

(Summary)Annual Securities Report  
For Fiscal Year Ended March 31<sup>st</sup>, 2021

English Summary of  
有価証券報告書(*Yuukashoken-Houkokusho*)  
For the fiscal year 98<sup>th</sup>, ended March 31<sup>st</sup>, 2021

Tokyo Seimitsu Co., Ltd.

Disclaimer:

- This report is a summary of Japanese-language annual securities report called “有価証券報告書 (Yuukashoken-Houkokusho)”, filed to the Financial Services Agency “Kanto Local Finance Bureau”, Translated from Part 1 “Company Information”, section 1 “Company Overview” to Part 1, section 5 “Financial Information” - 1. “Consolidated Financial Statements” for reference purpose only.
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- **This English-translated summary is not subject to audit procedures.**

Abbreviations (Unless otherwise noted)

- FY: Fiscal Year
- SSR: Share Subscription Rights
- BS: Statements of Balance Sheet
- SO: Stock Option(s)
- JPY: Japanese Yen, mainly with prefix M (Million)
- USD: US dollars, mainly with prefix K (Thousand)
- EUR: Euro, mainly with prefix K (Thousand)
- KRW: Korean Won, mainly with prefix M (Million)
- CNY: China Yuan, mainly with prefix K (Thousand)
- TWD: Taiwan New Dollars, mainly with prefix K (Thousand)
- MYR: Malaysian Ringgit, mainly with prefix K (Thousand)
- THB: Thailand Baht , mainly with prefix K (Thousand)

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## Contents: (Summary) Annual Securities Report for Fiscal Year Ended March 31<sup>st</sup>, 2021

[Cover].....	1
Part I [Company Information] .....	2
Section 1 [Company Overview].....	2
1 [Key financial data and trends] .....	2
2 [History].....	4
3 [Business overview].....	6
4 [Overview of affiliates].....	8
5 [Employees] .....	10
Section 2 [Business Overview].....	11
1 [Management policy, Management Strategies and Issues] .....	11
2 [Business and other risks] .....	13
3 [Analysis of financial position, business results and cash flows by Corporate executives].....	15
4 [Important business contracts] .....	20
5 [R&D Activities].....	20
Section 3 [Equipment and Facilities].....	21
1 [Overview of capital expenditures].....	21
2 [Major equipment and facilities].....	22
3 [Plans for equipment and facility additions or disposals] .....	24
Section 4 [Corporate Information].....	25
1 [Information on the Company's shares].....	25
2 [Acquisition of treasury stock].....	37
3 [Dividend policy].....	38
4 [Corporate governance and others] .....	39
Section 5 [Financial Information].....	55
1. [Consolidated Financial Statements] .....	56

Note: This report is for reference purposes only, therefore the section after Part 1 “Company Information”, section 5 “Financial Information” - 1. “Consolidated Financial Statements” is intentionally omitted.

## [Cover]

[Submitted document]	Securities Report (" <i>Yuukashoken-Houkokusho</i> ")
[Article of the applicable law requiring submission of this document]	Article 24, Paragraph 1 of the Securities Exchange Law
[Filed to]	Director, <i>Kanto</i> Local Finance Bureau
[Date submitted]	June 22 <sup>nd</sup> , 2021
[Business year]	98 <sup>th</sup> Fiscal Term (from April 1 <sup>st</sup> , 2020 to March 31 <sup>st</sup> , 2021)
[Company name in Japanese]	株式会社東京精密 ( <i>Kabushiki-Gaisha Tokyo Seimitsu</i> )
[Company name in English]	Tokyo Seimitsu Co., Ltd.
[Name and position of representative]	Hitoshi Yoshida, President and CEO
[Location of head office]	2968-2 Ishikawa-machi, Hachioji-shi, Tokyo
[Telephone No.]	+81-(0)42-642-1701 (operator)
[Contact for communications]	Koichi Kawamura, Representative Director and CFO
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## Part I [Company Information]

### Section 1 [Company Overview]

#### 1 [Key financial data and trends]

(1) Trends in consolidated management indicators and related data

Fiscal term		94 <sup>th</sup>	95 <sup>th</sup>	96 <sup>th</sup>	97 <sup>th</sup>	98 <sup>th</sup>
Fiscal Year (FY) ended		March,2017	March,2018	March,2019	March, 2020	March, 2021
Net sales	(MJPY)	77,792	88,194	101,520	87,927	97,105
Recurring profit	(MJPY)	13,864	17,316	20,805	12,360	15,867
Net profit attributable to owners of the parent	(MJPY)	9,909	12,717	14,665	7,156	12,175
Comprehensive income	(MJPY)	10,371	15,124	12,240	6,384	13,018
Net assets	(MJPY)	87,194	99,354	107,403	109,674	116,777
Total assets	(MJPY)	114,463	132,893	157,573	146,549	161,556
Net assets per share	(yen)	2,083.40	2,367.92	2,551.20	2,601.10	2,810.79
Net profit per share	(yen)	239.32	306.41	352.92	171.89	293.83
Diluted Net profit per share	(yen)	237.80	304.02	350.23	170.72	291.43
Equity ratio	(%)	75.5	74.0	67.3	73.9	71.4
Return on equity	(%)	12.0	13.8	14.4	6.7	10.9
Price earnings ratio	(Times)	14.6	14.0	8.0	17.9	17.2
Cash flow from operating activities	(MJPY)	12,809	10,931	12,932	5,965	22,062
Cash flow from investing activities	(MJPY)	- 3,486	- 4,649	- 13,952	- 6,116	- 5,191
Cash flow from financing activities	(MJPY)	- 2,953	- 3,163	5,443	- 6,375	- 8,282
Cash and cash equivalents at end of FY	(MJPY)	33,825	37,090	41,290	34,605	43,624
Number of Employees		1,784	1,933	2,119	2,250	2,293
(Average number of part-time employees, not included in the above figure.)	(Person)	(720)	(820)	(980)	(980)	(996)

Notes:

1. "Net sales" are presented exclusive of consumption tax.
2. Upper number in "Employees" indicates the number of full-time employees.
3. The Group applied the "Partial Amendments to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16<sup>th</sup>, 2018) from the beginning of the FY96<sup>th</sup>. Accordingly, management indicators for FY95<sup>th</sup> shown above have been adjusted to that Standard retroactively.

## (2) The Trends in the Parent Company management indicators and related data

Fiscal term		94 <sup>th</sup>	95 <sup>th</sup>	96 <sup>th</sup>	97 <sup>th</sup>	98 <sup>th</sup>
FY ended		March,2017	March,2018	March,2019	March, 2020	March, 2021
Net sales	(MJPY)	64,223	72,635	84,655	68,647	77,793
Recurring profit	(MJPY)	10,786	12,450	14,895	14,928	12,392
Net profit	(MJPY)	8,183	9,628	11,110	10,942	8,923
Common stock	(MJPY)	10,462	10,561	10,591	10,703	10,818
Number of shares issued	(shares)	41,495,581	41,575,881	41,598,381	41,695,381	41,759,981
Net assets	(MJPY)	67,527	74,930	80,992	87,068	90,367
Total assets	(MJPY)	92,543	104,110	125,784	119,436	130,515
Net assets per share	(yen)	1,616.53	1,788.82	1,929.86	2,071.56	2,179.93
Cash dividends per share	(yen)	72.00	92.00	125.00	76.00	104.00
(Interim cash dividends herein)	(yen)	(34.00)	(41.00)	(59.00)	(38.00)	(42.00)
Net profit per share	(yen)	197.65	231.99	267.37	262.83	215.36
Diluted Net profit per share	(yen)	196.39	230.18	265.33	261.03	213.59
Equity ratio	(%)	72.4	71.4	63.8	72.3	68.6
Return on equity	(%)	12.7	13.6	14.4	13.1	10.2
Price earnings ratio	(Times)	17.7	18.5	10.5	11.7	23.4
Dividend payout ratio	(%)	36.4	39.7	46.8	28.9	48.3
Number of Employees		726	809	868	912	944
(Average number of temporary employees, not included in the above figure).	(Person)	(445)	(500)	(620)	(610)	(611)
Total Shareholder's return	(%)	162.1	202.0	140.7	156.1	249.6
(compared with TOPIX, include dividend)	(%)	(114.7)	(132.9)	(126.2)	(114.2)	(162.3)
Highest share price	(yen)	3,965	5,130	4,690	4,385	5,550
Lowest share price	(yen)	2,038	3,165	2,430	2,400	2,767

## Notes:

- "Net sales" are presented exclusive of consumption tax.
- Upper number in "Employees" indicates the number of full-time employees.
- The above share prices are those quoted on the First Section of the Tokyo Stock Exchange.
- The Parent Company applied the "Partial Amendments to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16<sup>th</sup>, 2018) from the beginning of the FY96<sup>th</sup>. Accordingly, management indicators for FY95<sup>th</sup> shown above have been adjusted to that Standard retroactively.

## 2 [History]

March, 1949	Tokyo Seimitsu Kogu Co., Ltd. (the predecessor of Tokyo Seimitsu Co., Ltd.) was established, and began production and sales of cutting tools for sewing machine manufactures and various precision parts and tools. Capital: 1,600,000 yen.
January, 1953	Tokyo Seimitsu successfully developed Japan's first high pressure flow-type micrometer.
October, 1957	Tokyo Seimitsu successfully developed Japan's first LVDT-type electric micrometer.
April, 1962	Tokyo Seimitsu was renamed Tokyo Seimitsu Co., Ltd.
August, 1962	Tokyo Seimitsu's stock was listed on the Second Section of the Tokyo Stock Exchange.
December, 1963	First phase construction at the Hachioji Plant was completed.
February, 1967	Second phase construction at the Hachioji Plant was completed.
April, 1969	Tosei Engineering Services Co., Ltd. (now Tosei Engineering Corp.) was established as a company for providing post-sales services.
July, 1969	First phase construction at the Tsuchiura Plant was completed.
January, 1971	Construction of the main building at the Hachioji Plant was completed.
August, 1981	Construction of the Tsuchiura coordinate measuring machine plant was completed.
October, 1985	Tosei Systems Co., Ltd. was established as a company for carrying out software development.
September, 1986	The company's stock was selected for listing on the First Section of the Tokyo Stock Exchange.
March, 1989	Tokyo Seimitsu Europe GmbH (now Accretech (Europe) GmbH) was established in West Germany (now Germany) as a center for overseas business operations.
October, 1989	Tokyo Seimitsu America, Inc. was established in the U.S. as a center for overseas business operations.
October, 1992	Tokyo Seimitsu purchased the U.S. company Silicon Technology Corporation in order to obtain an overseas production center.
April, 1995	The holding company TSK America, Inc. was established for integrated management of U.S. subsidiaries.
July, 1997	Construction for expansion of the Hachioji Plant (No. 2 plant building) was completed.
January, 1998	In order to streamline production and sales for the North America region, four local subsidiaries in the U.S. were merged, with TSK America, Inc. as the surviving company.
February, 1999	Tokyo Seimitsu increased the capitalization of Micro Technologies Co., Ltd. and reorganized it as a company for production of wafer inspection systems.
April, 1999	Construction of the Tsuchiura head office building and plant for our subsidiary Tosei Engineering Corp. was completed.
March, 2001	Construction of the new main building at the Hachioji Plant was completed.
June, 2001	Stock of Tokyo Seimitsu subsidiary Tosei Engineering Corp. was listed on the Second Section of the Tokyo Stock Exchange.
October, 2002	Accretech (China) Co., Ltd. was established as a center for sales, distribution, and maintenance services in China.
March, 2005	Construction of the Hachioji No. 3 Plant and Tsuchiura new main building was completed.
October, 2005	In order to increase the competitiveness and improve the corporate value of the Tokyo Seimitsu Group, Tokyo Seimitsu carried out a share exchange in order to make the subsidiary Tosei Engineering Corp. a wholly owned subsidiary. As a result, Tosei Engineering Corp. was delisted from the Tokyo Stock Exchange.
January, 2007	Tokyo Seimitsu increased the capitalization and reorganized a former local company to create Accretech Korea Co., Ltd. in order to strengthen the sales, service, and support operations for the Korea semiconductor market.
April, 2007	Tokyo Seimitsu merged the subsidiary Accretech Micro Technologies Co., Ltd. in order to strengthen the competitiveness of the wafer inspection systems business.
March, 2008	Construction of the Tsuchiura semiconductor plant at our subsidiary Tosei Engineering Corp. was completed.
April, 2008	Construction of the CMM building at the Tsuchiura Plant was completed.
April, 2009	Tokyo Seimitsu Co., Ltd. USA office was opened as a center for sales in North America.
June, 2010	Head office was relocated from Mitaka-shi, Tokyo to Hachioji-shi, Tokyo.
June, 2011	Construction of the Hachioji No. 5 Plant was completed.



April,2012	Tokyo Seimitsu closed USA office and established Accretech America Inc. as a center of sales in North America.
August,2012	Tokyo Seimitsu started precision dicing blade business after assignment of business.
September, 2014	Accretech Adamas (Thailand) Co., Ltd. was established for constructing an overseas plant to manufacture Precision dicing blades.
May, 2016	Construction for expansion of the Hachioji Plant (No. 6 plant building) was completed.
February, 2019	Tokyo Seimitsu purchased a majority shareholding in Fujitsu Telecom Networks Fukushima Limited (now Accretech Powertro System Co., Ltd.) which provides Charge/Discharge testing systems and became a subsidiary to enable expansion of the Group's business to include electrical measuring.
November, 2019	Tokyo Seimitsu subsidiary Tosei Engineering Corp. and its subsidiary Tosei America Inc. acquired the balancer business from the US manufacturer Schmitt Industries Inc. Tosei America Inc. and was renamed Accretech SBS Inc.
February, 2020	Renovation of the Osaka branch for expanding sales and service/support capability in west Japan area was completed.
May, 2020	Construction of the Tsuchiura MI Plant was completed.
March, 2021	Construction of new building for Tokyo Seimitsu subsidiary Accretech Taiwan Co., Ltd was completed. New Taiwan Application Center was opened.

### 3 [Business overview]

The Tokyo Seimitsu Group (“the Group”) is composed of Tokyo Seimitsu Co., Ltd. (“the Parent Company”), 33 subsidiary companies and 1 affiliated company, with its primary business being the manufacturing and sales of Semiconductor production equipment (SPE) and Metrology instruments.

Segmentation (as per Financial Announcements) of results is provided on the basis of business categories as shown below.

Semiconductor production equipment (SPE) business (SPE)

This business handles manufacturing and inspection equipment such as wafer probing machines, wafer dicing machines, and other machines used in the semiconductor manufacturing and testing process. In this business, the Parent Company is responsible for the primary production elements. Our subsidiary Tosei Engineering Corp is responsible for production of other related products, and our subsidiary Accretech Adamas (Thailand) Co., Ltd is responsible for production of other consumable parts. Sales and post-sales service are carried out primarily by the Parent Company and software is provided by our subsidiary Tosei Systems Co., Ltd.

For overseas sales, in addition to exports by the Parent Company, sales are conducted in America by our subsidiary Accretech America Inc., in Europe by our subsidiary Accretech (Europe) GmbH, and in Asia by our subsidiaries such as Accretech Korea Co., Ltd., Accretech (China) Co., Ltd., and Accretech Taiwan Co., Ltd. etc.

<Major affiliates>

Tosei Engineering Corp., Tosei Systems Co., Ltd., Accretech America Inc., Accretech (Europe) GmbH, Accretech Korea Co., Ltd, Accretech (China) Co., Ltd., Accretech Taiwan Co., Ltd., Accretech (Malaysia) Sdn Bhd., and Accretech Adamas (Thailand) Co., Ltd.

