights, etc.” on page 2.

- * If you plan to attend the meeting in person, please present the enclosed Voting Rights Exercise Form at the reception desk. Please also bring this notice to the meeting for use as a meeting agenda.
- * 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 (<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.

[Attending the General Meeting of Shareholders]

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

Date and Time:

Friday, June 21, 2019 at 10:00 a.m.

Venue:

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

[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:

Thursday, June 20, 2019 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:

Thursday, June 20, 2019 at 5:00 p.m.

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 92nd 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: ¥21
Total dividends: ¥1,367,495,829
- iii) Effective date of dividends of surplus
June 24, 2019

Proposal 2: Election of Eight (8) 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.

In that regard, to execute our management structural reforms and enable strategic, quicker and more flexible decision making in the Board of Directors, we request the election of eight (8) Directors.

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 10/10 Number of years since appointment as a director 18 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>April 2015 President Executive Officer of the Company</p> <p>April 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>	1,432,700

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 10/10</p> <p>Number of years since appointment as a director 4 years (at the conclusion of this meeting)</p>	<p>Dec. 1989 Entered the Company</p> <p>Apr. 2010 President and Director of Musashi Auto Parts Michigan Inc.</p> <p>Apr. 2013 Executive Officer of the Company</p> <p>Apr. 2015 Managing Executive Officer of the Company</p> <p>Apr. 2015 Head of Machinery & Tools Division and Purchasing Division of the Company</p> <p>Jun. 2015 Director of the Company (present post)</p> <p>Oct. 2015 Head of Power Train (PT) Division and Forging Engineering Division of the Company (present post)</p> <p>Mar. 2016 President and Director of Musashi Holdings Europe GmbH (present post)</p> <p>Dec. 2017 Head of China Regional Operations of the Company</p> <p>Apr. 2018 Senior Managing Executive Officer of the Company(present post)</p> <p>Apr. 2018 CEO of China region of the Company(present post)</p> <p>(Significant concurrent position) President and Director of Musashi Holdings Europe GmbH</p> <p>Reasons for nomination as a candidate for Director</p> <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>	15,000
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3	<p>Haruhisa Otsuka (Nov. 4, 1960)</p> <p>Reappointment</p> <p>Number of Board of Directors' meetings attended during the fiscal year under review 9/10</p> <p>Number of years since appointment as a director 15 years (at the conclusion of this meeting)</p>	Jan. 1984	Entered the Company	61,200
		Jan. 1998	President and Director of Musashi Auto Parts Canada Inc.	
		May 2004	President and Director of Musashi Auto Parts Michigan Inc.	
		Jun. 2004	Director of the Company (present post)	
		May 2006	Head of North America Regional Operations of the Company	
		May 2006	President and Director of Musashi Auto Parts Canada Inc. (present post)	
		Oct. 2010	Head of North America Regional Sales of the Company (present post)	
		Apr. 2015	Managing Executive Officer of the Company	
		Oct. 2015	Head of Linkage & Suspension (L & S) Division of the Company (present post)	
		Apr. 2018	Senior Managing Executive Officer of the Company(present post)	
Apr. 2018	CEO of North and South America region of the Company(present post)			
	(Significant concurrent position)	President and Director of Musashi Auto Parts Canada Inc.		
	Reasons for nomination as a candidate for Director			
	Mr. Haruhisa Otsuka has extensive experience and insight in the L&S Business, which is one of the Company's core businesses. He concurrently serves as President and Director of Musashi Auto Parts Canada Inc., etc., 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 over North America for many years that he is necessary to improve the future corporate value of the Group, and nominated him once again as a candidate for its Director.			

4	Tracey Sivill (Dec. 2, 1963) Reappointment Number of Board of Directors' meetings attended during the fiscal year under review 10/10 Number of years since appointment as a director 2 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 10/10</p> <p>Number of years since appointment as a director 7 years (at the conclusion of this meeting)</p>	<p>Aug. 2000 Representative Director and President of Gastec Service, Inc.</p> <p>May 2002 Representative Director and President of Sala Corporation (present post)</p> <p>Mar. 2012 Representative Director and President of Chubu Gas Co., Ltd.</p> <p>Jun. 2012 Director of the Company (present post)</p> <p>Feb. 2018 Chairman and Representative Director of Gastec Service, Inc. (present post)</p> <p>Feb. 2018 Chairman and Representative Director of Chubu Gas Co., Ltd. (present post)</p> <p>(Significant concurrent positions) Representative Director and President of Sala Corporation Chairman and Representative Director of Gastec Service, Inc. Chairman and Representative Director of Chubu Gas 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>	18,600
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 10/10</p> <p>Number of years since appointment as a director 2 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(current 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>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 10/10</p> <p>Number of years since appointment as a director 4 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>(Significant concurrent positions) Director of ABEJA, Inc.</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>	7,100
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 7/7</p> <p>Number of years since appointment as a director 1 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. (present 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. (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>	2,000

- 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. Mr. Goro Kamino is currently serving as Outside Director of the Company and his term of office will be 7 years at the conclusion of this Annual Meeting of Shareholders. Mr. Hari N. Nair is currently serving as Outside Director of the Company and his term of office will be 2 years at the conclusion of this Annual Meeting of Shareholders. Mr. Keisuke

Tomimatsu is currently serving as Outside Director of the Company and his term of office will be 4 years at the conclusion of this Annual Meeting of Shareholders. Mr. Yoshie Munakata is currently serving as Outside Director of the Company and his term of office will be 1 year at the conclusion of this Annual Meeting of Shareholders.

4. Mr. Keisuke Tomimatsu had served as Outside Audit and Supervisory Board Member of the Company.
5. 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.
6. 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., 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., we believe that there would be no conflicts of interest with general shareholders.
7. The Company, with respect to liability under Article 423, paragraph 1 of the Companies Act, entered into an agreement with Mr. Keisuke Tomimatsu, limiting the total amount of the liability to the amount stipulated in Article 425, paragraph 1 of the same Act. Should his election be approved, the Company plans to continue the aforementioned agreements limiting liability.
The Company consigns consulting operations and other services to ABEJA, Inc., where Mr. Keisuke Tomimatsu serves concurrently, and the annual transaction amount relating thereto accounts more than 1 % of sales of the Company. For that reason, although the Company had previously registered Mr. Keisuke Tomimatsu as an independent officer with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof, because of the conflict with the criteria for independence, the Company plans to cancel his designation as independent officer.
However, as the transactions with ABEJA, Inc. account for less than 1% of the consolidated net sales of the Company, and are small at around 2% of the net sales of ABEJA, Inc., 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.