Metrology business (Metrology)

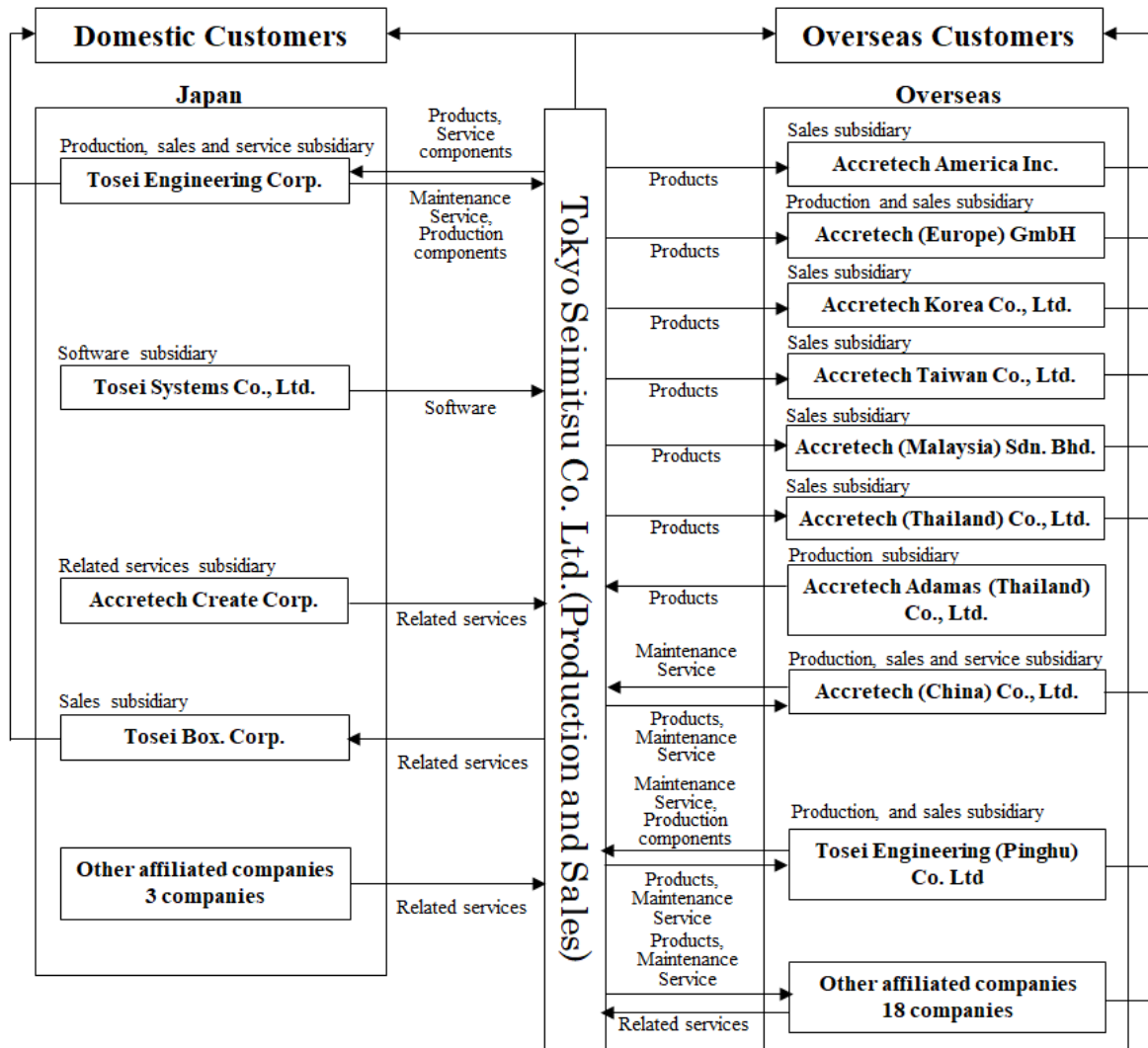
This business handles 3D coordinate measuring machines, surface texture and contour measuring systems, and other precision measuring systems. For this business, the Parent Company and Tosei Engineering Corp. are responsible for primary elements of the production and sales and our subsidiary Tosei Systems Co., Ltd. provides software. Certain related products are locally manufactured also by Tosei Engineering (Pinghu) Co., Ltd. and Tosei (Thailand) Co., Ltd.

For overseas sales, in addition to exports by the Parent Company and Tosei Engineering Corp, sales are conducted in America by our subsidiary Accretech SBS Inc., in Europe by our subsidiary Accretech (Europe) GmbH and in Asia by our subsidiaries such as Accretech Korea Co., Ltd. and Accretech (China) Co., Ltd. etc.

<Major affiliates>

Tosei Engineering Corp., Tosei Systems Co., Ltd., Accretech (Europe) GmbH, Accretech Korea Co., Ltd, Accretech (China) Co., Ltd., Accretech (Thailand) Co., Ltd., Tosei Engineering (Pinghu) Co., Ltd., Tosei (Thailand) Co., Ltd. and Accretech SBS Inc.

The correlation between Company and Group subsidiary are as shown below.



Our consolidated and non-consolidated subsidiaries are as shown below.

	Consolidated subsidiaries	Non-consolidated subsidiaries	Affiliated companies
Company Name	Tosei Engineering Corp Tosei Systems Co., Ltd Accretech Create Corp Tosei Box Corp Accretech Powertro System Co., Ltd. Accretech Finance Co., Ltd Accretech America Inc. Accretech (Europe) GmbH Accretech Korea Co., Ltd Accretech (China) Co., Ltd Accretech Taiwan Co., Ltd Accretech (Malaysia) Sdn Bhd Accretech Adamas (Thailand) Co., Ltd Accretech (Thailand) Co., Ltd Tosei Engineering (Pinghu) Co., Ltd Tosei (Thailand) Co., Ltd Accretech SBS Inc.	Accretech (Singapore) Pte. Ltd. Accretech Vietnam Co., Ltd. PT Accretech Indonesia Accretech-Tosei Do Brazil Ltda Tosei Korea Co., Ltd. Tosei Taiwan Co., Ltd. PT Tosei Indonesia Tosei Engineering Malaysia Sdn. Bhd. Tosei Philippines Corporation Tosei Engineering Private Ltd. Tosei Canada Measuring Inc. Tosei Mexico S.A. De.C.V Accretech-Tosei Hungary Kft Accretech (Pinghu) Co., Ltd Accretech-SBS UK Ltd. Tosei Technology Development (Shanghai) Co., Ltd.	On-chip Biotechnologies Co., Ltd.

#### 4 [Overview of affiliates]

Name of company	Location	Capital or investment	Description of Principal business	% of voting rights held by Company (holding Company)		Relationship with the Parent Company				
				Hold by Company (%)	Holdin g Company (%)	Concurrent Position as Directors		Business transactions	Finan cial assistance	Leasi ng of fixed assets
						by director s	by employ ees			
(Consolidated subsidiaries)										
Tosei Engineering Corp	Tsuchiura, Ibaraki	(MJPY) 988	SPE, Metrology	100.0	-	3	-	Supply of products for SPE to the Parent Company, and maintenance and services for products related to the Parent Company's metrology instruments	No	Yes
Tosei Systems Co., Ltd	Hachioji, Tokyo	(MJPY) 50	SPE, Metrology	100.0	-	3	-	Provision of software to the Parent Company's products	No	Yes
Accretech Create Corp.	Hachioji, Tokyo	(MJPY) 10	SPE, Metrology	100.0	-	1	1	Transit insurance services to the Parent Company's products	No	Yes
Tosei Box Corp	Hachioji, Tokyo	(MJPY) 10	Metrology	100.0 (30.0)	-	2	-	Provision of office facilities to the Parent Company	No	Yes
Accretech Powertro System Co., Ltd.	Furudono, Fukushima	(MJPY) 100	Metrology	100.0	-	1	3	-	Yes	No
Accretech Finance Co., Ltd	Hachioji, Tokyo	(MJPY) 50	SPE, Metrology	100.0	-	1	1	Provision of short-term loans to the Parent Company	No	No
Accretech America Inc.	Richardson, Texas, USA	(KUSD) 4,500	SPE	100.0	-	2	-	Sales of the Parent Company's SPE	No	No
Accretech (Europe) GmbH	Munich, Bavaria, Germany	(KEUR) 1,500	SPE, Metrology	100.0	-	3	-	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech Korea Co., Ltd.	Seognami-si, Gyeonggi-do Korea	(MKRW) 1,000	SPE, Metrology	100.0	-	3	1	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech (China) Co., Ltd.	Shanghai, China	(KCNY) 15,211	SPE, Metrology	100.0	-	3	2	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech Taiwan Co., Ltd.	Jhubei, Hsinchu, Taiwan	(KTWD) 60,000	SPE, Metrology	100.0	-	4	-	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech (Malaysia) Sdn Bhd.	Petaling Jaya, Selangor Malaysia	(KMYR) 1,000	SPE, Metrology	100.0	-	2	-	Sales of the Parent Company's SPE and metrology instruments	No	No
Accretech Adamas (Thailand) Co., Ltd	Klongluang, Pathumthani, Thailand	(KTHB) 250,000	SPE	64.2 (34.4)	-	2	1	Provision of parts to the Parent Company's SPE	Yes	No
Accretech (Thailand) Co., Ltd	Bangplee, Samutprakarn Thailand	(KTHB) 10,000	SPE, Metrology	49.0	-	3	1	Sales of the Parent Company's SPE and metrology instruments	Yes	No
Tosei Engineering (Pinghu) Co., Ltd.	Pinghu, Zhejiang, China	(KCNY) 39,480	SPE, Metrology	100.0 (100.0)	-	-	-	-	No	No
Tosei (Thailand) Co., Ltd	Muang Chonburi, Thailand	(KTHB) 6,000	Metrology	49.0 (49.0)	-	-	-	-	No	No
Accretech SBS Inc.	Cincinnati, Ohio, USA	(KUSD) 1	SPE, Metrology	100.0 (100.0)	-	-	-	-	No	No

Notes:

1. The “Description of Principal business” column lists the name of the business segment(s).
2. Figures listed in parentheses in the “Percentage voting rights held by Company (holding Company)” indicate the percentage of indirectly held.
3. Company holds 49.0% of Voting Rights for both Accretech (Thailand) Co., Ltd. and Tosei (Thailand) Co., Ltd., however, these are listed as subsidiaries because the Parent Company substantially controls these company.
4. Of the above companies, Tosei Engineering Corp and Accretech Taiwan Co., Ltd. are specified subsidiaries.
5. None of the above companies has filed a securities registration statement or securities report (“*Yuukashoken-Houkokusho*”).

## 5 [Employees]

### (1) Consolidated companies

At March 31<sup>st</sup>, 2021

Name of business segment	Number of employees (person)
SPE business	1,240 (533)
Metrology business	881 (402)
Company-wide (corporate staff)	172 (61)
Total	2,293 (996)

Notes:

1. The number of employees presented above represents full-time employees.
2. The number in parentheses in the “Number of employees” column is the average annual number of part-time employees which have not been included in the number of full-time employees.

### (2) The Parent Company

At March 31<sup>st</sup>, 2021

Number of employees (person)	Average age (years)	Average years of continuous service (years)	Average annual salary (yen)
944 (611)	39.9	11.2	7,013,791

Name of business segment	Number of employees (person)
SPE business	672 (444)
Metrology business	222 (138)
Company-wide (corporate staff)	50 (29)
Total	944 (611)

Notes:

1. The number of employees presented above represents full-time employees.
2. The number in parentheses in the “Number of employees” column is the average annual number of part-time employees which have not been included in the number of full-time employees.
3. The average annual salary includes bonuses and overtime pay.

### (3) Trade union

The trade union for the Parent Company is a member of Japan Association of Metal, Machinery, and Manufacturing workers (JAM). Employees in one of our consolidated subsidiaries are members of the Japanese Electrical Electronic & Information Union. There are no particular items concerning labor-management relations which require mentioning.

## Section 2 [Business Overview]

### 1 [Management policy, Management Strategies and Issues]

Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2021/3.

#### (1) Management Policy

1. As a manufacturer of SPE and precision Metrology instruments, The Group has consistently focused on developing state-of-the-art products that contribute to improving our customers' productivity and on providing good customer support. While meeting the commitments that are the requirements of a growing company; Occupational Health and Safety, Quality Control, Environmental Sustainability, and employment equity, The Group will contribute to society including customers, shareholders, employees and regional/international society through developing/supplying innovative SPE and Metrology Equipment.
2. The Group's philosophy is "Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products.", and the Group has adopted as a corporate motto "Win-Win Relationships Create the World's No. 1 Products." and a corporate brand "ACCRETECH". The Group is striving to establish a structure that is capable of creating world-leading products. To do this, we apply the core technologies we have developed, and build cooperative Win-Win relationships with domestic and overseas companies and individuals that share the common goal of creating the world's best products. Behind all our efforts is the goal of being a truly global company.
3. The Parent Company implements an internal company system under which the entire company has been divided into three internal companies – the Semiconductor Company, the Metrology Company and the Administration Company and an executive officer system. These internal companies, as fully functioning organizations with appropriate responsibilities and authority, are positioned to improve the level of customer satisfaction and business performance by responding to each customer more flexibly and promptly.

#### (2) Key performance indicators for corporate management

Under a business environment that requires high levels of technological innovation with high speed, the Group aims to establish higher profitability and structural efficiency by providing world No.1 products with advanced technology into growing markets, and continuously improve capital efficiency by effectively using funds for investment for growth. The Group aims to maintain a business structure with at least 10% ROE as a long-term target to underpin sustainable growth in earnings per share and corporate value.

The Group also aims to attain ¥22,000 million of consolidated annual operating profits as a mid-term target (by FY2022/3).

#### (3) Medium to Long-term Management Strategies and Issues

##### 1. Ongoing growth strategy and increase in business performance

The Group has promoted further quality improvement and product innovation, and established a profitable operational structure to continuously provide world leading products with advanced technology. These efforts have obtained reliable results after several years. The Group will further be engaged in expanding its business by taking advantage of its solid company structure.

However, the impact of the coronavirus (COVID-19) outbreak around the globe is expanding and is causing a significant lowering of consumption, the suspension of our customers' factory operations, delays in the transportation of products and materials and limits to travel around the world. It is difficult to foresee the total impact of the COVID-19 given the uncertainty of the outlook for global economic activity. The Group's factories, sales offices, and service/support offices are in normal operation and are taking necessary actions to prevent spread of the virus.

##### 2. Sustainable Profit Distribution

Company management believes that increasing corporate value and sustainable profit distribution remains a key indicator of business success and thorough business growth.

### 3. Governance

The Group holds that corporate governance is essential to improve corporate value and to conduct fair and transparent business activities as a global corporate citizen, and has established a “Core policy for corporate governance.”

1. The Board of Directors strives to properly perform its roles and responsibilities to make transparent, fair, timely and committed decisions.
2. The Group respects the rights of shareholders and ensures the equality of shareholders.
3. The Group strives to have constructive dialogue with shareholders on investment policy that considers mid to long-term returns for shareholders.
4. The Group strives to maintain appropriate collaboration with stakeholders other than shareholders.
5. The Group strives to ensure proper information disclosure and transparency.

### 4. Globalization

Since the Sales organization has been fully localized and the Group’s overseas sales have exceeded domestic sales, the Group has also commenced local manufacturing such as in China and Thailand. With this continuing outlook, the Group will optimize management organization for its global operations through actions such as hiring local management executives, establishing localized supply chains, and standardizing management information flows to and from Head Office.



## 2 [Business and other risks]

The Parent Company has “Regulations for risk management” for the purpose of understanding risks that may affect the business operations and its management. The Parent Company has also a “Risk Management Committee,” chaired by President & CEO. This committee helps prevent potential risks, while developing a system for emergency preparedness in accordance with Regulations for risk management. In the event of a risk scenario arising, the Parent Company would immediately establish a “Risk Response Team”, managed by the President and CEO, and carry out activities aimed at responding to the risk and quickly bringing it under control.

Major Risk factors that Management recognizes and that may affect the Group's business results, financial position, cash flows and other performance indicators stipulated in this Annual Securities Report (*Yuukashoken-houkokusho*) are described below. The Group is endeavoring to avert these risks and to reduce potential risks by hedging and diversifying. However, an unforeseen situation may have considerable influence on the Group's business performance.

Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2021/3.

### (Risks related to Sales activities)

- (1) The Group conducts SPE business and Metrology business among Japan, Europe, US and Asia on a global scale. If the supply-demand balance is disturbed or economic conditions unexpectedly deteriorate in the markets of each area, the Group's business results may be influenced.
- (2) In principle, the overseas sales are made on a Japanese Yen basis. However, transactions are carried out in US dollars or Euro for some customers. In addition, financial statements from each overseas consolidated subsidiary to make the Groups' Financial Statement are made in a regional currency basis. Therefore, in the event of unforeseen exchange rate fluctuations are realized, the Group's business results may be influenced.
- (3) Some of the products that the Group provides are controlled under Japanese export regulations and various approvals are mandatory for export. Therefore, if such regulations and/or the scope of controls on products change, the Groups' business results may be influenced.
- (4) The Group's overseas sales exceed sales in Japan. Therefore, if trade conflict between Japan and in a third country or in between third countries arises, the Groups' business results may be influenced.

### (Risks related to Manufacturing and R&D activities)

- (1) New technologies are developed on nearly a daily basis in the business areas of the Group. Developing state-of-the-art technologies and providing new products is essential in maintaining and strengthening the Group's competitiveness. However, if these research and development activities were to be unsuccessful, the Groups' business results may be influenced.
- (2) In order to minimize damage caused by a possible interruption of production activities, the Group regularly conducts disaster prevention inspections, production facility maintenance, investment to secure the safety of facilities, and preparation for alternative production in the Group based on a Business Continuity Plan. Nevertheless, a sudden accident could damage production facilities or interrupt operations and the Group's business results may be influenced.
- (3) To commit customer required delivery date, the Group regularly maintains sufficient manufacturing space, invests for floor space expansion, maintains safety inventories, and arranges engineers for timely manner roll-in and installation of the products. However, if entire demands toward the products unexpectedly increase to materialize shortages among floor space, inventories and/or engineers, then interruption of production activities may occur and the Group's business results may be influenced.
- (4) It is essential for our production activities to procure high quality materials and services in a timely and proper manner from outside parties. Although the Group operates under a multiple source procurement system, the Group's business performance could be impacted due to the shortage of supply or delivery delays because some of the specific components can only be procured by some limited suppliers or it may become very difficult to change suppliers due to the peculiarity. Also, the surge of materials and service prices from the change of supply-demand could affect the Group's business performance.
- (5) The Group gives priority to improving quality and reliability of both its products and service activities. However, if an unexpected quality-related failure should occur, the expenditure to remedy such an issue might impact the Group's business performance.
- (6) A rise of raw materials prices and/or service fees related to Manufacturing or Sales activities may affect the Group's results.

(Risks related to Intellectual property rights)

The Group's products embody cutting edge technologies. Particular attention is paid to the protection of rights related to these technologies. Specifically, the Group has taken measures to defend its interest with regard to such matters as attribution of patent-related rights and protection of trademarks and brands. However, if a lawsuit or other legal dispute with a third party in Japan or overseas were to arise concerning rights, the Group's business performance could be affected.

(Risks related to Information security)

The Group acquires customers' confidential information or personal information, and the Group's confidential information related to technologies, sales and other business matters. Based on the Group's "Information Security Policy", the Group, following each region's regulations, maintains related Information security rules and security measures, and provides employees necessary education programs and training to pay close attention to information control. However, it could be possible to have an information leak or falsification due to unforeseen events such as errors, information theft or outside attack. The Group's reliability and business performance could be impacted if those unforeseen events occur and the Group incurs liability costs as a result.

(Risks related to Environmental regulation)

Several environmental regulations for water or air pollution prevention, industrial waste, energy, global warming and chemical substances in products are applicable to the Group in both Japan and overseas. The Group takes several measures in product development and manufacturing in order to reduce the impact to the environment and to comply with the related regulations. However, if these measures do not achieve the expected results or regulations and their enforcement are changed or become stricter, the Group's business performance could be adversely affected with limited production activities and increased costs incurred to comply with regulations.

(Risks related to Compliance)

Several laws and regulations are applicable to the Group's business in various countries. Therefore, The Group maintains internal control systems, has in place a Compliance Committee, and has established a global "ACCTRETECH Group Code of Conduct" to define ethics that all employees must follow unless these are in conflict with laws in local jurisdictions. However, if some compliance issues arise, including violation of laws by Directors and/or employees, the Group's reputation, business performance, and financial conditions could be impacted.

(Risks related to COVID-19)

The outbreak of the COVID-19 pandemic has caused significant impact on the global economy. The Group anticipates that the potential risk relates to Sales suspension or delay and Manufacturing activities slowdown due to the lockdown of customers and/or supplier's facilities. As at the end of FY2021/3, the impact has been minimal, however, if such outbreaks continue longer than anticipated, then the business results may be further affected.

(Comprehensive risks)

- (1) The Group is engaged in business in various parts of the world and is operating at the optimum level within each country's political and legal system. However, unexpected changes in the political system or regulations in each country could have influence on the Group's business performance.
- (2) Furthermore, terrorist attacks, wars, infectious diseases in counties or regions where the Group operates could lead to suspension of the Groups' sales activities, procurements, manufacturing, shipping, roll-in/installation services and/or indirect operations and may have impact on its business results.

### 3 [Analysis of financial position, business results and cash flows by Corporate executives]

#### (1) Overview of business results

Overview of financial position, business results and cash flows (hereinafter referred to as “Business Results” are shown below.

##### 1. Financial position and business results

In the Fiscal Year 2021/3 ended March 2021 (FY2021/3) worldwide economies, except for certain countries including China, faced negative growth in real GDP because individual consumption and capital investment were reduced due to the spread of COVID-19. Although the economic slowdown in many countries was less severe than expected due to interventionary monetary and financial policies, the recovery was not strong and the overall situation was still severe. Under these circumstances, business performance in some industries dropped while other industries remain steady. The business performances of our customers were tremendously varied among industries.

Under these business conditions, because the business performance of SPE business increased, both Sales and Profits in the Group were increased from the previous Fiscal Year. Consolidated Sales in the Fiscal Year 2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021) were ¥97,105 million (up 10.4% YoY), Operating Profit was ¥15,562 million (up 26.7% YoY), Recurring Profit was ¥15,867 million (up 28.4% YoY). Other than ordinary transactions, the Company proactively sold a part of its Cross-Shareholdings stocks (including ones in the Retirement Benefit Trust) and had a gain on sales of investment securities and on return of assets from the Retirement Benefits Trust. In addition, an Impairment loss for fixed assets and Extra retirement payments as a final phase of restructuring in Charge/discharge testing systems was accounted for. As a result, Net Profit Attributable to Owners of the Parent came to ¥12,175 million (up 70.1% YoY).

Business results during the term in each segment were as follows.

##### SPE business segment

In the SPE business segment, the solid demand for Logic devices and Electronic components for expansion of 5G networks and remote work were steady. Also, even though there were temporary demand adjustments from the trade conflict between the United States and China, demand within China increased and demand for display driver IC and automotive semiconductors rebounded, both Sales and Orders increased from the previous fiscal year and notably Orders achieved a fiscal year high point.

The demand for equipment for the Testing Process in Taiwan was strong and the demand for both equipment for the Testing Process and the Assembly Process in China were steady, in addition to strong demand for equipment for the Assembly Process in European and Asian countries. Under these circumstances, we focused on product development to meet customers' needs, expansion of production capacity and sales promotion of consumables.

As a result, Sales for our SPE segment in the same period was ¥71,745 million (up 27.7% YoY), and Operating Profit was ¥13,565 million (up 71.4% YoY).

##### Metrology business segment

In our Metrology Equipment segment, in addition to the slowdown of capital investment across the entire manufacturing sector that began in the previous period, the expansion of COVID-19 broadly impacted industries such as the automotive industry and the machinery industry and their capital investment continued to be slow even though a recovery was expected. As a result, both Orders and Sales decreased in the Metrology segment YoY.

Under these circumstances, we made efforts to provide solutions for the needs of automation in manufacturing industries in addition to hosting online seminars to build strong relationships with customers, strengthening overseas sales, expanding our products for New Energy Vehicles (NEV) and medical fields and improving in-house measuring services.

As a result, Sales in our Metrology Equipment segment in the same period was ¥25,359 million (down 20.1% YoY) and Operating Profit was ¥1,996 million (down 54.3% YoY).

Note: The above amounts are exclusive of consumption tax.

An overview of financial position as at FY2021/3 end is as follows.

As at March 31<sup>st</sup>, 2021 total assets were ¥161,556 million (¥ 111,516 million in current assets and ¥ 50,039 million in fixed assets), liabilities were ¥44,778 million, and total net assets were ¥116,777 million.

[1] Assets

Assets as at the end of FY2021/3 increased mainly due to a significant increase in Cash and cash equivalents underpinned by solid business results, and an increase in Notes and accounts receivable (including electronically recorded monetary claims) led by increases in Orders and Sales. Consequently, total assets at the end of FY2021/3 have increase ¥15,007 million from the end of FY2020/3.

[2] Liabilities

Liabilities have increased by ¥7,904 million from the end of FY2020/3 due to an increase in Notes and accounts payable (including electronically recorded obligations-operating) lead by expansion of manufacturing.

[3] Net assets

While Treasury stock increased from a repurchase of Company shares (based on a resolution of the Board of Directors' meeting held on November 11<sup>th</sup>, 2020), Shareholder's Equity has significantly increased mainly from Net Profit attributable to Owners of the Parent. Also, recalculated defined benefit plans have increased. As a result, Net assets as at the end of FY2021/3 have increased by ¥7,103 million from the end of FY2020/3.

As a result, the Equity Ratio decreased by 2.5 point from the end of FY2020/3 and came to 71.4%.

2. Overview of Cash flows

Cash and cash equivalents as at March 31<sup>st</sup>, 2021 amounted to ¥43,624 million, an increase of ¥9,018 million from the end of FY2020/3.

The status of cash flows and factors behind them are given below.

Net cash earned from operating increased from ¥5,965 million in FY2020/3 to ¥22,062 million in FY2021/3, mainly due to an increase in Income before income taxes and minority interests from ¥10,705 million FY2020/3 to ¥16,147 million in FY2021/3, and an increase in Notes and accounts payable of ¥5,584 million, Depreciation of ¥3,516 million, a decrease in Allowance for employee retirement benefits of ¥2,881 million, an increase in inventories of ¥3,491 million, Gain on return of assets from retirement benefits trust of ¥1,189 million, an increase in Notes and accounts receivable of ¥987 million and Payment of income taxes of ¥1,304 million.

Net cash used in investment activities decreased from ¥6,116 million in FY2020/3 to ¥5,191 million in FY2021/3. This is mainly reflected in Proceeds from sales of investment securities of ¥864 million and Payment for purchase of tangible fixed assets ¥5,864 million.

Net cash used in financing activities increased from ¥6,375 million in FY2020/3 to ¥8,282 million in FY2021/3. This is mainly from Payment of dividends of ¥3,333 million, Repurchase of Treasury stock of ¥3,002 million and Repayments of long-term debt of ¥2,000 million.

### 3. Production, orders, and sales Actual Production

#### [1] Production results

The production results for each business segment in FY2021/3 are shown below.

Business segment	Production (MJPY)	YoY (%)
SPE business	66,893	9.7
Metrology business	22,113	- 24.5
Total	89,006	- 1.4

Notes:

1. The above production results are based on the sales prices.
2. The above amounts are exclusive of consumption tax.

#### [2] Orders received

The orders received for each business segment in FY2021/3 are shown below.

Business segment	Orders received (MJPY)	YoY (%)	Order backlog (MJPY)	YoY (%)
SPE business	93,181	61.5	50,619	73.5
Metrology business	23,878	- 20.1	6,301	- 19.0
Total	117,060	33.7	56,920	54.0

Note: The above amounts are exclusive of consumption tax.

#### [2] Actual sales

The sales amounts for each business segment in FY2021/3 are shown below.

Business segment	Sales (MJPY)	YoY (%)
SPE business	71,745	27.7
Metrology business	25,359	- 20.1
Total	97,105	10.4

Notes:

1. The sales amounts for each major customer and their ratio to total sales are omitted because there are no customers with sales amounts that account for 10% or more of total sales.
2. The above amounts are exclusive of consumption tax.

## (2) Analysis and Evaluations from Corporate Management regarding financial performance

The conclusions of management reviews and evaluation of the Group's business performance in each of our business segments are as follows. Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2021/3.

### i. Analysis and evaluation of financial position

Details of the financial position of the Group are set out on Section 2 [Business Overview] 3.[Analysis of financial position, business results and cash flows by Corporate executives] (1) Overview of business results 1. Financial position and business results. Increases in Assets and Liabilities led by business growth demonstrate to us that improving Total asset turnover and keeping a profitable structure is necessary.

### ii. Analysis and evaluation of business results

Both the SPE and Metrology industries, which are the primary fields of activity for the Group, are industries with a fast pace of technological innovation and with intense competition, producing high-level technological demands. The industry which our customers of SPE business segment operate in is the semiconductor industry which regularly experiences cycles of expansion and contraction on a large-scale. The performance of the Group has been affected by these cycles many times in the past. In this environment, our most important tasks are to constantly develop new products and to continue creating a highly competitive product lineup which can keep the effects of market volatility to a minimum.

#### [1] Sales

Sales for FY2021/3 were ¥71,745 million (up 27.7% YoY) for the SPE business and ¥25,359 million (down 20.1% YoY) for the Metrology business, with a combined total of the two businesses of ¥97,105 million (up 10.4% YoY).

For the SPE segment, the continuing 5G related demand for data centers and for 5G devices are expected to be high. Also, in the SPE business, expansion is anticipated in the mid and long-term because of supply chain restructuring by 5G manufacturers, the increasing production of semiconductors for vehicles and power semiconductors due to the increasing demands of auto driving and electrification of vehicles, the demand in China as a new market, and the production expansion of sensor devices and electronic components for IoT.

In the next Fiscal Year, although there are certain temporary adjustment concerns from supply-demand balance in semiconductor devices and electronic components; we expect strong demand in the SPE segment overall. Under these conditions, Tokyo Seimitsu Group will maintain its focus on developing products and specifications to meet customers' needs and providing solutions for assembly products that are rapidly improving and changing in addition to expanding production capacity.

For the Metrology segment, the automotive industry and machine tools industries, which are the major users of our Metrology products, postponed or cancelled their capital expenditures in FY2021/3 but we anticipate recovering demand flowing from re-investment in FY2022/3. We expect a slight recovery in our Metrology Equipment business in light of this.

Under these business conditions, Tokyo Seimitsu Group will focus on developing products to meet the demand for higher precision and higher functionality, across our full product line-up: in multipurpose measuring instruments such as the 3D coordinate measuring machine, surface texture and contour measuring instruments, and roundness and cylindrical profile measuring instruments; and automatic measuring instruments such as machine control gauges and sensors. Also, the Company will further continue to expand new markets for the Charge/discharge testing systems business for upcoming EV trend and the SBS balancer business by responding carefully to customers' needs.

#### [2] Cost of goods sold, and Selling, general and administrative expenses

Cost of goods sold for FY2021/3 was ¥60,190 million and the Selling, general and administrative expenses were ¥21,351 million. The ratio of the Cost of goods sold to Total Sales was 62.0% in FY2021/3 (60.8% in FY2020/3), and the ratio of the Selling, general and administrative expenses to Total Sales was 22.0% in FY2021/3 (25.2% in FY2020/3).

#### [3] Operating profit

As a result of the above, operating profit FY2021/3 was ¥15,562 million (up 26.7% YoY). Per segment, ¥13,565 million (up 71.4% YoY) was from SPE, and ¥1,996 (down 54.3%) was from Metrology.

The Group has set its business target to ¥22,000 million in Operating profits by FY2022/3. The Group plans to achieve this through parallel actions targeting Sales performance increases and margin improvements.

- [4] Non-operating income and expenses  
Non-operating income for FY2021/3 was ¥540 million mainly from Foreign exchange gains and Subsidy income, and Non-operating expenses for the same term was ¥235 million mainly due to Provision of allowance for doubtful accounts and Interest expenses.
- [5] Recurring profit  
As a result, Recurring profit for FY2021/3 was ¥15,867 million (up 28.4% YoY).
- [6] Extraordinary gains and losses  
Extraordinary gains in FY2021/3 were ¥1,354 million mainly from Gain on return of assets from retirement benefits trust and Extraordinary losses were ¥1,074 million due to Costs to demolish existing buildings and Impairment loss for fixed assets.
- [7] Profit before income taxes and minority interests  
As a result, Profit before taxes and minority interests for FY2021/3 was ¥16,147 million.
- [8] Income taxes  
Income taxes and other taxes in FY2021/3 were ¥3,978 million and the ratio to Profit before income taxes and minority interests was 24.6%.
- [9] Net loss attributable to non-controlling interests  
Net loss attributable to non-controlling interests for FY2021/3 was ¥6 million.
- [10] Net profit attributable to owners of the parent  
As a result, Net profit attributable to owners of the parent for FY2021/3 was ¥12,175 million (up 70.1% YoY).

iii. Analysis and evaluation of Cash flows for FY2021/3

Details of the financial position of the Group are set out on Section 2 [Business Overview] 3.[Analysis of financial position, business results and cash flows by Corporate executives] (1) Overview of business results 2. Overview of Cash flows. Management is of the view that the Group can continue to achieve a positive cash flow position from its operations and that earned cash can be effectively used for investment and financing. In addition, retained cash can be used for product development R&D, and capital expenditures. The Group accommodates fluctuations in long-term finances based on forecasts of Group investments mainly by internal cash flows within the Group and loans payable from Banks. Management nonetheless recognizes the importance of maintaining good relationships among the Group and with financial institutions.

iv. Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. When preparing the consolidated financial statements, we perform specific estimates which are necessary for calculations such as assets and liabilities at the end of the consolidated FY, and income and expenses during the consolidated FY. These estimates were performed for inventories, allowance for bad debts, deferred tax assets, investment securities, cost of goods sold, employee retirement benefit expenses, and other items. These estimates are based on past results with consideration for future expectations, and are performed with an emphasis on sustainable, rational, and conservative evaluation.

Note that it is difficult to foresee the total impact of the COVID-19 pandemic given the uncertainty of the outlook for the current global situation; however, the Company estimates it is limited. Therefore, financial estimates herein are based on a premise of minimal additional impact.