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

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

Therefore, we request the election of three (3) Directors serving as Audit and Supervisory Committee Members. This proposal has been submitted with prior consent by the Audit and Supervisory Committee.

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

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and significant concurrent positions	Number of the Company's shares held
1	Michi Miyasawa (May 29, 1962) New appointment	Apr. 1985 Entered the Company	19,000
		Apr. 2008 Senior Administrator of MCG Promotion Dept., General Affairs Division	
		Nov. 2012 Manager of CG & Legal Dept., General Affairs Division	
		Apr. 2016 General Manager of Sustainability Office	
		Apr. 2018 Acting General Manager of Human Resources Division	
		Reasons for nomination as a candidate for Director	
		Ms. Michi Miyasawa has extensive knowledge and experience accumulated during her service in the Legal, Sustainability Promotion, and Human Resources sections. The Company believes that she is capable of performing the functions of supervision and audit, and proposes to elect her as Director serving as an Audit and Supervisory Committee Member.	
2	Yoshinori Morita (Apr. 27 1948) Reappointment Number of Board of Directors' meetings attended during the fiscal year under review 10/10 Number of years since appointment as a director 2 years (at the conclusion of this meeting)	Jul. 1971 Entered the Ministry of Finance	0
		Jul. 1994 Director of the Examination Division, Financial Inspection Department, Minister's Secretariat	
		Jul. 1997 Director-General of the Nagoya Regional Taxation Bureau	
		Jul. 1999 Director-General of the Osaka Regional Taxation Bureau	
		Jul. 2001 Director-General of the Tokyo Regional Taxation Bureau	
		Jul. 2002 Director-General of the Printing Bureau	
		Mar. 2003 Retired from Director-General of the Printing Bureau, Retired from the Ministry of Finance	
		Apr. 2003 Executive Director of Japan Railway Construction Public Corporation	
		Aug. 2007 Advisor of The Bank of Ikeda, Ltd.	
		Oct. 2009 Advisor of Senshu Ikeda Holdings, Inc. and Advisor of The Bank of Ikeda, Ltd.	
		May 2010 Advisor of Senshu Ikeda Holdings, Inc. and Advisor of The Senshu Ikeda Bank, Ltd. (present post)	
		Reasons for nomination as a candidate for Director	
		Mr. Yoshinori Morita has held important government posts and been engaged in corporate management as an advisor for companies. Based on such extensive experience and a high level of specialized knowledge, he has provided appropriate advice on the Company's management. Although he has never been involved in corporate management except as advisor, based on his experience and knowledge explained above, we believe that he has the capabilities to implement his duties as Outside Director serving as an Audit and Supervisory Committee Member appropriately.	

3	Makiko Yamamoto (May 29, 1971) New appointment	Jul. 1995	Entered TMI Associates	0
		Apr. 1999	Legal Training and Research Institute of the Supreme Court of Japan	
		Oct. 2000	Registered Tokyo Bar Association	
		Sep. 2005	Simmons & Simmons (London)	
		Sep. 2006	TMI Associates	
		Feb. 2012	Registered British Lawyer Solicitor	
		Jun. 2012	Simmons & Simmons (London)	
		Sep. 2014	TMI Associates (currently)	
		Jun. 2016	Outside Corporate Auditor of Starzen Co, Ltd(present post)	
		Jun. 2018	Outside Corporate Auditor of SIGMAXYZ Inc.(present post)	
		(Significant concurrent positions)		
		Attorney at law		
		Reasons for nomination as a candidate for Director		
Ms. Makiko Yamamoto is qualified as an attorney at law, in which area she has extensive experience, such as advising on cases involving corporate legal affairs in domestic and international legal firms, and a high level of specialized knowledge. The Company believes that she is capable of performing the functions of supervision and audit, and proposes to elect her as Outside Director.				

Notes:

1. There are no special interests between the Company and the candidates.
2. Ms. Michi Miyasawa and Ms. Makiko Yamamoto are new appointee candidates for Director serving as Audit and Supervisory Committee Members.
3. Mr. Yoshinori Morita and Ms. Makiko Yamamoto are candidates for Outside Directors serving as Audit and Supervisory Committee Members.
4. Mr. Yoshinori Morita is currently an Outside Director serving as an Audit and Supervisory Committee Member of the Company and his term of office will be 2 years at the conclusion of this Annual Meeting of Shareholders.
5. The Company, with respect to liability under Article 423, paragraph 1 of the Companies Act, entered into an agreement with Mr. Yoshinori Morita limiting the total amount of the liability to the amount stipulated in Article 425, paragraph 1 of the same Act. Should his election be approved, the Company plans to continue the aforementioned agreements limiting liability. Should Ms. Makiko Yamamoto'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.
6. The Company registered Mr. Yoshinori Morita as independent officers with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof. Should his election be approved, the Company would continue his service as Independent Officer. Ms. Makiko Yamamoto is a candidate for independent officer with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof.
7. Candidate Ms. Makiko Yamamoto is listed in the family register under the name of Makiko Yasukawa.

(Reference) Composition of the Board of Directors [Scheduled to be effective on June 21, 2019]

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	●	●				●	●
Haruhisa Otsuka		L&S	●	●					●
Tracey Sivill		Financial affairs	●			●	●		●
Goro Kamino	Outside Director.		●		●		●	●	
Hari N. Nair	Outside Director.		●	●	●			●	●
Keisuke Tomimatsu	Outside Director.					●	●		●
Yoshie Munakata	Outside Director. (New)		●			●			●
Michi Miyasawa		Audit and Supervisory Committee Member						●	
Yoshinori Morita	Outside Director.	Audit and Supervisory Committee Member					●	●	
Makiko Yamamoto	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 five years.