(Impairment of Fixed Assets)

If there are assets or asset groups that are impaired (estimated total undiscounted future cash flow is less than the book value), the group recognizes an impairment loss corresponding to the decrease (valued from the undiscounted future cash flow less the book value). The Group carefully monitors signs of impairment, measurement and its recognition; however, sudden need for changes in business plans or fluctuations in market conditions may result in unforeseen impairment losses.

## 4 [Important business contracts]

<The Parent Company>

Mutual Agency Agreement

Name of counterparty	Contents of contract	Contract period
Carl Zeiss Inc. (Germany)	Mutual Agency Agreement in the multi-purpose measuring instruments field	Five years maximum beginning October 1 <sup>st</sup> , 2020

<Consolidated subsidiaries>

There are no notable contracts.

## 5 [R&D Activities]

The R&D activities of the Group are carried out primarily at the Parent Company. They cover the full range of SPE products and Metrology products. Through these activities, we carry out product improvements to boost the competitiveness of existing products, development of new product models, and the fundamental research aimed at long-term growth.

The total amount of R&D costs for the Group in FY2021/3 was ¥7,193 million. A description of the specific activities in each business segment is provided below.

a. SPE business

In the SPE field, as the semiconductor manufacturers pursue automation, higher precision, higher performance, and higher reliability, the equipment at our customer companies is becoming increasingly diversified. In recent years, significant advancements have been made in terms of higher wafer densities, multiple wafer layers, and thinner wafer sizes needed to accompany these finer structures. The Group is working for rapid development of next-generation devices in order to meet these market needs.

The major research and development results from FY2021/3 include, mostly continued from FY2020/3, performance improvements in Probing machines, Wafer dicing machines, Polish grinders, and CMP machines.

The total amount of R&D costs for this business area in FY2021/3 was ¥5,748 million.

b. Metrology business

As our customers continue to rationalize their production processes and implement factory automation, there are increasing demands for lower prices, in addition to demands for higher precision measurement accuracy, better functionality and better capability for automation. The Group is working to develop and improve a range of products to meet these needs.

The major research and development results from FY2021/3 include developments in 3D coordinate measuring machine hardware and automated surface texture and contour measuring instruments.

The total amount of R&D costs for this business area in FY2021/3 was ¥1,445 million.



## Section 3 [Equipment and Facilities]

### 1 [Overview of capital expenditures]

Capital expenditures of the Group are primarily centered on production equipment in both the SPE business and Metrology business, in order to expand future business opportunities and product differentiation versus competitors, and are aimed at rationalizing and labor-saving.

The total amount of capital expenditures in FY2021/3 was ¥5,950 million. An overview of this investment by business segment is provided below.

#### (1) SPE business

Capital expenditures in this business are conducted primarily in preparation for expanding production of existing products, and for production lines to be available to respond quickly to the market situation and customer needs in a timely manner.

Total capital expenditures in this business in FY2021/3 were ¥3,499 million, including design mobilization costs of the *Hino* plant by the Parent Company of ¥133 million, construction of an office and application center by the Parent Company's subsidiary, Accretech Taiwan Co., Ltd. of ¥1,305 million.

#### (2) Metrology business

Capital expenditures in this business were conducted primarily in preparation for expanding production, and also aimed at achieving cost reductions and constructing efficient and flexible production lines.

Total capital expenditures in this business in FY2021/3 were ¥2,450 million, including construction of a new plant by the Parent Company of ¥671 million.

## 2 [Major equipment and facilities]

### (1) The Parent Company

At March 31<sup>st</sup>, 2021

Location	Business segment	Description	Book value (MJPY)						Number of employees (person)	
			Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m2)	Lease assets	Construction in Progress		Total
Hachioji Headquarters, Plant (Hachioji, Tokyo)	SPE	Production equipment, others	8,678	1,142	940	3,436 (37)	33	141	14,370	676
Tsuchiura Plant (Tsuchiura, Ibaraki)	Metrology	Production equipment, others	3,518	261	413	151 (17)	1	-	4,344	162
Hino Plant (Hino, Tokyo)	SPE	Production equipment, others	274	-	-	7,306 (22)	-	133	7,646	-
Sales offices and satellite offices	SPE, Metrology	Air conditioning system, others	602	1	56	- (-)	1	-	660	106
Others	SPE, Metrology	Guest houses, others	7	-	-	50 (3)	-	-	57	-

Notes:

1. Currently there is no idle equipment.
2. The above amounts are exclusive of consumption tax.

### (2) Domestic subsidiaries

At March 31<sup>st</sup>, 2021

Company	Location	Business segment	Description	Book value (MJPY)						Number of employees (person)	
				Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m2)	Lease assets	Construction in Progress		Total
Tosei Engineering Corp.	Head Office & Plants (Tsuchiura, Ibaraki, others)	SPE, Metrology	Production equipment, others	1,627	297	208	2,035 (42)	-	2	4,169	411
Tosei Systems Co., Ltd.	Head Office (Hachioji, Tokyo)	SPE, Metrology	Instrument supplies, others	4	-	2	- (-)	-	-	6	128
Accretech Create Corp.	Head Office (Hachioji, Tokyo)	SPE, Metrology	Instrument supplies, others	0	0	0	- (-)	-	-	0	1
Tosei Box Corp.	Head Office (Hachioji, Tokyo)	Metrology	Head office building, others	97	-	0	125 (1)	-	-	222	27
Accretech Powertro System Co., Ltd.	Head Office (Furudono, Fukushima)	Metrology	Head office building, others	0	0	0	75 (76)	-	-	75	71

Notes:

1. Currently there is no idle equipment.
2. The above amounts are exclusive of consumption tax.

## (3) Overseas subsidiaries

At March 31<sup>st</sup>, 2021

Company	Location	Business segment	Description	Book value (JPY)						Number of employees (person)	
				Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m2)	Lease assets	Construction in Progress		Total
Accretech America Inc.	Head Office (Richardson, Texas, USA)	SPE	Head office building, others	8	-	2	- (-)	-	-	10	33
Accretech (Europe) GmbH	Head Office (Munich, Bavaria, Germany)	SPE, Metrology	Head office building, others	32	12	37	- (-)	-	-	81	72
Accretech Korea Co., Ltd.	Head Office (Seongnam-si, Gyeonggi-do, Korea)	SPE, Metrology	Instrument supplies, others	-	15	9	- (-)	-	-	24	59
Accretech (China) Co., Ltd.	Head Office (Shanghai, China)	SPE, Metrology	Instrument supplies, others	-	5	52	- (-)	-	-	57	153
Accretech Taiwan Co., Ltd.	Head Office (Jhubei, Hsin-chu, Taiwan)	SPE, Metrology	Head office building, others	1,459	14	596	902 (5)	5	54	3,030	104
Accretech (Malaysia) Sdn Bhd.	Head Office (Petaling Jaya, Selangor, Malaysia)	SPE, Metrology	Instrument supplies, others	4	8	3	104 (0)	3	76	198	39
Accretech Adamas (Thailand) Co., Ltd	Head Office (Klongluang, Pathum-thani, Thailand)	SPE	Production equipment, others	394	88	3	215 (18)	4	-	704	102
Accretech (Thailand) Co., Ltd	Head Office (Bangplee, Samutprakarn, Thailand)	SPE, Metrology	Instrument supplies, others	1	2	5	- (-)	21	-	29	28
Tosei Engineering (Pinghu) Co., Ltd.	Head Office (Pinghu, Zhejiang, China)	SPE, Metrology	Production equipment, others	207	27	3	- (-)	-	-	237	57
Tosei (Thailand) Co., Ltd	Head Office (Muang Chonburi., Thailand)	Metrology	Production equipment, others	87	22	12	50 (4)	-	-	171	43
Accretech SBS Inc.	Head Office (Cincinnati, Ohio, USA)	SPE, Metrology	Instrument supplies, others	7	9	4	- (-)	5	-	25	21

## Notes:

1. Currently there is no idle equipment.
2. The above amounts are exclusive of consumption tax.

### 3 [Plans for equipment and facility additions or disposals]

#### (1) Additions of major equipment and facilities

Company	Location	Business segment	Equipment or facility		Expected amount of investment		Start date	Expected completion date
			Type	Description	Total (MJPY)	Amount already invested (MJPY)		
The Parent Company	Hachioji Plant (Hachioji, Tokyo)	SPE business	Buildings and structures	Plant repair work, others	228	-	Dec, 2021	March, 2022
			Machinery	Machine for In-house parts manufacturing, others	113	-	May, 2021	Oct., 2021
					341	-		
	Hino Plant (Hino, Tokyo)	SPE business	Buildings and structures	New Plant construction	9,320	133	Feb., 2020	TBD
	Hanno Plant (Hanno, Saitama)	SPE business	Buildings and structures	New Plant construction	TBD	-	TBD	Latter half, FY2023/3
			Land	Land for New Plant	TBD	-	TBD	TBD
				-	-			
	Tsuchiura Plant (Tsuchiura, Ibaraki)	Metrology business	Machinery	Machines for demonstration and/or evaluation	54	-	April, 2021	June, 2021
	Total				9,715	133		
Accretech (Malaysia) Sdn Bhd.	Head Office (Petaling Jaya, Selangor, Malaysia)	SPE business, Metrology business	Buildings and structures	Head office	309	76	July, 2020	Jan., 2022
			Total		309	76		

#### Notes:

1. Future required capital will be financed internally.
2. Because it is difficult to quantitatively estimate the capacity increase after completion, this information has been omitted.
3. The above amounts do not include consumption tax.

#### (2) Disposal of major equipment and facilities

Except for disposals conducted in the course of the Group's routine renewal of its equipment and facilities, there is no plan for significant disposals of any major equipment and facilities.

## Section 4 [Corporate Information]

### 1 [Information on the Company's shares]

(1) Number of shares and others

[1] Number of shares

Type	Total number of shares authorized to be issued
Common stock	110,501,100
Total	110,501,100

[2] Number of shares issued

Type	Number of shares issued at end of the FY (As of March 31 <sup>st</sup> , 2021)	Number of shares issued on the filing date of the securities report (As of June 22 <sup>nd</sup> , 2021)	Stock exchanges on which the Parent Company is listed	Description
Common stock	41,759,981	41,787,881	Tokyo Stock Exchange (First Section)	Unit amount of stocks is 100.
Total	41,759,981	41,787,881	-	-

Note:

The number of shares issued as of the filing date of the securities report does not include those issued upon the exercise of share subscription rights (including bonds with warrants for the purchase of shares of common stock issued under former Commercial Code of Japan) (hereinafter referred to as SSR) during the period from June 1<sup>st</sup>, 2021, through the filing date of this report.

## (2) Status of share subscription rights (SSR)

## (a) Detail of Stock option plans

	The 11 <sup>th</sup> SSR
Date for resolution	June 24 <sup>th</sup> , 2014 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:9 Employees of the Parent Company:250 Directors of subsidiaries:11 Employees of subsidiaries:80
Number of SSR **	114 [62] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 11,400 [6,200] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1,876 per share *Note 2
Exercise period for SSR **	July 23 <sup>rd</sup> , 2016-June 30 <sup>th</sup> , 2021
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1,876 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4
Matters relating to the provisions for acquisition of SSR	*Note 5

	The 12 <sup>th</sup> SSR	The 13 <sup>th</sup> SSR
Date for resolution	June 23 <sup>rd</sup> , 2015 (Annual general meeting of the shareholders)	June 21 <sup>st</sup> , 2016 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:9 Employees of the Parent Company:256 Directors of subsidiaries:13 Employees of subsidiaries:89	Directors of the Parent Company:9 Employees of the Parent Company:258 Directors of subsidiaries:13 Employees of subsidiaries:92
Number of SSR **	318 [267] *Note 1	409 [365] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 31,800 [26,700] *Note 1	Common Stock , 40,900 [36,500] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	2,825 per share *Note 2	2,527 per share *Note 2
Exercise period for SSR **	July 23 <sup>rd</sup> , 2017-June 30 <sup>th</sup> , 2022	July 22 <sup>nd</sup> , 2018-June 30 <sup>th</sup> , 2023
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 2,825 Amount to be credited to common stock *Note 3	Issue price 2,527 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	The 14 <sup>th</sup> SSR	The 15 <sup>th</sup> SSR
Date for resolution	June 26 <sup>th</sup> , 2017 (Annual general meeting of the shareholders)	June 25 <sup>th</sup> , 2018 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:8 Employees of the Parent Company:172 Directors of subsidiaries:12 Employees of subsidiaries:22	Directors of the Parent Company:8 Employees of the Parent Company:183 Directors of subsidiaries:8 Employees of subsidiaries:18
Number of SSR **	625 [544] *Note 1	647 [596] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 62,500 [54,400] *Note 1	Common Stock , 64,700 [59,600] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	3,950 per share *Note 2	4,073 per share *Note 2
Exercise period for SSR **	July 25 <sup>th</sup> , 2019 - June 30 <sup>th</sup> , 2024	July 24 <sup>th</sup> , 2020 - June 30 <sup>th</sup> , 2025
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 3,950 Amount to be credited to common stock *Note 3	Issue price 4,073 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	The 16 <sup>th</sup> SSR	The 17 <sup>th</sup> SSR
Date for resolution	June 24 <sup>th</sup> , 2019 (Annual general meeting of the shareholders)	June 22 <sup>nd</sup> , 2020 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:7 Employees of the Parent Company:195 Directors of subsidiaries:8 Employees of subsidiaries:26	Directors of the Parent Company:7 Employees of the Parent Company:195 Directors of subsidiaries:8 Employees of subsidiaries:36
Number of SSR **	764 [764] *Note 1	787 [787] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 76,400 [76,400] *Note 1	Common Stock , 78,700 [78,700] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	3,075 per share *Note 2	3,655 per share *Note 2
Exercise period for SSR **	August 3 <sup>rd</sup> , 2021 - June 30 <sup>th</sup> , 2026	July 31 <sup>st</sup> , 2023 - June 30 <sup>th</sup> , 2028
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 3,075 Amount to be credited to common stock *Note 3	Issue price 3,655 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in June 2005 (stock compensation type)	SSR issued in July 2006 (stock compensation type)
Date for resolution	June 29 <sup>th</sup> , 2005 (Annual general meeting of the shareholders)	June 29 <sup>th</sup> , 2006 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 11	Directors of the Parent Company:6 Employees of the Parent Company (executive officers):12
Number of SSR **	48 [48] *Note 1	33 [33]*Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 4,800 [4,800] *Note 1	Common Stock , 3,300 [3,300]*Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	June 30 <sup>th</sup> , 2005-June 30 <sup>th</sup> , 2025	July 15 <sup>th</sup> , 2006-July 14 <sup>th</sup> , 2026
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock 1	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	-	*Note 4
Matters relating to the provisions for acquisition of SSR	-	*Note 5

	SSR issued in July 2007 (stock compensation type)	SSR issued in July 2011 (stock compensation type)
Date for resolution	June 28 <sup>th</sup> ,2007 (Board of Directors)	June 27 <sup>th</sup> , 2011 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:6 Employees of the Parent Company (executive officers): 12	Directors of the Parent Company:6 Employees of the Parent Company (executive officers): 2
Number of SSR **	48 [48] *Note 1	155 [155] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 4,800 [4,800] *Note 1	Common Stock , 15,500 [15,500] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 20 <sup>th</sup> , 2007-July 19 <sup>th</sup> , 2027	July 13 <sup>th</sup> , 2011-July 12 <sup>th</sup> , 2031
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	



	SSR issued in July 2012 (stock compensation type)	SSR issued in July 2013 (stock compensation type)
Date for resolution	July 6 <sup>th</sup> , 2012 (Board of Directors)	July 5 <sup>th</sup> , 2013 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 2	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 2
Number of SSR **	155 [155] *Note 1	179 [179] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 15,500 [15,500] *Note 1	Common Stock , 17,900 [17,900] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 24 <sup>th</sup> , 2012-July 23 <sup>rd</sup> , 2032	July 23 <sup>rd</sup> , 2013-July 22 <sup>nd</sup> , 2033
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in July 2014 (stock compensation type)	SSR issued in July 2015 (stock compensation type)
Date for resolution	July 4 <sup>th</sup> , 2014 (Board of Directors)	July 7 <sup>th</sup> , 2015 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:8 Employees of the Parent Company (executive officers): 2	Directors of the Parent Company:8 Employees of the Parent Company (executive officers): 1
Number of SSR **	209 [209] *Note 1	282 [282] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 20,900 [20,900] *Note 1	Common Stock , 28,200 [28,200] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 23 <sup>rd</sup> , 2014-July 22 <sup>nd</sup> , 2034	July 23 <sup>rd</sup> , 2015-July 22 <sup>nd</sup> , 2035
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in July 2016 (stock compensation type)	SSR issued in July 2017 (stock compensation type)
Date for resolution	July 6 <sup>th</sup> , 2016 (Board of Directors)	July 7 <sup>th</sup> , 2017 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:8 Employees of the Parent Company (executive officers): 1	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 3
Number of SSR **	291 [291] *Note 1	365 [365] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 29,100 [29,100] *Note 1	Common Stock , 36,500 [36,500] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 22 <sup>nd</sup> , 2016-July 21 <sup>st</sup> , 2036	July 25 <sup>th</sup> , 2017-July 24 <sup>th</sup> , 2037
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in July 2018 (stock compensation type)	SSR issued in August 2019 (stock compensation type)
Date for resolution	July 6 <sup>th</sup> , 2018 (Board of Directors)	July 18 <sup>th</sup> , 2019 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 3	Directors of the Parent Company:6 Employees of the Parent Company (executive officers): 5
Number of SSR **	369 [369] *Note 1	442 [442] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 36,900 [36,900] *Note 1	Common Stock , 44,200 [44,200] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share	1 per share
Exercise period for SSR **	July 24 <sup>th</sup> 2018-July 23 <sup>rd</sup> , 2038	August 3 <sup>rd</sup> , 2019 – August 2 <sup>nd</sup> , 2039
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8	
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.	
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4	
Matters relating to the provisions for acquisition of SSR	*Note 5	

	SSR issued in July 2020 (stock compensation type)
Date for resolution	July 15 <sup>th</sup> , 2020 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Parent Company: 6 Employees of the Parent Company (executive officers): 5
Number of SSR **	445 [445] *Note 1
Type and number of shares to be issued upon the exercise of SSR (shares) **	Common Stock , 44,500 [44,500] *Note 1
Amount to be subscribed upon the exercise of the SSR (yen) **	1 per share
Exercise period for SSR **	July 31 <sup>st</sup> 2020-July 30 <sup>th</sup> , 2040
Upon the exercise of the SSR, issue price and amount to be credited to common stock (yen) **	Issue price 1 Amount to be credited to common stock *Note 3
Conditions for exercise of the SSR	* Note 8
Transfer of the SSR	Approval by the Board of Directors is required in order to transfer SSR.
Matters relating to the issuance of SSR as a result of organizational restructuring action	*Note 4
Matters relating to the provisions for acquisition of SSR	*Note 5

\*\* All statements above are as of the end of FY. There are no changes from ending date of FY2021/3 to as of the end of the month prior to the date this report was submitted (May 31<sup>st</sup>, 2021) except stated in parentheses [ ].

Notes:

1. The number of shares issued upon the exercise of the SSR (hereafter referred to as “Number of Shares Granted”) is 100. Meanwhile, the Number of Shares granted may be adjusted by following adjustment methods.

(Adjustment of the Number of Shares Granted)

If the Company conducts a stock split or reverse stock split, the Number of Shares Granted shall be adjusted according to the following formula, with resulting fractions less than 1 share to be rounded down.

$$\text{Adjusted Number of Shares Granted} = \text{Number of Shares Granted before adjustment} \times \text{Stock split (or reverse stock split) ratio}$$

In addition, if another unavoidable circumstance which requires adjusting the Number of Shares Granted occurs, the Number of Shares Granted shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

2. The amount to be paid by the holders upon the exercise of each share subscription right shall be the amount calculated by multiplying the amount to be subscribed per share (hereafter the “Exercise Price”) for the Company’s shares of common stock that may be issued upon the exercise of SSR by the number of shares granted. However, if any of the cases below takes places, the Exercise Price shall be adjusted by applying the following formulas, with resulting fractions less than one yen to be rounded up.

(1) A stock split or reverse stock split of the Company stock occurs.

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Stock split (or reverse stock split) ratio}}$$

(2) If the Company issues shares of new common stock or disposes of its treasury stock at prices less than the then-current market price (excluding the exercise of SSR).

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of new shares to be issued (disposed of)} \times \text{Issue (disposal) price per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of new shares to be issued}}$$

(3) If another unavoidable circumstance which requires adjusting the Exercise Price occurs, the Exercise Price shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

3. The amount of capital increase occurring when shares are issued upon exercise of a share subscription right shall be 1/2 of the capital increase limit as calculated according to Article 17, Item 1 of the Corporate Calculation Rules, with resulting fractions less than one yen to be rounded up.

4. In the event that the Company experiences a merger (only if the company is eliminated as a result of the merger), absorption-type company split or incorporation-type company split (in each case only if the Company becomes a split company), or stock swap or stock transfer (in each case only if the Company becomes a wholly owned subsidiary) (the above events hereafter collectively referred to by the general term “Structural Reorganization”), then the holders of SSR remaining at the time the Structural Reorganization takes effect (hereafter referred to as “Remaining SSR”) shall be provided with SSR based on the conditions below for the public company as indicated in Article 236, Item 1, Number 8, (a) - (e) of the Corporation Law of Japan (hereafter referred to as “Reorganized Company”).

However, the provision of SSR for the Reorganized Company in accordance with the conditions below shall occur only when such provision is specified in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, stock swap agreement, or stock transfer plan.

(1) Number of SSR for the Reorganized Company to be provided

The number of provided SSR shall be the same as the number of Remaining SSR possessed by the holder of the Remaining SSR.

(2) Type of Reorganized Company shares issued upon exercise of the SSR

The issued shares shall be common stock of the Reorganized Company.

(3) Number of Reorganized Company shares issued upon exercise of the SSR

The number of issued shares shall be determined in accordance with “Number of shares issued upon exercise of stock acquisition rights” in the table above, with consideration for the conditions and other details of the Structural Reorganization.

(4) Amount to be paid by the holder of the share subscription right upon exercise of that right

The amount to be paid by the holder of the provided share subscription right upon exercise of that right shall be the amount calculated by multiplying the post-reorganization paid-in amount (determined by adjusting the Exercise Price with consideration for the conditions and other details of the Structural Reorganization) by the number of Reorganized Company shares issued upon exercise of the stock acquisition rights as determined according to (3) above.

For the post-reorganization paid-in amount of SSR provided as stock compensation, the amount shall be 1 yen per share of the Reorganized Company.

(5) Period in which the SSR can be exercised

The period shall be from either the later of the start date determined in “Exercise period for SSR” above or the date on which the Structural Reorganization took effect until the end date determined in “Exercise period for stock acquisition rights” above.

(6) Restrictions on acquisition of SSR by transfer

The acquisition of SSR by transfer requires approval by a resolution of the Reorganized Company Board of Directors.

(7) Provisions for acquisition of the SSR

This shall be determined in accordance with “Items related to the provisions for acquisition of SSR” above.

(8) Other conditions concerning exercise of the SSR

These shall be decided in accordance with “Conditions for exercise of the SSR” above.

5. If any of resolutions (1) - (5) listed below is approved by a general meeting of Shareholders of the Company or, when a resolution of the general meeting of Shareholders is not required, if a resolution by the Board of Directors or decision by a representative executive officer occurs, the Company shall be permitted to acquire SSR at no cost on the date decided separately by the Board of Directors.

(1) A resolution approving a merger agreement by which the Company becomes an extinct company

(2) A resolution approving a split agreement or split plan by which the Company becomes a split company

(3) A resolution approving a stock swap agreement or stock transfer plan by which the Company becomes a wholly owned subsidiary

(4) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of any shares issued by the Company

(5) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of shares which were issued by the company upon exercise of SSR, or in order for the Company to acquire all of this class of stock pursuant to a resolution by the general meeting of Shareholders.

6. Categories and numbers of persons to whom rights are granted will be separately defined and ratified at the Board of Directors meeting.

7. Exercise Price shall be the higher of 1) averaged share price, which shall be calculated from the closing price of the shares at Tokyo Stock Exchange each day for a month before the month of exercise, multiplied by 1.025, or 2) closing price of the shares on the day before the day of exercise.

8. (1) The SSR can only be exercised when the holder of the SSR has lost his/her position as a director of the Company (including executive officers of the Company with a committee system of corporate governance) or executive officer. However, the SSR can be exercised only during the period from the date following the day on which the holder of the SSR lost his/her position (hereafter referred to as the "Right Exercise Start Date") until the day when 7 days have passed after the Right Exercise Start Date (or if that day is not a business day, the preceding business day).

(2) In the event that the holder of the SSR dies, the heirs of the holder may exercise the SSR. However in this case, the SSR can be exercised only during the period from the date following the next date of the holder's death until the day when 6 months have passed from this date (or if that day is not a business day, the preceding business day).

(b) Contents of the rights plan  
Not applicable.

(c) Other information about SSR  
Not applicable.

- (3) Exercises of Moving strike convertible bonds and others  
Not applicable.

(4) Changes in the number of shares issued, the amount of common stock and related others

Period	Changes in the number of shares issued (shares)	Balance of the number of shares issued (shares)	Changes in common stock (MJPY)	Balance of common stock (MJPY)	Changes in additional paid-in capital (MJPY)	Balance of additional paid-in capital (MJPY)
April 1 <sup>st</sup> , 2016- March 31 <sup>st</sup> , 2017 *Note 1	72,200	41,495,581	87	10,462	87	17,834
April 1 <sup>st</sup> , 2017- March 31 <sup>st</sup> , 2018 *Note 1	80,300	41,575,881	99	10,561	99	17,933
April 1 <sup>st</sup> , 2018- March 31 <sup>st</sup> , 2019 *Note 1	22,500	41,598,381	29	10,591	29	17,963
April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020 *Note 1	97,000	41,695,381	112	10,703	112	18,075
April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021 *Note 1	64,600	41,759,981	115	10,818	115	18,190

Note:

1. Breakdown by reason for changes in the number of shares issued, the amount of capital, and the amount of paid-in capital

Date	Reason for change	Changes in the number of shares issued (shares)	Changes in common stock (MJPY)	Changes in the amount of paid-in capital (MJPY)
April 1 <sup>st</sup> , 2016 - March 31 <sup>st</sup> , 2017	Increase due to exercise of SSR	72,200	87	87
April 1 <sup>st</sup> , 2017 - March 31 <sup>st</sup> , 2018	Increase due to exercise of SSR	80,300	99	99
April 1 <sup>st</sup> , 2018 - March 31 <sup>st</sup> , 2019	Increase due to exercise of SSR	22,500	29	29
April 1 <sup>st</sup> , 2019 - March 31 <sup>st</sup> , 2020	Increase due to exercise of SSR	97,000	112	112
April 1 <sup>st</sup> , 2020 - March 31 <sup>st</sup> , 2021	Increase due to exercise of SSR	64,600	115	115

Note2: Due to exercise of SSR, the number of shares issues increased by 27,900 shares and common stock and paid-in capital increased by ¥53 million each during April 1<sup>st</sup>, 2021 to May 31<sup>st</sup>, 2021.

(5) Details of shareholders

At March 31<sup>st</sup>, 2021

Classification	Status of shares (1 unit = 100 shares)								Shares under 1 unit (shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders (person)	-	51	41	177	246	27	12,282	12,824	-
Number of shares held (units)	-	172,326	7,947	29,918	117,916	212	88,879	417,198	40,181
Ratio (%)	-	41.31	1.91	7.17	28.26	0.05	21.30	100.00	-

Notes:

- All statements above are based on the cut-off date for Annual general meeting of the shareholders.
- Treasury stock of 715,164 shares is included in "Individuals and other" for 7,151 units and in "Shares under 1 unit" for 64shares. The effective number of Treasury stock as of March 31<sup>st</sup>, 2021 was also 715,164 shares.

## (6) Principal shareholders

At March 31<sup>st</sup>, 2021

Name	Address	Number of Shares held (1,000s)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. Trust account	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	5,720	13.94
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	3,187	7.77
Custody Bank of Japan, Ltd. (Trust account 9)	1-8-12 Harumi, Chuo-ku, Tokyo	2,675	6.52
The Precise Measurement Technique Promotion Foundation	3-1-6-203 Kyonan-cho, Musashino-shi, Tokyo	1,058	2.58
SSBTC Client Omnibus Account (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited, Custody Sales Department)	One Lincoln Street, Boston MA, USA 02111 (3-11-1 Nihombashi, Chuo-ku, Tokyo)	769	1.88
JP Morgan Chase Bank 385632 (Standing Proxy: Mizuho Bank Ltd., Settlement & Clearing Services Department)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (2-15-1 Konan, Minato-ku, Tokyo)	684	1.67
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	672	1.64
Ayako Yano	Chiyoda-ku, Tokyo	614	1.50
Hideko Takagi	Mitaka-shi, Tokyo	610	1.49
Custody Bank of Japan, Ltd. (Trust account 5)	1-8-12 Harumi, Chuo-ku, Tokyo	516	1.26
Total	-	16,508	40.25

## Notes:

- All statements above are based on the cut-off date for Annual general meeting of the shareholders.
- The following corporations have submitted a Large Shareholding Report (change report). The reports of the number of shares held have been submitted on the dates listed below. However, because it was unable to verify the actual number of shares held at the end of FY2021/3, they are not considered to be among the "Major shareholders" above.

Name	Address	Shares held (1,000s)	Shares held as a percentage of total shares issued (%)	Reported date (Reporting obligation date)
FIL Investments (Japan) Limited	7-7-7 Roppongi, Minato-ku, Tokyo	3,311	7.94	May 12 <sup>th</sup> , 2020 (April 30 <sup>th</sup> , 2020)
Sumitomo Mitsui DS Asset Management Company, Limited (*3)	1-17-1 Toranomon, Minato-ku, Tokyo	1,638	3.93	Oct. 22 <sup>nd</sup> , 2020 (Oct. 15 <sup>th</sup> , 2020)
Nomura Asset Management Co., Ltd.	2-2-1 Toyosu, Koto-ku, Tokyo	2,797	6.71	January 8 <sup>th</sup> , 2021 (Dec. 31 <sup>st</sup> , 2020)

(\*1) Co-ownership between Sumitomo Mitsui DS Asset Management Company, Limited (1,158 thousand shares) and Sumitomo Mitsui Banking Corporation (479 thousand shares).

## (7) Status of voting rights

## [1] Shares issued

At March 31<sup>st</sup>, 2021

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with limited voting rights (treasury stock, etc.)	-	-	-
Shares with limited voting rights (others)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock: 715,100	-	-
Shares with full voting rights (others)	Common stock: 41,004,700	410,047	-
Shares under one unit	Common stock: 40,181	-	-
Total shares issued	41,759,981	-	-
Total voting rights held by all shareholders	-	410,047	-

## Notes:

1. All statements above are based on the cut-off date for Annual general meeting of the shareholders.
2. The common stock in the “Shares under one unit” includes 64 shares of treasury stock owned by the Parent Company.

## [2] Treasury stock, etc.

At March 31<sup>st</sup>, 2021

Shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Percent of total shares issued (%)
(Treasury stock) Tokyo Seimitsu Co., Ltd.	2968-2 Ishikawa-machi, Hachioji-shi, Tokyo	715,100	-	715,100	1.71
Total	-	715,100	-	715,100	1.71

Note: All statements above are based on the cut-off date for Annual general meeting of the shareholders.



## 2 [Acquisition of treasury stock]

Type of shares: Acquisition of shares of common stock under Article 155, Paragraph 7 of the Company Law of Japan

(1) Acquisition of treasury stock based on a resolution approved at the general meeting of shareholders  
Not applicable.

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors

Classification	Number of shares(shares)	Total amount (MJPY)
Resolution approved by the Board of Directors (held on November 11 <sup>th</sup> , 2020) (Acquisition period: Nov. 12 <sup>th</sup> , 2020 – March 31 <sup>st</sup> , 2021) (A)	Maximum 800,000	Maximum 3,000
Treasury stock acquired before FY2021/3	-	-
Treasury stock acquired during FY2021/3 (B)	677,400	2,999
Total number of shares and amount outstanding ((A)-(B))	122,600	0
Unexercised ratio at ending date of FY2021/3 (%)	15.32	0.01
Treasury stock acquired during the period for acquisition	-	-
Unexercised ratio at the date this report was submitted (%)	15.32	0.01

(3) Acquisition of treasury stock not based on a resolution approved at the general meeting of shareholders or Board of Directors

Classification	Number of shares(shares)	Total amount (MJPY)
Treasury stock acquired during FY2021/3	557	2
Treasury stock acquired during the period for acquisition	68	0

Note: “Treasury stock acquired during the period for acquisition” does not include the number of shares under 1 unit purchased during the period from June 1<sup>st</sup>, 2021 to the filing date of this Annual Securities Report (*Yuukashoken-houkokusho*).

(4) Current status of disposition and holding of acquired treasury stock

Classification	FY2021/3		Period for acquisition	
	Number of shares	Total disposition amount (MJPY)	Number of shares	Total disposition amount (MJPY)
Acquired treasury stock for which subscribers were solicited	-	-	-	-
Acquired treasury stock which was disposed	-	-	-	-
Acquired treasury stock for which transfer of shares was conducted in association with merger, stock exchange, or corporate separation.	-	-	-	-
Others (-)	-	-	-	-
Number of shares of treasury stock held	715,164	-	715,232	-

Note: “Number of shares of treasury stock held during the period for acquisition” does not include shares under 1 unit which purchased or sold from June 1<sup>st</sup>, 2021 to the filing date of this Annual Securities Report (*Yuukashoken-houkokusho*).