2. They shall not come under any of the following categories currently, or within the past five 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 the employees, partners or staff of audit corporations (or tax accountant corporations) that are 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 employees, partners, associates, or staff 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
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, Managers and other employees
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 1% or more of annual consolidated net sales of the Company were paid in the most recent fiscal year
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, 2018 to March 31, 2019)

1. Overview of the Group

(1) Business results for the fiscal year ended March 31, 2019

1) Progress and results of business

During the fiscal year ended March 31, 2019, the global economy showed a modest recovery in the first half, but began to slow in the second half due to concerns regarding issues such as trade friction between the United States and China, and the exit of the United Kingdom from the EU. In the automobile industry, the needs in world's largest market of China slowed, however, new products and services are being born in quick succession in the face of a major period of transformation of the kind that appears only once every 100 years, represented by the themes of Connectivity, Autonomous, Shared, Electric (CASE). The Group sees these changes in the environment as an opportunity to establish its position as a global supplier, and during the fiscal year under review we have been making efforts to further strengthen our existing businesses, develop cutting-edge technology, and open up new businesses

On the businesses front, in order to enable Musashi's strengths in integrated processing technology to evolve further, and to reinforce the business platform, the Company acquired all of the shares of ASADAKATAN CHUTETSUSHO, making it a subsidiary. We are working on initiatives in the Power Train business to further improve product development capabilities and to further enhance the production system. In Europe, the Company has changed the name of the former Hay Group, which was acquired in 2016, so that the company name in all locations is now prefixed with "Musashi" to unify the brand. We worked to further improve the acceptance of the Musashi brand and to strengthen the integration between the various Musashi Europe companies. As part of our initiatives to strengthen our presence in the world's largest market of China, we expanded production capacity at our Nantong site, and began volume production.

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On the sales front, orders for our main product of differentials remained strong. We are receiving an increased level of inquiries about next-generation parts notably from new customers, such as high-precision gears, for which demand is expected to grow in the era of electric vehicles. In the motorcycle business, where we have the global top share for transmission components, orders from overseas manufacturers are increasing.

In the above environment, the Company's results for the fiscal year under review were affected by the local currency depreciation in Asia and South America, but sales grew in all regions, leading to consolidated net sales rising 7.6% year on year to 255,934 million yen. On the profit front, operating profit was down 10.5% year on year to 14,107 million yen, while ordinary profit fell 7.2% year on year to 14,791 million yen, and profit attributable to owners of parent fell 4.5% year on year to 9,885 million yen.

2) Segment Overview

Net sales in Japan rose 17.1% year on year to 33,699 million yen, and segment profit rose 26.3% year on year to 2,733 million yen. In the United States, net sales rose 7.3% year on year to 55,922 million yen, but due to changes in model mix, segment profit fell 2.7% year on year to 2,017 million yen. In Asia, net sales rose 2.0% year on year to 64,955 million yen, but segment profit fell 11.1% year on year to 5,600 million yen, as a result of provisions for quality related costs, etc. In China, net sales were 23,597 million yen, up 14.3% year on year, but increases in R&D expenses and declining exports to North America, etc. led to segment profit of 3,091 million yen, or down 3.7% year on year. In Europe, net sales were 77,759 million yen, or up 7.0% year on year, due to rising steel stock prices being reflected in selling prices, etc. and segment profit fell 78.4% year on year to 315 million yen, as a result of the slump in the vehicle market and of cost increases caused by measures taken in response to robust demand for commercial vehicles.

3) Group sales by product

(Unit: million yen)

Item	The 91st fiscal year ended March 31, 2018		The 92nd fiscal year ended March 31, 2019		Increase / Decrease	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Year on Year (%)
PT Business	156,868	65.9	171,136	66.9	14,268	9.2
L&S Business	18,441	7.8	19,248	7.5	807	4.4
Motorcycle Business	62,601	26.3	65,549	25.6	2,948	4.7
Total	237,910	100.0	255,934	100.0	18,023	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 16,276 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

The automobile industry is facing the kind of a wave of innovation that is said to come only once every 100 years, exemplified by the evolution of self-driving technology, and the dramatic shift to electric vehicles. On the other hand, problems related to quality falsification have become a social issue in recent years, and the importance of compliance and corporate governance is once again being examined. In such circumstances, the Group seeks to achieve sustainable global growth, and to contribute to the resolution of social issues through the evolution of technology, as promoted by the initiatives below.

1) Creating businesses that treat environmental change as an opportunity, and building a better corporate culture

By generating synergies through the integration of the former Hay Group and ASADAKATAN CHUTETSUSHO, as well as further refining our high-quality, inexpensive manufacturing, we will work on initiatives to capture the evolution of technology at an early stage, allowing us to develop and commercialize advanced products, technologies and services. With regard to quality, our top priority is genuinely to provide products and services developed with the customer in mind, preventing wrongdoing before it occurs, and creating a more open and transparent corporate culture.

2) Achieving greater efficiency in global operations through the use of shared systems

By using shared platforms, which we are in the process of rolling out at global sites, we aim to improve the efficiency of administration and indirect operations. In order that people may demonstrate their abilities in the areas where they can fully make use of their creativity, we are putting mechanisms in place, including work style reforms, to achieve continuous improvements.

3) Ongoing initiatives aimed at developing human resources and achieving sustainability

We are continuously working on developing the personnel who will be responsible for developing and commercializing new technology. In addition, we treat initiatives for sustainability as some of the most important issues facing a management, and by contributing to achieving SDGs* through our business activity, 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 89th fiscal year ended March 31, 2016	The 90th fiscal year ended March 31, 2017	The 91st fiscal year ended March 31, 2018	The 92nd fiscal year ended March 31, 2019
Net sales	164,397	180,522	237,910	255,934
Operating income	13,398	11,166	15,767	14,107
Ordinary income	11,449	10,323	15,929	14,791
Profit attributable to owners of parent	6,809	6,315	10,351	9,885
Earnings per share	¥ 109.15	¥ 101.24	¥ 165.85	¥ 155.55
Total assets	155,152	248,482	247,778	244,450
Net assets	77,947	88,312	100,350	108,333

(Note 1) Net sales, operating income, ordinary income, profit 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 most recent three fiscal years, we have calculated earnings per share for each on the basis that the share split had been carried out.

(Note 3) The Company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) from the beginning of the fiscal year under review, and the major economic indicators, etc. for the previous fiscal year are presented after having been recalculated to reflect the retroactive adoption of the standard.

(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
ASADAKATAN CHUTETSUSHO Co., Ltd.	JPY 45	100.0	Manufacturing of ductile cast iron material
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 139	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 42	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, 2019)

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, 2019)

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, 2019)**1) Employees of the Group**

Number of employees	Change from previous fiscal year-end
12,990 (3,849)	395 (59)

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
1,141(174)	16 (5)	39.5 years old	15.2 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, 2019)

Lender	Balance of borrowings (million yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	35,746
Sumitomo Mitsui Banking Corporation	28,466
Mizuho Bank, Ltd.	16,163
Development Bank of Japan	4,754

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, 2019)

- | | |
|---|-------------|
| 1) Total Number of Shares Authorized to be Issued | 140,000,000 |
| 2) Total Number of Issued Shares | 65,135,001 |
| 3) Number of Shareholders | 2,706 |
| 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)	5,653	8.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,602	5.5
JPMorgan Chase Bank, 385632	2,806	4.3
Otsuka Holdings Co., Ltd.	2,603	3.9
Hiroshi Otsuka	1,432	2.1
Northern Trust Company (AVFC) Re Mondrian International Small Cap Equity Fund, L.P.	1,350	2.0
The Bank of New York Mellon 140044	1,257	1.9
BNP PARIBAS Sec Service Luxembourg/ JASDEC/Aberdeen Standard SICAVI Client Assets	1,100	1.6
Japan Trustee Services Bank, Ltd. (Trust Account 9)	931	1.4

- Notes:
1. Shares less than one thousand have been truncated.
 2. Ownership ratio is calculated excluding treasury shares (16,152shares).

(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, 2019)

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 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 Chairman and Representative Director of Chubu Gas Co., Ltd. Chairman and Representative Director of Gastec Service, Inc.
Director	Hari N. Nair	
Director	Keisuke Tomimatsu	Director of ABEJA, Inc.
Director	Yoshie Munakata	
Director (Full-time Audit and Supervisory Committee Member)	Nobuyoshi Sakakibara	
Director (Audit and Supervisory Committee Member)	Asako Yamagami	Attorney at law
Director (Audit and Supervisory Committee Member)	Yoshinori Morita	

- Notes:
1. Directors Goro Kamino, Hari N. Nair, Keisuke Tomimatsu, Yoshie Munakata and Directors (Audit and Supervisory Committee Members) Asako Yamagami, and Yoshinori Morita are Outside Directors.
 2. Director (Audit and Supervisory Committee Member) Asako Yamagami 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 Mr. Nobuyoshi Sakakibara 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. Asako Yamagami 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 Koji Horibe and Toru Uchida expired as of the conclusion of the 91st Annual Meeting of Shareholders held on June 22, 2018.

(Ref.) The Company has adopted the executive officer system. The executive officers as of April 1, 2019 are as follows.

Position	Name	Areas of responsibility in the Company and significant concurrent position
President and Executive Officer	Hiroshi Otsuka	
Senior Managing Executive Officer	Takayuki Miyata	Head of PT Business and Forging Engineering CEO of China Region President and Director of Musashi Holdings Europe GmbH
Senior Managing Executive Officer	Haruhisa Otsuka	Head of L&S Business CEO of North and South America region President and Director of Musashi Auto Parts Canada Inc.
Managing Executive Officer	Tracey Sivill	CFO of Group of the Company In charge of Global IT strategy
Managing Executive Officer	Koji Horibe	Head of Quality Assurance
Managing Executive Officer	Nobuo Takemasa	Head of R&D
Senior Executive Officer	Takeshi Isaku	Head of New Business, and Corporate Planning
Senior Executive Officer	Ulrich Mehlmann	CEO of Europe region
Senior Executive Officer	Takashi Soda	Head of Purchasing & Production Management
Senior Executive Officer	Kenji Morisaki	CEO of Japan region Head of Manufacturing Engineering Chief Risk Management Officer
Executive Officer	Tetsunobu Kawai	Managing Director of Kyushu Musashi Seimitsu Co., Ltd
Executive Officer	Graham Hill	In charge of Globalization Initiatives President and Director of Musashi Auto Parts UK Ltd.
Executive Officer	Tetsuro Toyama	Deputy Head of L&S Business
Executive Officer	Toshihisa Otsuka	COO of China region
Executive Officer	Hideaki Asakura	Head of Motorcycle Business Unit / CEO of Asia region President and Director of Musashi Auto Parts India Pvt. Ltd. and Musashi Asia Co., Ltd.
Executive Officer	Yasunori Amano	Head of Sales
Executive Officer	Tatsuya Yanagisawa	Deputy Head of R&D
Executive Officer	Masaru Maeda	Head of Human Resources & IT Solution Compliance Officer

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)	10	204
(Outside Director of the above)	(4)	(31)
Directors (Audit and Supervisory Committee Members)	3	27
(Outside Director of the above)	(2)	(12)
Total	13	231
(Outside Officers of the above)	(6)	(43)

- 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 as Representative Director and Chairman of Chubu Gas Co., Ltd. and Gastec Service, Inc. The Company has fuel purchasing transactions etc. with Chubu Gas Co., Ltd and Gastec Service, Inc. 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, he is a Director of ABEJA, Inc. The Company consigns consulting operations and other services to ABEJA, Inc., where Mr. Keisuke Tomimatsu serves concurrently, and the annual transaction amount relating thereto accounts more than 1 % of sales of the Company. For that reason, although the Company had previously registered Mr. Keisuke Tomimatsu as an independent officer with the Tokyo Stock Exchange and the Nagoya Stock Exchange, pursuant to the guidelines thereof, because of the conflict with the criteria for independence, the Company plans to cancel his designation as independent officer. However, as the transactions with ABEJA, Inc. account for less than 1% of the consolidated net sales of the Company, and are small at around 2% of the net sales of ABEJA, Inc., 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 10 out of the 10 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 10 out of the 10 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 10 out of the 10 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.
- * Since taking up the role of Director on June 22, 2018, Mr. Yoshie Munakata, Director, attended 7 out of the 7 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 as required.
- * Ms. Asako Yamagami, Director (Audit and Supervisory Committee Member) attended 10 of the 10 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, she attended 11 of the 11 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.
- * Mr. Yoshinori Morita, Director (Audit and Supervisory Committee Member) attended 10 out of the 10 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.