### 3 [Dividend policy]

The Parent Company believes the most important management task is to enhance its corporate value and constantly distribute profits to shareholders through a business model of providing World's No. 1 products based on state-of-the-art technologies in growth fields.

The Parent Company makes it a basic policy to distribute dividends from surplus twice annually (an interim dividend and a year-end dividend). Dividends are determined with consideration for various factors, including consolidated business results, financial position, investments for business expansion, and shareholders' long-term prospects.

For FY2021/3, the Parent Company paid ¥104 per share as the dividend, including an interim dividend (¥42 per share) paid on December 14<sup>th</sup>, 2020. The Group considers maintaining a core policy regarding the distribution of profits linked to the business performance of the Group and aims to pay stable dividends targeting a consolidated dividend payout ratio of 35%. Also, considering the aim to provide stable and continuous dividend payments, the Parent Company deems to maintain an annual dividend of ¥20 per share regardless of consolidated profits of the Parent Company. However, it is at the discretion of the Board to review this basic policy if the Parent Company experiences losses in two consecutive years.

Retained earnings will be used effectively for the research and development, optimization of production, sophistication of Information security systems, expansion of overseas sales, new business development, and M&A investment. Also, since our product lines are greatly impacted by economic fluctuations, the Parent Company considers it important to strengthen our financial position and prepare for possible economic downturns.

The Parent Company has included the following statement in its articles of incorporation. "Pursuant to a resolution of the Board of Directors, interim dividends may be paid to shareholders or registered pledges listed or recorded in the latest shareholder registry on September 30<sup>th</sup> of each year." The Board of Directors acts as the deciding body for the interim dividend, while the general meeting of Shareholders acts as the deciding body for the year-end dividend.

(Note): Dividends for which the record date belongs to the current FY are as follows.

Date of resolution	Total dividend amount (MJPY)	Dividend per share (yen)
November 11 <sup>th</sup> , 2020 Resolution of the Board of Directors meeting	1,750	42.00
June 21 <sup>st</sup> , 2021 Resolution of the annual general meeting of shareholders	2,544	62.00

## 4 [Corporate governance and others]

### (1) Status of Corporate Governance

#### (1) Corporate Governance philosophy

Tokyo Seimitsu's philosophy is "Growing together with partners and customers by collaborating technology, knowledge and information to create the world's No.1 products." The Group seeks to achieve sustainable growth and an increase of corporate value in a context of rapidly innovating technology and a globalized economy – as reflected in its corporate brand "ACCRETECH". To realize this goal, the Group believes that strong corporate governance is essential to improving corporate value and conducting fair and transparent business activities as a global corporate citizen, and has established the following five (5) core policies for corporate governance.

- I. The Board of Directors strives to properly perform its roles and responsibilities to make transparent, fair, timely and committed decisions.
- II. The Group respects the rights of shareholders and ensures the equality of shareholders.
- III. The Group strives to have constructive dialogue with shareholders on investment policy that considers mid to long-term returns for shareholders.
- IV. The Group strives to maintain appropriate collaboration with stakeholders other than shareholders.
- V. The Group strives to ensure proper information disclosure and transparency.

#### (2) Overview of Corporate governing body and supervisory structures

##### I. Overview of supervisory structures

The Company applies a structure called the Audit and Supervisory Committee, because the Company Group believes such a governing body is the most appropriate one to realize a suitable balance between strengthening auditing/monitoring of director's business executions and timeliness, streamlining and optimizing of decision making.

The Board of Directors is composed of 9 directors (not serving as an Audit and Supervisory Committee member) including 2 external corporate directors, and 4 Audit and Supervisory Committee members including 3 external corporate directors. The Board of Directors holds Board Meetings once a month as routine, and may hold extraordinary Board Meetings, as necessary. At these Board Meetings, important matters stipulated among the law, article of incorporation, regulations related to Board of Directors and monthly, quarterly, and/or annually business performance are being deliberated and reviewed. In addition, each director oversees other directors' business decision making.

The Audit and Supervisory Committee cooperates with Audit dept. (mainly for internal audit) and the Financial Auditor, and audits the ratification making process of the Board of Directors and business practices of each Director.

Note that the members of the Board of Directors and the Audit and Supervisory committee are shown on (2) Status of Directors and Auditors (1) Directors' List. Chairperson of the Board of Director is Hitoshi Yoshida, and of the Audit and Supervisory Committee is Shinji Akimoto.

The Parent Company has also established the following committees and overview system to strengthen corporate governance. Names of committees/systems, numbers of members, chairpersons, and purposes and functions are shown below.

Names of committee (or the systems)	Number of members	Chairperson		Purpose and Function
		Title	Name	
Risk Compliance Committee	23 members	Representative Director	Koichi Kawamura	Maintain and evaluate status of internal organization, and educate employees to adhere to the compliance.
Risk Management Committee	23 members	Representative Director	Hitoshi Yoshida	Understand and manage risks that may affect business operations, and carry out activities against such risks.
Information Security Committee	24 members	Representative Director	Koichi Kawamura	Protect information assets from falsification, destruction and/or leakage, understand and manage countermeasures from such potential risks, educate employees and audit such systems.
CSR Committee	29 members	Representative Director	Koichi Kawamura	Evaluate entire corporate activities from the respect of human rights and/or impact to entire global environment perspective, aware of the responsibility of the Group, and to proceed with monitoring status, evaluating emerging situations, and educating necessary personnel.
Whistleblower system	-	-	-	System to accept reports or provide consultation on incorrect behaviors that are against social norms or corporate ethics. Appropriate measures are taken to protect whistleblowers and maintain transparency.

### III. Reasons for establishing overview systems and structures

Overall these systems aim to strengthen the entire Corporate Governance of the Group and to assist and improve effectiveness of the Board of Directors, to keep operations transparent, improve efficiency, and to increase corporate value.

#### (3) Other systems of Corporate Governance

I. The Parent Company operates Internal Control System described as follows, which has been ratified by the Board of Director in May, 2006 (most recently revised in May, 2021).

##### 1. Core management policy

Our corporate philosophy is "to create the world's No.1 products and grow with our partners and customers by integrating excellent technical knowledge, wisdom and information available in the world." The corporate motto of Tokyo Seimitsu (the "Company") is "win-win relationships create the world's No. 1 products." The Company will reinforce its corporate governance and compliance, and ensure the sound and transparent management of the Group to build win-win relationships with all stakeholders such as customers, suppliers, shareholders, and employees for long-term sustainable growth.

##### 2. A framework to ensure that performance of duties of Directors and employees of the Company and its subsidiaries is in compliance with relevant laws and regulations as well as the articles of incorporation

i. To appropriately and soundly perform duties as a whole, from a viewpoint to further strengthen corporate governance, the Boards of Directors of the Company and its subsidiaries seek to establish an effective internal control system and a structure to comply with relevant laws, regulations and the articles of incorporation.

ii. The Company and its subsidiaries have established the ACCRETECH Group Code of Conduct which defines the standards of behavior to ensure socially responsible conduct by Directors and employees of the Company and its subsidiaries, based on a high level of morality, pursuant to relevant laws and regulations as well as the articles of incorporation and internal regulations. Through the ACCRETECH Group Code of Conduct, the Company aims to permeate and establish awareness of corporate ethics among the Directors and employees of the Company and its subsidiaries.

iii. The Company has established the Compliance Committee headed by the Head of Administration Companies, upon an assignment of Compliance officer(s) and Compliance manager(s) at the Company and each subsidiary, to improve the compliance system and understand and address important issues in all business activities by the Directors and employees of the Company and its subsidiaries.

iv. The Company has established a system under which, if any problem concerning compliance arises, the nature and possible measures of the problem will be reported from Compliance officer(s) through the Compliance Committee without delay to the Boards of Directors and Audit and Supervisory Committee through the Director in charge of compliance and those responsible for each Head of Companies.

v. The Company has established the Audit Dept. under the direct management of the President & CEO. This Department conducts internal audits to examine whether operations of the Company and its subsidiaries are conducted in compliance with relevant laws and regulations as well as internal rules, and assess the validity of control.

vi. The Company has established an internal whistleblower system to accept reports or provide consultation on incorrect behaviors that are against social norms or corporate ethics. Appropriate measures are taken to protect whistleblowers and maintain transparency.

vii. The Audit and Supervisory Committee audits the effectiveness and functions of the internal control system.

##### 3. A framework aimed at preservation and control of information relating to the performance of duties by Directors of the Company

i. The Directors of the Company appropriately preserve and control information and documents pertaining to performance of duties as provided in the Core Information Security Policy.

ii. The information control system is designed to allow access upon request of Directors..

##### 4. A framework including rules concerning the control of risk of loss of the Company and its subsidiaries

i. The Company seeks to prevent potential risk. When risk becomes apparent, all employees including the President quickly and calmly respond to it.

ii. The Company has established Risk Control Rules to identify and control risks related to the performance of duties at the Company and its subsidiaries, and has created the Risk Control

- Committee head by the President & CEO. This Committee puts in place a risk management system that prevents and gets prepared for potential risks pursuant to the Risk Control Rules.
- iii. If the Audit Dept. finds any violation of laws, regulations, the articles of corporation or internal rules, or any performance of duties that may cause a loss due to some other reasons at the Company or its subsidiaries, the General Manager of the Audit Dept. immediately notifies the President & CEO and tells employees to implement corrective or improvement actions.
  - iv. If a risk arises, when necessary, the Emergency Headquarters headed by the President & CEO is established and measures are immediately taken to remedy the situation.
5. A framework to ensure the efficient performance of duties by Directors of the Company and its subsidiaries
    - i. The Board of Directors of the Company and its subsidiaries determine material issues pertaining to management policy and other items and oversees the performance of duties by the Directors, in accordance with the internal rules including those of the Boards of Directors. They have a framework to ensure the distribution of sufficient materials related to the agenda to all the Directors.
    - ii. The Company has in place an executive officers system to make speedy decisions on product development planning and quick and flexible response to market trends. The Executive Officers oversee the progress and implementation of business plans at regular Executive Management and Executive Officers' Meetings.
    - iii. The Company and its subsidiaries delegate authority and responsibility clearly defined by the rules on job authority and functions, and other rules in performing duties.
  6. A framework to ensure the proper performance of other duties at the Company and its subsidiaries
    - i. The Company has established the Rules on Matters to be Declared or Reported to Tokyo Seimitsu from Subsidiaries, based on which important issues are reported to the Company, and some require the approval of the President & CEO of the Company or the Board of Directors.
    - ii. To facilitate this framework, the Company provides support and advice to its subsidiaries, and if necessary, dispatches Directors and/or Auditors to monitor and/or audit its business operations.
    - iii. The Management Support Dept. under the direct control of the President & CEO collects information on important issues and serious risks at the subsidiaries to share information between the Company and the subsidiaries and properly perform duties in the interest of both the Company and subsidiaries.
    - iv. If the Management Support Dept. identifies a risk of loss at a subsidiary, it immediately reports to the Board of Directors and divisions concerned the nature, degree and impact of the loss.
    - v. The Company's Audit and Supervisory Committee and the Company's Audit dept. actively share information with the Auditor and Audit Dept. and other relevant divisions of the Company or subsidiaries in order to earlier detect and prevent improper transaction or accounting related to the Company and subsidiaries.
  7. A framework to ensure the credibility of financial statements
    - i. The Company has established the Core Policy on Internal Control over Financial Reporting to sufficiently reduce risks against the credibility of financial reporting by the Company and its subsidiaries.
    - ii. The Company and its subsidiaries strive to ensure the validity of financial reporting by segregating responsibilities and conducting daily monitoring in the performance of their daily duties.
    - iii. The Internal Control Committee and the Audit Dept. evaluate and check the validity of internal control systems related to financial reporting at the Company and its subsidiaries.
    - iv. For matters which are highly likely to have material impact on the financial situation, the Directors (excluding the Audit and Supervisory Committee members), Audit and Supervisory Committee members, and Financial Auditors properly share information among themselves.
  8. Matters on the Assignment of Employees to Assist the Audit and Supervisory Committee
 

The Company assigns around two employees belonging to the Management Support Dept. or Audit Dept. to assist the Audit and Supervisory Committee when necessary.
  9. Matters on Ensuring the Independence of Employees who Assist the Audit and Supervisory Committee from the Directors (excluding the Audit and Supervisory Committee members), and those on the Effectiveness of Instructions of the Audit and Supervisory Committee to such Employees
    - i. The employees who assist the Audit and Supervisory Committee described in the preceding paragraph do not receive any instructions from superiors of the division they belong to for matters for which they receive instructions from the Audit and Supervisory Committee.
    - ii. The appointment and transfer of the employees who assist the Audit and Supervisory Committee requires the consent of the Audit and Supervisory Committee.

- iii. To evaluate the employees who assist the Audit and Supervisory Committee, opinions are obtained from the Audit and Supervisory Committee.
10. Frameworks including those concerning reporting to the Audit and Supervisory Committee of the Company by the Directors and employees of the Company and its subsidiaries, or the Auditors of the Subsidiaries
- i. The Directors and employees of the Company and its subsidiaries, and the Auditors of subsidiaries make reports or provide information as necessary, as determined by the Audit and Supervisory Committee of the Company, on request of the Audit and Supervisory Committee.
  - ii. The matters that may require reporting or information sharing as described in the preceding paragraph are as follows:
    - Internal Control System activities of the Audit Dept. and Management Support Dept.
    - Activities of the Auditors and internal audit divisions of subsidiaries
    - Major accounting policy and standards of the Company, and changes to them
    - Business results and forecasts to be announced, and contents of important documents to be disclosed
    - Management of the internal whistleblower system and reported contents
    - Distribution of internal Ringi (Ratification request) and minutes of meetings requested by the Audit and Supervisory Committee
  - iii. The Company and its subsidiaries ensure that their Directors and employees and the Auditors of subsidiaries are not treated unreasonably because of such reporting or information provision to the Audit and Supervisory Committee.
11. Other frameworks to ensure effective auditing by the Audit and Supervisory Committee
- i. The Representative Directors of the Company hold regular meetings with the Audit and Supervisory Committee members as appropriate to exchange opinions on the management of the Company and communicate each other, separately from the reporting of the performance of duties.
  - ii. The Board of Directors of the Company ensures that the Audit and Supervisory Committee members participate in important meetings such as Executive Management Meetings to ensure proper performance of their duties.
  - iii. The Company shall bear all the necessary expenses or debts for the Audit and Supervisory Committee members to perform their duties. Upon claim of advance payment of such expenses pursuant to the Companies Act., it shall immediately pay after confirming with the relevant divisions.
12. Basic Views and Activities to Severe Relationships with Anti-social Groups
- i. The Company and its subsidiaries will not have any relationships with anti-social groups. When contacted by such groups, the Company and its subsidiaries provide information to related organizations such as police, and work with attorneys to take steadfast action against unreasonable or violent demand as an organization.
  - ii. The ACCRETECH Group Code of Conduct prohibits any relationships with anti-social groups. The Company and its subsidiaries work to collect updated information from the police and shareholder registry administrators and other enforcement bodies. The Company has identified a section in charge of responding to these issues and collaborates with external organizations when necessary.