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	72.5
Total economic benefits, including money, that should be paid to the Financial Auditor by the Company and its subsidiaries	72.5

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

3) Description of non-auditing services

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

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

- Basic policy relating to the establishment of the internal control system
Below is an overview of decisions regarding systems for ensuring that the execution of duties by Directors comply with laws and regulations and the Articles of Incorporation, and other systems for ensuring proper operations.
 - 1) Systems for ensuring that the execution of duties by Directors and employees comply with laws and regulations and the Articles of Incorporation, and any other systems for ensuring proper operations
 - * Appoint an Officer in charge of promoting compliance and establish a systematic framework.
 - * Establish a committee to deliberate matters regarding business ethics and compliance.
 - * Articulate “Our Compliance” as a code of conduct which must be adhered to by all employees of the Group when dealing with customers and society and 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 for monitoring the global execution of duties by the Board of Directors that includes governance and regional governance.
 - * Appoint Officers in charge of regional business and execution functions for rapid and optimal business decisions in each region and workplace as well as efficient and effective operations.
 - * 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.
 - * We have implemented compliance training based on the “Our Compliance” code of conduct, and seek to further enhance corporate ethics. In addition to this, in fiscal year 2018, we implemented compliance education using e-learning materials for all managers in the Company, with the aim of strengthening the compliance system.
 - * 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 year 2018, in addition to checking the status of compliance with the regulations on security management revised last year, the Company reaffirmed the regulations throughout the company, with the aim of strengthening the management of stored information.
- 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 year 2018, in order to create a system capable of responding promptly to risks, the Company conducted practical training to confirm specific actions.
- 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, 2019)

(Unit: million yen)

Account title	Amount	Account title	Amount
Assets	244,450	Liabilities	136,116
Current assets	104,555	Current liabilities	74,755
Cash and bank deposits	27,152	Notes and accounts payable – trade	17,129
Notes and accounts receivable – trade	32,047	Short-term loans payable	25,140
Merchandise and finished goods	11,007	Current portion of long-term loans payable	14,515
Work in process	5,671	Current portion of bonds	3,267
Raw materials and supplies	20,683	Accounts payable – other	6,203
Others	8,093	Income taxes payable	1,188
Allowance for doubtful accounts	△100	Provision for bonuses	2,258
Non-current assets	139,894	Provision for directors' bonuses	51
Property, plant and equipment	102,506	Provision for product warranties	928
Buildings and structures	23,273	Others	4,071
Machinery, equipment and vehicles	58,971	Non-current liabilities	61,361
Tools, furniture and fixtures	3,946	Long-term loans payable	49,173
Land	7,248	Deferred tax liabilities	6,025
Construction in progress	9,067	Liabilities on employees' retirement benefits	4,644
Intangible assets	25,602	Others	1,518
Goodwill	9,168	Net assets	108,333
Customer relationship assets	12,386	Shareholders' equity	98,884
Software	1,709	Capital stock	5,326
Software in progress	19	Capital surplus	4,305
Others	2,317	Retained earnings	89,261
Investments and other assets	11,786	Treasury shares	△8
Investment securities	6,440	Accumulated other comprehensive income	△7,374
Investments in capital	113	Valuation difference on available-for-sale securities	2,026
Long-term loans receivable	127	Foreign currency translation adjustment	△9,593
Deferred tax assets	2,244	Remeasurements of defined benefit plan	192
Others	2,904	Non-controlling interests	16,823
Allowance for doubtful accounts	△43	Total liabilities and net assets	244,450
Total assets	244,450		

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

Consolidated Statement of Income
(April 1, 2018 - March 31, 2019)

(Unit: million yen)

Account title	Amount
Net sales	255,934
Cost of sales	216,240
Gross profit	39,694
Selling, general and administrative expenses	25,586
Operating income	14,107
Non-operating income	1,795
Interest income	502
Dividend income	400
Foreign exchange losses	190
Subsidy income	202
Others	499
Non-operating expenses	1,111
Interest expenses	854
Others	256
Ordinary income	14,791
Extraordinary income	265
Gain on sales of non-current assets	38
Impairment loss reversal gain	227
Extraordinary losses	386
Loss on sales of non-current assets	44
Loss on retirement of non-current assets	119
Impairment loss	215
Others	7
Profit before income taxes	14,669
Income taxes – current	4,540
Income taxes – deferred	△409
Profit	10,538
Profit attributable to non-controlling interests	653
Profit attributable to owners of parent	9,885

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

Consolidated Statement of Changes in Net Assets

(April 1, 2018 - March 31, 2019)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at April 1, 2018	3,006	1,985	80,440	△8	85,423
Cumulative impact of changes in accounting policies			100		100
Current period balance reflecting change in accounting policy	3,006	1,985	80,541	△8	85,524
Changes of items during period					
Share issuance	2,320	2,320			4,640
Dividends of surplus			△2,545		△2,545
Profit attributable to owners of parent			9,885		9,885
Purchase of treasury shares				△0	△0
Increase (decrease) due to change fiscal year of subsidiaries			1,379		1,379
Net changes of items other than shareholders' equity					
Total changes of items during period	2,320	2,320	8,719	△0	13,359
Balance at March 31, 2019	5,326	4,305	89,261	△8	98,884

	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, 2018	2,706	△5,270	195	△2,368	17,294	100,350
Cumulative impact of changes in accounting policies						100
Current period balance reflecting change in accounting policy	2,706	△5,270	195	△2,368	17,294	100,451
Changes of items during period						
Share issuance						4,640
Dividends of surplus						△2,545
Profit attributable to owners of parent						9,885
Purchase of treasury shares						△0
Increase (decrease) due to change fiscal year of subsidiaries						1,379
Net changes of items other than shareholders' equity	△679	△4,323	△2	△5,005	△470	△5,476
Total changes of items during period	△679	△4,323	△2	△5,005	△470	7,882
Balance at March 31, 2019	2,026	△9,593	192	△7,374	16,823	108,333

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:

32

ii) Names of consolidated subsidiaries:

Kyushu Musashi Seimitsu Co., Ltd.
ASADAKATAN CHUTETSUSHO Co., Ltd.
Musashi Auto Parts Michigan Inc.
Musashi Auto Parts Co., Ltd.
P.T. Musashi Auto Parts Indonesia
Musashi Auto Parts Canada Inc.
Musashi do Brasil Ltda.
Musashi Hungary Manufacturing, Ltd.
Musashi da Amazonia Ltda.
Musashi Auto Parts India Pvt. Ltd.
Musashi Auto Parts (Zhongshan) Co., Ltd.
Musashi Auto Parts Vietnam Co., Ltd.
Musashi Auto Parts Mexico, S.A. de C.V.
Musashi Auto Parts (Nantong) Co., Ltd.
Musashi Auto Parts (Tianjin) Co., Ltd
Musashi 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

ASADAKATAN CHUTETSUSHO Co., Ltd. of which shares were newly acquired by the Company was included in the scope of consolidation.

2) Status of non-consolidated subsidiaries:

i) Names of principal non-consolidated subsidiaries:

Musashi Auto Parts UK Ltd.

ii) Reason for exclusion from the scope of consolidation

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

(2) Matters concerning application of equity method

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 17 consolidated subsidiaries of the Company is December 31. Financial statements as of the foregoing accounts closing date are used to prepare consolidated financial statements. However, material transactions occurring during the period from the accounts closing date of a subsidiary and the consolidated accounts settlement date are adjusted as necessary for consolidation.

For Musashi do Brasil Ltda., Musashi da Amazonia Ltda., Musashi Auto Parts (Zhongshan) Co., Ltd., Musashi Auto Parts (Nantong) Co., Ltd., Musashi Seimitsu Investment (Zhongshan) Co., Ltd. and Musashi Auto Parts Mexico, S.A. de C.V., consolidated 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, 2019.

In addition, Musashi Auto Parts Co., Ltd., a consolidated subsidiary whose account closing date was December 31, changed its account closing date from December 31 to March 31 to increase the usefulness as financial information based on more timely and appropriate information. Accordingly, profit or loss of these consolidated subsidiaries in the period between January 1, 2018 to March 31, 2018, was each adjusted as increase or decrease in retained earnings.

(4) Change in accounting policies

Overseas consolidated subsidiaries except for those in the United States have applied IFRS 15 (Revenue from Contracts with Customers) from the fiscal year ended March 31, 2019. The impact of the application of this standard on consolidated financial statements is immaterial.

(5) Change in presentation

1) Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting,” etc.

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) and relevant Guidance from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets are presented in the category of investments and other assets, and deferred tax liabilities are presented in the category of non-current liabilities.

2) Consolidated statements of income

“Insurance income,” which was included in “Other” under “Non-operating income” in the fiscal year ended March 31, 2018, has been separately presented from the fiscal year ended March 31, 2019, due to the increased materiality.

“Subsidy income” under “Non-operating income,” which was separately presented in the fiscal year ended March 31, 2018, has been included in “Other” from the fiscal year ended March 31, 2019, because its amount has become immaterial. The amount of “Subsidy income” included in “Other” under “Non-operating income” for the fiscal year ended March 31, 2019, is 49 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).

iii) 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.

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. Notes to the consolidated balance sheet

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

182,062 million yen

(2) Contingent liabilities

The Group has been investigated by overseas authorities for a possible violation of competition laws in certain past transactions and is cooperating fully with the investigation. Such effect on the consolidated financial statements is difficult to reasonably estimate.

4. Notes to the consolidated statement of income

Reversal of impairment loss is gain on reversal of impairment loss on machinery and equipment, and others accounted for by overseas consolidated subsidiaries based on the International Financial Reporting Standards.

5. 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, 2018	Increase	Decrease	March 31, 2019
Common shares	31,221	33,913	–	65,135

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

- Increase due to the exercise of share subscription rights of convertible bonds subject to call: 2,275 thousand shares
- Increase due to the insurance of new shares as share-based remuneration with transfer restrictions: 18 thousand shares
- Increase due to the two-for-one common share split: 31,620 thousand shares

(2) Matters concerning number of treasury shares

(shares)

Types of shares	April 1, 2018	Increase	Decrease	March 31, 2019
Common shares	6,787	9,365	–	16,152

(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: 105 shares
- Increase due to the lapse of rights to share-based remuneration with transfer restrictions: 1,184 shares
- Increase due to the two-for-one common share split: 8,076 shares.

(3) Matters concerning dividends of surplus

1) Paid amount of dividends

i) Matters concerning dividends resolved at the 91st Annual Meeting of Shareholders held on June 22, 2018

- * Total dividends 1,217 million yen
- * Dividends per share 39 yen
- * Record date March 31, 2018
- * Effective date June 25, 2018

ii) Matters concerning dividends resolved at the Board of Directors Meeting held on November 2, 2018

- * Total dividends 1,328 million yen
- * Dividends per share 42 yen
- * Record date September 30, 2018
- * Effective date November 30, 2018

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 92nd Annual Meeting of Shareholders to be 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
- * Source of dividends Retained earnings

6. 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, 2019 are as follows.

(Unit: million yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and bank deposits	27,152	27,152	–
(2) Notes and accounts receivable – trade	32,047	32,047	–
(3) Investment securities	4,404	4,404	–
Total assets	63,604	63,604	–
(4) Notes and accounts payable – trade	17,129	17,129	–
(5) Short-term loans payable	25,140	25,140	–
(6) Accounts payable – other	3,267	3,267	–
(7) Accrued expenses	6,203	6,203	–
(8) Income taxes payable	1,188	1,188	–
(9) Long-term loans payable (*1)	63,688	64,968	1,280
Total liabilities	116,617	117,898	1,280
(10) Derivative transactions (*2)	△35	△35	–

(*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 (2,035 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.

7. Per share information

(1) Net assets per share: 1,405.28 yen

(2) Earnings per share: 155.55yen

(Note) The Company implemented a common share split at a ratio of two shares for one share as of October 1, 2018. “Net assets per share” and “Earnings per share” were calculated based on the assumption that the share split had been conducted at the beginning of the fiscal year ended March 31, 2019.