- II. Outline of the contract between the Parent Company and directors (excluding those who have executive authority over operations) as stipulated in Article 427, No. 1 of the Company Law of Japan
- As stipulated in Article 427, No. 1 of the Company Law of Japan, the Parent Company holds a contract with external corporate Directors Shozo Saito and Kiyoshi Takamasu , and with Shinji Akimoto, Yoshiro Hayashi, Yuriko Sagara and Masaki Sunaga who are Directors serving as Audit and Supervisory Committee members. The Outline of the contract is as follows.
1. Limited indemnity  
Where external corporate Directors and/or Directors serving as an Audit and Supervisory Committee member violate in Article 423, No. 1 of the Company Law of Japan, forgetting the duties of external corporate Directors/Auditors, and make losses to the Group, if it was a benevolent act and without obvious negligence and confirmed, then the upper limit of indemnity shall be set as the limit of indemnity as stipulated in Article 425, No. 1 of the Company Law of Japan.
  2. Ratification of compliance with limited responsibility  
The Parent Company will ratify if the acts of any external corporate Directors and/or Directors serving as Audit and Supervisory Committee members fulfill the limited responsibility.
  3. Approval from shareholders' meeting  
If an external corporate Director and/or Director serving as Audit and Supervisory Committee member's acts cause losses to the Group, over the range as described by the limited liability, and if relevant contracts limited these Director's liability, these Directors shall not receive any financial benefits including, but not limited to retirement benefits from the Company without approval from a shareholders meeting.
  4. Expiration of limited liability contracts  
If an external corporate Director and/or Director serving as an Audit and Supervisory Committee member is appointed to the position of director, executive officer, and/or employee of the Parent Company and/or its subsidiaries, the contract shall be nullified thereafter.
- III. Outline of the Directors and Officers Liability Insurance
- The Parent Company has in place Directors and Officers Liability Insurance and all of the Parent Companies directors are insured. This insurance covers damages arising from insured directors' responsibilities on the execution of directors' duties or requests for pursuing that responsibility. However, there are exceptions for damage caused intentionally or due to gross negligence. The Parent Company pays this insurance fee.
- IV. Authority for the Board of Directors to decide resolutions of the general meeting of Shareholders
1. In order for the Parent Company to be able to carry out its capital strategy in a flexible manner that is appropriate for changes in the business environment, the articles of incorporation state that "under the provisions of Article 165, Paragraph 2 of the Company Law of Japan, the Parent Company may, by resolution of the Board of Directors, acquire its own shares through market trading and other means that are identified in Paragraph 1 of the same article."
  2. In order to return profits to the shareholders in a flexible manner, the articles of incorporation state that "the Parent Company may, by resolution of the Board of Directors, pay an interim dividend to shareholders or registered pledgees listed or recorded in the latest shareholder registry on September 30<sup>th</sup> of each year."
- V. The maximum number of directors as determined by the articles of incorporation
- The Parent Company determines the maximum number of directors (excluding Director serving as Audit and Supervisory Committee members) as 15, and the maximum number of directors serving as Audit and Supervisory Committee member as 5, as per the articles of incorporation.
- VI. Resolutions to appoint directors as determined by the articles of incorporation
- The articles of incorporation of the Parent Company require that "resolutions which appoint directors must be made at meetings where shareholders with a minimum of 1/3 of the exercisable shareholder voting rights are present, and must be approved by a majority of the present voting rights," and also that such resolutions "shall not be decided by cumulative voting."
- VII. Requirements for special resolutions of the general meeting of Shareholders
- In order to ensure the smooth operation of the general meeting of Shareholders by reducing the quorum required for a special resolution, the articles of incorporation state that "the resolutions which are identified in Article 309, Paragraph 2 of the Company Law of Japan require the attendance of 1/3 or more of shareholders with voting rights, and shall be decided by a minimum 2/3 majority of the voting rights present."

## (2) Status of Directors and Auditors

## (1) Directors' List

Number of Male directors: 12 Female directors: 1 (Female-to-number of Directors ratio; 8%)

Function and Position	Name	Date of birth	Career profile		Term of office	Number of shares owned (1,000s)
Representative Director, President and CEO	Hitoshi Yoshida	Nov. 26 <sup>th</sup> , 1959	April 1983 April 2002 June 2005 Oct. 2007 June 2011 April 2015	Joined the Parent Company Executive Officer of Metrology Company Director President of Metrology Company Representative Director President and CEO (to present)	*3	7
Representative Director, Vice President and COO Head of Semiconductor Company	Ryuichi Kimura	Dec. 30 <sup>th</sup> , 1962	April 1986 April 2005 June 2005 Aug. 2007 June 2011 April 2015 April 2019	Joined the Parent Company Executive Officer of Semiconductor Company Director President of Semiconductor Company Representative Director Vice President and COO (to present) Head of Semiconductor Company (to present)	*3	2
Representative Director and CFO Head of Administration Company	Koichi Kawamura	Oct. 5 <sup>th</sup> , 1957	April 1980  April 2008  June 2009 April 2011 June 2015 April 2019	Joined The Fuji Bank Limited. (now Mizuho Bank, Ltd.)  Joined the Parent Company, Senior Executive officer of Administration Company Director President of Administration Company Representative Director and CFO(to present) Head of Semiconductor Company (to present)	*3	6
Director Senior Executive Officer of Semiconductor Company	Akihiro Endo	Jan. 10 <sup>th</sup> , 1958	April 1981 Oct. 2002 Oct. 2005 April 2009 April 2012  June 2012	Joined Oki Electric Industry Co., Ltd. Joined the Parent Company Executive Officer of Semiconductor Company General manager of Technology div. (to present) Senior executive officer of Semiconductor Company (to present) Director (to present)	*3	3
Director Managing Executive Officer of Semiconductor Company	Takahiro Hokida	April 24 <sup>th</sup> , 1962	July 1986 Oct. 1995 April 2010 April 2012  April 2014  June 2015	Joined YDK Co., Ltd Joined the Parent Company Executive officer of Semiconductor Company General Manager of Test Technology Division (to present) Managing executive officer of Semiconductor Company (to present) Director (to present)	*3	2
Director Head of Metrology Company	Shuichi Tsukada	April 18 <sup>th</sup> , 1959	April 1983 April 2015 April 2021 June 2021	Joined the Parent Company Executive Officer, Metrology Company Head of Metrology Company (to present) Director (to present)	*3	
Director (Part-time)	Wolfgang Bonatz	Dec. 21 <sup>st</sup> , 1964	Oct. 1992  April 1996 Nov. 1999 Oct. 2001 June 2002	Joined Tokyo Seimitsu Europe GmbH (now subsidiary Accretech (Europe) GmbH). Operations Manager Director President (to present) Director (part-time) of the Parent Company (to present)	*3	4
Director (Part-time)	Shozo Saito	July 9 <sup>th</sup> , 1950	June 2007  June 2010  June 2012  June 2015	Executive Officer, Corporate Senior Vice President of Toshiba Corporation Executive Officer, Corporate Executive Vice President Director, Representative Executive Officer, and Corporate Senior Executive Vice President Director (part-time) of the Parent Company (to present)	*3	-



Function and Position	Name	Date of birth	Career profile		Term of office	Number of shares owned (1,000s)
Director (Part-time)	Kiyoshi Takamasu	Oct. 8 <sup>th</sup> , 1954	April 1982 Oct. 1987 Mar. 1990 Nov. 2001 March 2020 June 2020 June 2021	Assistant, The Department of Precision Machinery Engineering, School of Engineering, The University of Tokyo Associate Professor, Department of Precision Mechanical Engineering, School of Engineering, Tokyo Denki University Visiting Researcher, The University of Warwick, U.K. Professor, The Department of Precision Machinery Engineering (now the Department of Precision Engineering), Graduate School of Engineering Research, The University of Tokyo President, The Japan Society for Precision Engineering (to present) Director (Audit and Supervisory Committee member ) of the Parent Company Director of the Parent Company (to present)	*3	-
Director (Audit and Supervisory Committee member)	Shinji Akimoto	Nov., 29 <sup>th</sup> , 1963	April 1987 April 2000 April 2002 April 2007 June 2018 June 2019	Joined the Parent Company General Manager, Human Resources Planning Dept., Planning Div. General Manager, Human Resources Dept., Administration Company Executive Officer Auditor Director (Audit and Supervisory Committee member ) (to present)	*4	2
Director (Audit and Supervisory Committee member) (Part-time)	Yoshiro Hayashi	July 2 <sup>nd</sup> , 1948	June 2003 June 2006 June 2015 June 2019	Audit & Supervisory Board Member of Toyota Motor Corporation President of Panasonic EV Energy Co., Ltd (now Primearth EV Energy Co., Ltd) Auditor (part-time) of the Company Director (Audit and Supervisory Committee member ) (to present)	*4	-
Director (Audit and Supervisory Committee member) (Part-time)	Yuriko Sagara	Sep. 6 <sup>th</sup> , 1974	Oct. 2001 Aug. 2005 Jan. 2013 April 2015 June 2017 June 2019	Admitted to the bar Joined Nakamura & Partners Registered as a patent attorney Partner, Nakamura & Partners(to present) Advisory Councilor for Unfair Competition Prevention Law, Ministry of Economy, Trade and Industry(to present) Intellectual Property Committee, The Japan Federation of Bar Associations (to present) Director (Audit and Supervisory Committee member ) of the Parent Company(to present)	*4	-
Director (Audit and Supervisory Committee member) (Part-time)	Masaki Sunaga	July 12 <sup>th</sup> , 1961	Oct. 1985 April 1989 Aug. 1995 Sep. 1997 Aug.1999 Jan. 2012 June 2016 July 2018 June 2021	Joined Aoyama Audit Corporation (now PricewaterhouseCoopers Aarata LLC) Registered as a certified public accountant Partner, Sunaga Certified Public Accountant Registered as a tax accountant Representative Partner, YUSEI Audit & Co. Representative Partner, Tax Accountant Corporation Marunouchi Business Consulting (to present) Auditor, General Incorporated Association The Tokyo New Business Conference (to present) Partner, Grant Thornton Taiyo LLC (to present) Director (Audit and Supervisory Committee member ) of the Parent Company(to present)	*4	-
Total						29

Notes:

1. Directors Shozo Saito and Kiyoshi Takamasu are external corporate directors.
2. Directors Yoshiro Hayashi, Yuriko Sagara and Masaki Sunaga are external corporate directors (Audit and Supervisory Committee members).
3. Until the conclusion of the general meeting of Shareholders for the final FY ending within 1 year following the conclusion of the general meeting of Shareholders which was held on June 21<sup>st</sup>, 2021.
4. Until the conclusion of the General Meeting of Shareholders for the final FY ending within 2 years following the conclusion of the Regular Meeting of Shareholders which was held on June 21<sup>st</sup>, 2021.

(2) External Corporate Directors

I. Personal relationships, capital relationships, and commercial or other business relationships between the Parent Company and the outside Directors

1. Number of external corporate directors: 5
2. The relationships between the external corporate directors and the Parent Company are as follows.

	Name	Relationship	Capital relationship (number of shares of the Company owned)	Commercial or other business relationship
External corporate directors	Shozo Saito	Not applicable	0 shares	None
	Kiyoshi Takamasu	Not applicable	0 shares	None
External corporate auditors (serving as an Audit and Supervisory Committee member)	Yoshiro Hayashi	Not applicable	0 shares	None
	Yuriko Sagara	Not applicable	0 shares	None
	Masaki Sunaga	Not applicable	0 shares	None

- Shozo Saito, an external corporate director, had joined Toshiba Corporation. There is a business relationship that the Parent Company sells some equipment to Toshiba Corporation.
- Kiyoshi Takamasu, an external corporate director, is a President of a public interest incorporated association named The Japan Society for Precision Engineering. There is no business relationship and/or interest to be stated in this report between the Parent Company and the association.
- Yoshiro Hayashi, an external corporate director (serving as an Audit and Supervisory Committee member), had joined Toyota Motor Corporation. There is a business relationship that the Parent Company sells some equipment to Toyota Motor Corporation.
- Yuriko Sagara, external corporate director (serving as an Audit and Supervisory Committee member), is admitted both as a bar and a patent attorney. She is a partner of a patent law office. There is no business relationship and/or interest to be stated in this report between the Parent Company and her or the aforementioned patent law office.
- Masaki Sunaga, external corporate director (serving as an Audit and Supervisory Committee member), is admitted both as a certified public accountant and a tax accountant. He is a representative partner of tax accountant corporation Marunouchi Business Consulting, an auditor of general incorporated association The Tokyo New Business Conference, and also a partner of Grant Thornton Taiyo LLC. There is no business relationship and/or interest to be stated in this report between the Parent Company and him and/or the aforementioned entities.

II. Coordination among audits by external corporate directors, internal audits and accounting audits, and relationships to internal control division

1. The roles and functions of external corporate directors in order to maintain the Parent Company's Corporate Governance
  - i. The external corporate directors (excluding Audit and Supervisory Committee members) shall participate in important meetings such as the Board of Directors, and supervise business decisions, and business dealings in areas relating to his/her special knowledge and operations of his/her organizations experiences.
  - ii. The external corporate directors (serving as Audit and Supervisory Committee members) shall participate in important meetings such as the Board of Directors, and audit functionality and effectiveness of internal control systems in keeping with each special knowledge and operations of his/her organizations experiences.
  - iii. The external corporate directors shall carry out their functions as independent positions which shall not cause conflict of interest against general shareholders.
2. Status of appointing external corporate directors
  - i. The Parent Company has regulations defining independence between external corporate directors and the Parent Company. Based on the regulations, the Parent Company appoints persons to these roles who are independent of the general shareholders, and are available to scrutinize management from a neutral position.
  - ii. The external corporate directors (excluding Audit and Supervisory Committee members) have been appointed with the expectation that his special knowledge of finance, service, and manufacturing and their abundant experiences may positively affect the Parent Company's business operations.
  - iii. The external corporate directors (serving as Audit and Supervisory Committee members) have been appointed with expectation that their special knowledge in engineering and experience leading his/her organization at the company and research institutes may positively affect the Parent Company's audit.

3. Coordination among audits by external corporate directors, internal audits, and accounting audits, and relationships to internal control division
  - i. The external corporate directors (excluding Audit and Supervisory Committee members) shall participate in important meetings such as the Board of Directors, and supervise director's business dealings, and/or freely provide advice differing from the views of other executive directors.
  - ii. The external corporate directors (serving as Audit and Supervisory Committee members) shall cooperate as members of the Audit and Supervisory Committee and have mutual relationships among Board of Directors, Audit dept. and related agencies and/or divisions.
  - iii. When reviewing whether or not the annual financial reports reflect the true status of the company, the Audit and Supervisory Committee receives reports and explanations from the financial auditors. The Audit and Supervisory Committee and financial auditors hold meetings for reporting and reviews related to matters such as accounting audit systems, plans, and operating conditions once every 2 months, working to maintain close cooperation. The Audit and Supervisory Committee and the Audit dept. hold meetings for reporting and review once every 2 months.

### (3) Status of Audits

#### I. Status of Audits by Audit and Supervisory Committee

The Audit and Supervisory Committee, as a parallel organization to the Board of Directors, is composed of 1 internal director and 3 external corporate directors.

The Audit and Supervisory Committee, especially external corporate directors who served as members, have experience in corporate management such as the financial sector and have special knowledge of finance and accounting.

Through means such as attending meetings of the Board of Directors and other important meetings, holding hearings concerning the status of business practices, and examining important financial documents, the members carry out audits related to the business practices, accounting processes, financial management, and other activities of the Parent Company, checking for any actions which violate laws, regulations, or the duty of good faith. In addition, the Audit and Supervisory Committee holds meetings with the financial auditors and/or Audit Dept. of the Parent Company to receive necessary reports and to share their opinions with each other.

Major agenda items for the Audit and Supervisory Committee meetings are listed below.

- Audit policy and Audit schedule
- Report of the Audit findings
- Audit of Quarterly Financial Statements
- Reappointment or Non-reappointment of financial auditors
- Approval of compensation for Certified Public Accountant
- Consideration of compensation for and allocation to Directors
- Audit of Business Report and Proposals for General meetings of shareholders
- Audit of Internal Control systems
- Hearings about overseas affiliate operations
- Audit of important *Ringi* (Ratification request)

Position	Relationship	Attendance of Board of Directors meetings (Total held : 18)	Attendance of Audit and Supervisory Committee meetings (Total held: 8)
Director (Audit and Supervisory Committee member)	Shinji Akimoto	18 attendance	8 attendance
Director (Audit and Supervisory Committee member) (Part-time)	Yoshiro Hayashi	18 attendance	8 attendance
Director (Audit and Supervisory Committee member) (Part-time)	Yuriko Sagara	18 attendance	8 attendance
Director (Audit and Supervisory Committee member) (Part-time)	Kiyoshi Takamasu	14 attendance (Total held: 14 since appointment)	5 attendance (Total held: 5 since appointment)

Note: Mr. Kiyoshi Takamasu retired as a Director serving as an Audit and Supervisory Committee Member at the conclusion of the Regular Meeting of Shareholders for FY98<sup>th</sup> (FY2021/3).

#### II. Status of Internal audits

The Audit Dept., overseen directly by the President and CEO, is composed of 1 member and is primarily tasked with checking compliance against laws and regulations, conforming to the articles of incorporation, and validating management actions through internal audit. If the Audit dept. finds any violation against laws, article of incorporation and /or regulations, the Audit dept. must immediately report to the Parent Company's President and CEO and issue instructions for corrections.

#### III. Status of Financial Auditing

1. Name of Certified Public Accountant  
Ernst & Young ShinNihon LLC
2. Period of continuous audit  
36 Years
3. Certified Public Accountants who have carried out auditing work  
Kanako Kitamoto, Designated and Engagement Partner  
Masaki Mitsuji, Designated and Engagement Partner
4. Assistant to the audits  
Certified Public Accountants: 6, Others: 15

IV. Status of compensation to auditors, and others

1. Compensation for public accountants

	FY2020/3		FY2021/3	
	Compensation related to Audit & assurance (MJPY)	Compensation not related to Audit & assurance (MJPY)	Compensation related to Audit & assurance (MJPY)	Compensation not related to Audit & assurance (MJPY)
The Parent Company	43	9	54	3
Consolidated Subsidiaries	25	-	16	-
Total	69	9	71	3

2. Compensation for public accountants who belongs to the same network as the Parent Company's Public Accountant (Ernst & Young)

	FY2020/3		FY2021/3	
	Compensation related to Audit & assurance (MJPY)	Compensation not related to Audit & assurance (MJPY)	Compensation related to Audit & assurance (MJPY)	Compensation not related to Audit & assurance (MJPY)
The Parent Company	-	-	-	-
Consolidated Subsidiaries	15	3	28	13
Total	15	3	28	13

3. Other important compensations

Not Applicable.