8. Notes on business combination, etc.

(Business combination through acquisition)

(1) Summary of business combination

1) Name of acquired entity and its line of business

Name of acquired entity: ASADAKATAN CHUTETSUSHO Co., Ltd.

Line of business: Graphite cast iron (ductile) materials for automobiles, construction machinery and industrial machinery, and machine processing

2) Main reason for the business combination

To further enhance the product development capability and improve the production system in the power train business by strengthening the foundation for casting technologies.

3) Date of the business combination

October 1, 2018

4) Legal form of the business combination

Acquisition of shares by cash consideration

5) Name of the entity after the combination

The name is not changed.

6) Percentage of voting rights acquired

100%

7) Main grounds for determining the acquiring entity

It is because the Company acquired shares of the said company by cash consideration.

(2) Period of business performance of the acquired entity included in the consolidated financial statements

From October 1, 2018 to March 31, 2019

(3) Acquisition cost of the acquired entity and breakdown of types of consideration

Consideration for acquisition: Cash 3,800 million yen

Acquisition cost: 3,800 million yen

(4) Description and amount of major acquisition related expenses

Advisory fee, etc.: 23 million yen

(5) Amount of goodwill recognized, reason for recognition, and method and period for amortization of goodwill

1) Amount of goodwill recognized

1,390 million yen

2) Reason for recognition

Since the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount was recognized as goodwill.

3) Method and period for amortization of goodwill

Straight-line amortization over five years

(6) Amount and breakdown of components of assets accepted and liabilities assumed on the date of business combination

Current assets: 2,860 million yen

Non-current assets: 1,687 million yen

Total assets: 4,547 million yen

Current liabilities: 794 million yen

Non-current liabilities: 1,637 million yen

Total liabilities: 2,432 million yen

(7) Breakdown by major type, amount and amortization period of value allocated to intangible assets other than goodwill

Type	Amount	Amortization period
Customer relationship assets	451 million yen	5 years

9. Significant subsequent events

No items to report.

Non-consolidated Balance Sheet

(As of March 31, 2019)

(Unit: million yen)

Account title	Amount	Account title	Amount
Assets	118,015	Liabilities	71,044
Current assets	14,329	Current liabilities	40,599
Cash and bank deposits	12	Notes payable – trade	19
Accounts receivable – trade	8,429	Electronically recorded obligations – operating	3,380
Finished goods	1,107	Accounts payable – trade	3,135
Work in process	1,585	Short-term loans payable	18,493
Raw materials and supplies	710	Current portion of long-term loans payable	10,851
Current portion of long-term loans receivable	760	Lease obligations	35
Prepaid expenses	179	Accounts payable – other	604
Accounts receivable – other	718	Accrued expenses	2,193
Others	825	Income taxes payable	140
Non-current assets	103,686	Deposits received	178
Property, plant and equipment	10,996	Provision for bonuses	1,041
Buildings	2,531	Provision for directors' bonuses	38
Structures	119	Provision for product warranties	11
Machinery and equipment	5,179	Notes payable – facilities	426
Vehicles	31	Others	49
Tools, furniture and fixtures	540	Non-current liabilities	30,444
Land	2,490	Long-term loans payable	29,714
Construction in progress	104	Lease obligations	70
Intangible assets	665	Provision for retirement benefits	526
Software	638	Long-term accounts payable – other	71
Software in progress	19	Asset retirement obligations	62
Others	7	Net assets	46,970
Investments and other assets	92,023	Shareholders' equity	45,041
Investment securities	1,105	Capital stock	5,326
Shares of subsidiaries and associates	68,184	Capital surplus	5,067
Investments in capital	61	Legal capital surplus	5,067
Long-term loans receivable from subsidiaries and associates	50	Retained earnings	34,656
Investments in capital of subsidiaries and associates	22,495	Legal retained earnings	306
Long-term prepaid expenses	82	Other retained earnings	34,349
Deferred tax asset	34	General reserve	23,500
Others	45	Retained earnings brought forward	10,849
Allowance for doubtful accounts	△36	Treasury shares	△8
		Valuation and translation adjustments	1,929
		Valuation difference on available-for-sale securities	1,929
Total assets	118,015	Total liabilities and net assets	118,015

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

Non-consolidated Statement of Income
(April 1, 2018 - March 31, 2019)

(Unit: million yen)

Account title	Amount
Net sales	52,077
Cost of sales	41,838
Gross profit	10,238
Selling, general and administrative expenses	7,839
Operating income	2,399
Non-operating income	3,269
Interest income	13
Dividend income	2,756
Guarantee commission received	462
Others	37
Non-operating expenses	121
Interest expenses	91
Foreign exchange losses	1
Others	28
Ordinary income	5,546
Extraordinary income	1
Gain on sales of non-current assets	1
Extraordinary loss	5
Loss on retirement of non-current assets	5
Profit before income taxes	5,542
Income taxes – current	1,153
Income taxes – deferred	56
Profit	4,333

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

Non-consolidated Statement of Changes in Net Assets
(April 1, 2018 - March 31, 2019)

(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, 2018	3,006	2,746	306	32,561	32,868	△8	38,613
Changes of items during period							
Share issuance	2,320	2,320					4,640
Dividends of surplus				△2,545	△2,545		△2,545
Profit				4,333	4,333		4,333
Purchase of treasury shares						△0	△0
Net changes of items other than shareholders' equity							
Total changes of items during period	2,320	2,320	—	1,787	1,787	△0	6,427
Balance at March 31, 2019	5,326	5,067	306	34,349	34,656	△8	45,041

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at April 1, 2018	2,568	2,568	41,182
Changes of items during period			
Share issuance			4,640
Dividends of surplus			△2,545
Profit			4,333
Purchase of treasury shares			△0
Net changes of items other than shareholders' equity	△639	△639	△639
Total changes of items during period	△639	△639	5,788
Balance at March 31, 2019	1,929	1,929	46,970

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, 2018	23,500	9,061	32,561
Change in the fiscal year			
Dividends of surplus		△2,545	△2,545
Profit		4,333	4,333
Total changes of items during period	—	1,787	1,787
Balance at March 31, 2019	23,500	10,849	34,349

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. Change in presentation

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28, February 16, 2018) and relevant Guidance from the beginning of the fiscal year ended March 31, 2019. Accordingly, deferred tax assets are presented in the category of investments and other assets.

4. Notes to the non-consolidated balance sheet

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

Short-term cash credit	7,439 million yen
Long-term cash credit	50 million yen
Short-term cash debt	2,973 million yen
Long-term cash debt	1,357 million yen

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

38,669million 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	20,416
Musashi Auto Parts (Tianjin) Co., Ltd.	6,515
Musashi Auto Parts Michigan Inc.	2,877
Musashi Auto Parts Mexico, S.A. de C.V.	2,219
Musashi Auto Parts India Pvt. Ltd.	100
Musashi da Amazonia Ltda.	11
Total	32,142

5. Notes to the non-consolidated statement of income

Transactions with subsidiaries and associates

Net sales	42,067 million yen
Purchases	17,268 million yen
Transactions other than operational transactions	3,273 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, 2018	Increase	Decrease	March 31, 2019
Common shares	6,787	9,365	–	16,152

(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: 105 shares
- Increase due to the lapse of rights to share-based remuneration with transfer restrictions: 1,184 shares
- Increase due to the two-for-one common share split: 8,076 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	33
Provision for bonuses	313
Provision for directors' bonuses	11
Accrued social security premiums	50
Loss on evaluation of inventories	136
Credit for foreign tax	436
Over depreciation	163
Provision for retirement benefits	157
Directors' retirement benefits payable	21
Loss on valuation of investment securities	7
Loss on sales of shares of subsidiaries and associates	1,164
Allowance for doubtful accounts	10
Others	44
Subtotal deferred tax assets	2,550
Valuation allowance	△1,686
Total deferred tax assets	863

Deferred tax liabilities

Valuation difference on available-for-sale securities	△828
Others	△0
Total deferred tax liabilities	△828
Net deferred tax assets (liabilities)	34

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 3)	Account item	Fiscal year-end balance (million yen) (Note 3)
Other affiliate	Honda Motor Co., Ltd.	25.1	Sale of the Company's products, purchase of raw materials	Sales of products (Note 1)	21,937	Accounts receivable – trade	2,404
				Purchase of raw materials (Note 2)	4,995	Accounts payable – trade	129

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. The purchase of raw materials is determined under the same requirements as general transactions upon price negotiations based on market values.
 3. 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 5)	Account item	Fiscal year-end balance (million yen) (Note 5)
Subsidiary	Kyushu Musashi Seimitsu Co., Ltd.	100.0	Product purchasing and secondment of officers	Product purchasing (Note 1)	9,993	Accounts payable – trade	1,226
Subsidiary	Musashi Auto Parts Michigan Inc.	89.5	Debt guarantees and secondment of officers	Underwriting of debt guarantees (Note 2)	2,877	–	–
Subsidiary	Musashi Hungary Manufacturing, Ltd.	100.0	Lending of funds	Receipt of interest (Note 4)	6	Current portion of long-term loans receivable	1,276
						Long-term loans payable	1,357
Subsidiary	Musashi Auto Parts Mexico, S.A. de C.V.	100.0	Capital borrowing and secondment of officers	Interest payment (Note 3)	2,219	–	–
Subsidiary	Musashi Europe GmbH	75.0	Debt guarantees and secondment of officers	Underwriting of debt guarantees (Note 2)	20,416	–	–
Subsidiary	Musashi Auto Parts (Tianjin) Co., Ltd.	Indirect 75.0	Debt guarantees and secondment of officers	Underwriting of debt guarantees (Note 2)	462	–	–
				Guarantee commissions income (Note 2)	6,515		

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 borrowing is reasonably determined in consideration with 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: 721.30yen

(2) Earnings per share: 68.18yen

Note: On October 1, 2018, we conducted a 1:2 share split of our common shares. Assuming that the stock split was conducted at the beginning of the current fiscal year, “Net assets per share” and “Net income per share” are calculated.

10. Significant subsequent events

No items to report.

Independent Auditor's Report

May 15, 2019

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

We have audited the consolidated financial statements of Musashi Seimitsu Industry Co., Ltd. for the fiscal year from April 1, 2018 to March 31, 2019, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and notes to consolidated financial statements for the purpose of reporting under the provisions of Article 444, paragraph 4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit from an independent position. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditor's judgment, based on the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our opinion is that the above-mentioned consolidated financial statements present fairly the status of assets and earnings during the period relating to the relevant consolidated financial statements of the corporate group consisting of Musashi Seimitsu Industry Co., Ltd. and its consolidated subsidiaries in every important point in accordance with the corporate accounting standards generally accepted in Japan.

Conflicts of Interest

Our audit corporation and engagement partner have no financial or other interest in the Company required to be stated by the provisions of the Certified Public Accountant Act of Japan.

Independent Auditor's Report

May 15, 2019

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

We have audited the non-consolidated financial statements of Musashi Seimitsu Industry Co., Ltd. for the 92nd fiscal year from April 1, 2018 to March 31, 2019, comprising the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and notes to non-consolidated financial statements and the accompanying financial schedule for the purpose of reporting under the provisions of Article 436, paragraph 2, item 1 of the Companies Act.

Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the accompanying financial schedule in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the accompanying financial schedule that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the accompanying financial schedule based on our audit from an independent position. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying financial schedule are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying financial schedule. The procedures selected and applied depend on the auditor's judgment, based on the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying financial schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying financial schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying financial schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our opinion is that the above-mentioned non-consolidated financial statements and the accompanying financial schedule present fairly the status of assets and earnings during the period relating to the relevant non-consolidated financial statements and the accompanying financial schedule in every important point in accordance with the corporate accounting standards generally accepted in Japan.

Conflicts of Interest

Our audit corporation or operating partner has no financial or other interest in the Company required to be stated by the provisions of the Certified Public Accountant Act of Japan.

Audit Report

The Audit and Supervisory Committee has conducted audit on the performance of duties of the Directors during the 92nd fiscal year from April 1, 2018 to March 31, 2019, 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.

May 16, 2019

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

Nobuyoshi Sakakibara (Seal)

Audit and Supervisory Committee Member (Full-time)

Asako Yamagami (Seal)

Audit and Supervisory Committee Member

Yoshinori Morita (Seal)

Audit and Supervisory Committee Member

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