4. Business from Certified Public Accountants to the Parent Company without the purpose of audit and assurance

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

Supervisory and advisory service regarding accounting standards

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

Supervisory and advisory service regarding accounting standards

5. Business from Public Accountants belongs to the same network as the Parent Company's Public Accountant to the Group without the purpose of audit and assurance

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

Supervisory and advisory services regarding accounting and taxation

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

Supervisory and advisory services regarding accounting and taxation

6. Policy of determining compensation to independent auditor

Although there is no specific policy of determining compensation from the Parent Company to the Certified public accountants, both mutually discusses and determines it based on the days spent for the audit, estimated workforce and turnover volume of the Parent Company.

7. Policy for selecting financial auditors

The Parent Company selects financial auditors with mutual and comprehensive criteria including the audit capability in volume and countrywide perspective to oversee the Group's multiple business sectors and global business, worldwide network with effective auditing structure, a rational and optimum term, structures and fee for audit, and with actual audit results.

8. Evaluation of financial auditors by the Audit and Supervisory Committee

The Audit and Supervisory Committee of the Parent Company evaluated financial auditors based on the procedure "Best practice for Corporate Auditors for evaluations and/or determining selection criteria for Financial Auditors" (Japan Audit & Supervisory Board Members Association) and confirms current financial audit is appropriate.

#### (4) Compensation for the Directors

##### I. Policy to determine amount of compensation for Company Directors

The Parent Company discloses policy, structure and process for determining the amount of compensation for the directors through its “Basic Corporate Governance Policy”. Outline is as follows.

##### 1. Basic Structural Policy

- i. The compensation scheme to reward senior management is designed to ensure that it functions as an incentive system to make the corporate motto into reality.
- ii. Compensation shall be in accordance with the roles and responsibilities of each director as well as the results achieved by them.
- iii. Compensation shall be conducive to motivation for improvement of business results and medium to long-term corporate and shareholder value.
- iv. Compensation shall be revised in a timely and appropriate manner based on the economic situation, business results of the Parent Company, external survey results, etc.
- v. And the decision-making process shall be highly objective and transparent.

##### 2. Compensation structure

- i. The Compensation of Directors not serving as an Audit and Supervisory Committee member nor external corporate director (hereinafter referred to as Directors in charge of business execution) shall consist of "base compensation", which is fixed, "performance-linked compensation" and “stock compensation” that are variable.
- ii. The compensation of Directors serving as an Audit and Supervisory Committee member and external corporate directors shall consist only of base compensation, in light of their responsibilities of supervising and auditing business execution.
- iii. Base compensation to directors is paid regularly every month. The compensation of Directors, a total annual amount of base compensation and performance-linked compensation shall be determined not to exceed the upper limit approved by the general meeting of shareholders. Base compensation amounts for each director is based on standard of compensation amount (\*1) per post.

(\*1: standard of compensation amount is the amount per each director's post, benchmark is remuneration for President & CEO).

- iv. Performance-linked compensation to Directors in charge of business execution is defined as short-term compensation based on business performance and paid at a specific period in each Fiscal Year. Total amount of performance-linked compensation shall be determined not to exceed the sum of the total amount of base compensation, and annual compensation, a total amount of base compensation and performance-linked compensation shall be determined not to exceed the upper limit approved by the general meeting of shareholders. The performance-linked compensation amount per each Director in charge of business execution shall be calculated as follows.

*(Base bonus amount (\*2) ) x (Group Business performance coefficient (\*3)) x (Each Intercompany performance coefficient (\*4))*

(\*2) :Base bonus amount = Consolidated net profit \* 1% \* Base compensation coefficient

*Base compensation coefficient = ratio of base compensation per each director, divided by total amount base compensation of Directors in charge of business execution*

(\*3) Group Business performance coefficient = Calculated from their Operating profit results against FY target

*Within +/- 10% from target: 1, +10% to +30%: 1.1, +30% to +50%:1.2, over +50%: 1.3,*

*- 30% to -10%: 0.9, -50% to -30%:0.8, -50% or less:0.7 (when OP downs YoY, this coefficient will be less than 1)*

(\*4) Each Internal company's business performance coefficient: Comprehensively evaluate from 0.9 to 1.1 based on the Internal company's business results and other significant achievements.

- v. Stock compensation is defined as a medium to long-term incentive enabling profit sharing with shareholders and will be provided at specific period in each Fiscal Year. This stock compensation shall be determined not to exceed the upper limit (limit of compensation amount and number of stocks and/or of stock option) and within the range of the annual amount of base compensation. Stock compensation to Directors in charge of business execution consisting of Restricted Stock and SSR (Share subscription rights) (stock compensation type) shall be calculated as follows.

• *Calculation formula for Restricted Stock: = Base stock amount (\*5) x RS performance coefficient (\*6)*

*(\*5) Base bonus amount: Formulated by Compensation Committee based on compensation amount per post, and approved by Compensation, Nomination, and Advisory Council*

*(\*6) RS performance coefficient: one based on the achievements of mid-term operating profit target  
Core coefficient: 1, When target has been achieved: 2*

- Calculation formula for SSR (stock compensation type) = Base stock unit (\*7) x Performance coefficient and others (\*8)  
 (\*7) Base stock unit: Formulated by Compensation Committee based on compensation amount per post, and approved by Compensation, Nomination, and Advisory Council  
 (\*8) Performance coefficient and other: Formulated by Compensation Committee comprehensively based on business performance, stock price, and other factors, and approved by Compensation, Nomination, and Advisory Council

3. Process to determine amount of compensation

- The Board of Directors delegates the task of determining the compensation structure and compensation standards for each position to the Compensation Planning Committee, consisting of the representative directors and some other directors.
- To ensure transparency and objectivity, the proposal of Directors' compensation amounts and related matters (such as compensation amount per post), and the amount for each directors' base compensation, performance-based compensation and stock compensation shall be deliberated on by the Compensation, Nomination, and Advisory Council, consisting of directors serving as an Audit and Supervisory Committee members and external corporate directors.
- Compensation amounts for directors serving as an Audit and Supervisory Committee members will be mutually discussed and resolved among directors served as an Audit and Supervisory Committee members.

II. Total amount of compensation paid to directors, and amount per post, type and the number of applicable directors

FY2021/3 (from April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

Type	Total numbers of compensation (MJPY)	Type of compensation (MJPY)				Applicable directors and auditors (person)
		Basic	Performance linked	Stock Option	Compensation other than Cash included in the left	
Directors (except Audit and Supervisory Committee member and external corporate director)	372	197	79	95	95	7
Directors serving as an Audit and Supervisory Committee member (except external corporate director)	19	19	-	-	-	1
External corporate directors	40	40	-	-	-	6

Notes:

- The "Applicable directors and auditors" in External corporate directors field above is inclusive of 1 director who resigned at conclusion of the 97<sup>th</sup> annual shareholders meeting held on June 22<sup>nd</sup>, 2020.
- Compensation to Directors (except Audit and Supervisory Committee members) shall be less than ¥360 million per year as ratified at the 96<sup>th</sup> annual shareholders meeting held on June 24<sup>th</sup>, 2019. In addition, the 96<sup>th</sup> annual shareholders meeting also ratified that the compensation by share subscription rights as stock options shall be less than ¥200 million per year.
- Compensation to Directors serving as an Audit and Supervisory Committee member shall be less than ¥60 million per year as ratified at 96<sup>th</sup> annual shareholders meeting held on June 24<sup>th</sup>, 2019.
- Above are the amounts approved and executed by the Board of Directors in accordance with opinions from Compensation, Nomination, and Advisory Council based on the core policy for compensation.
- The factor for the Performance linked compensation is consolidated net profit.

III. Consolidated Compensation paid to each Director

Consolidated compensation paid to each Director is omitted because there are no Directors who are paid over ¥100 million per year by the Group.

IV. Important notification of salary to the director-employees

Not applicable.

(4) Shares held by the Company

I. Basic policy of classification of shares held by the Parent Company and its understanding  
The Parent Company classifies shares held by the Parent Company to realize gains from changing its value and/or from dividend income as shares for investment, and remaining shares as the shares without the purpose of net investment (cross-holdings).

II. Shares held by the Parent Company without the purpose of net investment

1. Policy of holding shares, method of ensuring reasonability, and details of propriety assessment by the Board of Directors per each holding brand

The Board of Directors reviews the propriety of holding shares without the purpose of net investment per each brand from perspectives of mid to long-term economic rationality (including risk/return consideration) and various qualitative values. In principle, if the Board of Directors determines that holding such shares is not worthwhile to be retained, then the Parent Company proceeds to decrease the number of such shares held. If the Board of Directors determines that holding such shares is valuable to grow corporate value in the mid to long term, then the Parent Company will keep holding such shares.

2. Number of brands held by the Parent Company and the amount on balance sheet

	Number of Brands	Accounted on Balance Sheet (MJPY)
Unlisted Shares	1	0
Shares other than unlisted	25	2,089

(Brands with increased number of holdings within the fiscal term)

	Number of Brands	Accounted on BS (MJPY)	Purpose of increased share holdings
Unlisted Shares	-	-	-
Shares other than unlisted	2	2	Increase in shareholder association at customer

(Brands with decreased number of holdings within the fiscal term)

	Number of Brands	Accounted on BS (MJPY)
Unlisted Shares	-	-
Shares other than unlisted	1	837



3. Number of brands held by the Parent Company and the amount on Balance Sheet  
Specific Shares for investment

Brand	FY2021/3	FY2020/3	Purpose of holding the shares, effect and reason of increasing number of shares holding	Holding or not-holding of the Parent Company's shares
	Number of shares hold			
	Accounted on BS (MJPY)			
NSK Ltd.	296,900	296,900	(Purpose): to keep and hold business relationship (Effect) *1	Yes
	336	206		
Mizuho Financial Group, Inc.	176,741	1,767,410	Same as at above	Yes
	282	218		
THK Co., Ltd.	60,000	60,000	Same as at above	Yes
	229	132		
Kyocera Corporation.	31,000	31,000	Same as at above	Yes
	217	198		
Asahi Diamond Industrial Co., Ltd.	400,000	400,000	Same as at above	Yes
	212	185		
Yamazen Co., Ltd.	160,000	160,000	Same as at above	Yes
	166	144		
TPR Co., Ltd.	100,000	100,000	Same as at above	Yes
	160	115		
Tomita Co., Ltd.	130,115	129,262	(Purpose): to keep and hold business relationship (Effect) *1 (Reason of increase) Increase in shareholder's association at holding company	Yes
	132	123		
Toa Corporation	38,000	38,000	(Purpose): to keep and hold business relationship (Effect) *1	Yes
	92	54		
Mitsubishi UFJ Financial Group, Inc.	80,000	80,000	Same as at above	Yes
	47	32		
Eiwa Corporation	29,040	29,040	Same as at above	Yes
	35	26		
Micron Machinery Co., Ltd.	30,000	30,000	Same as at above	No
	33	27		
Tokyo Kiraboshi Financial Group, Inc.	18,500	18,500	Same as at above	Yes
	25	21		
Taiho Kogyo Co., Ltd.	20,000	20,000	Same as at above	No
	21	10		
Sato Shoji Corporation	14,834	14,834	Same as at above	Yes
	16	12		
Kuroda Precision Industries Ltd.	8,150	8,150	Same as at above	Yes
	15	5		
Mebuki Financial Group, Inc.	56,756	56,756	Same as at above	Yes
	14	12		
Nihon Denkei Co., Ltd.	10,638	9,317	(Purpose): to keep and hold business relationship (Effect) *1 (Reason of increase) Increase in shareholders' association at holding company	Yes
	14	9		
Sanken Electric Co., Ltd.	2,000	2,000	(Purpose): to keep and hold business relationship (Effect) *1	No
	10	4		
Okuma Corporation	1,499	1,499	Same as at above	No
	9	5		
Tsukuba Bank, Ltd.	28,000	28,000	Same as at above	Yes
	5	4		
Sugimoto & Co., Ltd.	2,000	2,000	Same as at above	Yes
	4	4		
Dai-ichi Life Holdings, Inc.	800	800	Same as at above	Yes
	1	1		
Nikon Corporation	897	897	Same as at above	Yes
	1	1		
Sumitomo Mitsui Financial Group, Inc.	9	9	Same as at above	Yes
	0	0		
Precision Tsugami (China) Co., Ltd	-	8,907,000	Same as at above	No
	-	732		

Shares subject to deemed holding

Brand	FY2021/3	FY2020/3	Purpose of holding the shares, effect and reason of increasing number of shares holding	Holding or not-holding of the Parent Company's shares
	Number of shares hold			
	Accounted on BS (MJPY)			
Advantest Corporation	40,400	40,400	(Purpose): to keep and hold business relationship (Effect) *1 The Company holds voting rights.	Yes
	391	175		
Sumitomo Mitsui Financial Group, Inc.	10,800	10,800	Same as at above	Yes
	43	28		
Nikon Corporation	19,000	19,000	Same as at above	Yes
	19	18		
Innotech Corporation	10,000	10,000	Same as at above	No
	13	8		
Oki Electric Industry Co., Ltd.	5,100	5,100	Same as at above	No
	5	5		
Tsugami Corporation	-	2,592,000	Same as at above	Yes
	-	1,954		

Notes:

1. Method of quantitative evaluation (screening)

- Comparison between total profitability (Sum of dividends and business transactions) and the cost of shareholder's equity.
- Positive/negative judgment of accumulated returns through holding (Stock market price +- accumulated dividend income - acquisition price):
- Creditability assessment (Rating, Compliance matters, etc)

2. Upon listing higher-ranked brands accounted on Balance Sheet, totaling of Specific shares for investment and Shares subject to deemed holding is not performed.

III. Shares held by the Parent Company with the purpose of net investment  
Not applicable.

## Section 5 [Financial Information]

### 1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with “Regulations Concerning the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with “Regulations Concerning the Terminology, Forms, and Preparation Methods of Non-Consolidated Financial Statements” (Ministry of Finance Ordinance No. 59, 1963).  
Also, the Company fulfills the conditions of filing financial statements prepared in accordance with special provisions (特例財務諸表提出会社), therefore the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulation of Financial Statements.

### 2. Audit reports

Pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act, the Company has had its consolidated financial statements of FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021), and non-consolidated financial statements of FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021) audited by Ernst & Young ShinNihon LLC.

### 3. System to secure appropriate Consolidated Financial Statements

In order to secure appropriate Consolidated Financial Statements, the Company collects necessary information to ensure the details and changes in accounting standards in a timely manner, receives updated training from organizations such as the Financial Accounting Standards Foundation, participates in seminars sponsored by public accountants and industry forums, and subscribes accounting specialized magazines.

# 1. [Consolidated Financial Statements]

(1) Consolidated financial statements

[1] Consolidated balance sheets

MJPY

	<b>FY2020/3</b> (March 31 <sup>st</sup> , 2020)	<b>FY2021/3</b> (March 31 <sup>st</sup> , 2021)
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	34,640	43,657
Notes and accounts receivable	24,279	27,304
Electronically recorded monetary claims	5,353	3,642
Merchandise and finished goods	2,344	2,657
Work in progress	20,120	22,028
Raw materials and supplies	7,687	8,200
Others	3,389	4,076
Allowance for doubtful accounts	- 44	- 50
<b>Total current assets</b>	<b>97,771</b>	<b>111,516</b>
Fixed Assets		
Tangible fixed assets		
Building and structures(net)	28,885	32,561
Accumulated depreciation	- 14,848	- 15,478
Building and structures(net)	14,037	17,082
Machinery, equipment and vehicles	10,031	10,046
Accumulated depreciation	- 8,164	- 8,131
Machinery, equipment and vehicles (net)	1,866	1,914
Equipment	7,995	9,037
Accumulated depreciation	- 5,923	- 6,270
Equipment(net)	2,072	2,767
Land	14,055	14,210
Lease assets	522	483
Accumulated depreciation	- 211	- 221
Lease assets (net)	311	262
Construction in process account	2,246	407
<b>Total Tangible Fixed Assets</b>	<b>34,589</b>	<b>36,645</b>
Intangible Fixed Assets		
Goodwill	263	220
Lease assets	22	14
Others	4,260	3,754
<b>Total Intangible Fixed Assets</b>	<b>4,546</b>	<b>3,989</b>
Investments and other assets		
Investment securities	*1 3,279	*1 3,163
Long-term loans receivable	119	231
Net defined benefit assets	2,579	2,211
Differed tax assets	3,070	3,319
Others	*1 593	*1 592
Allowance for doubtful accounts	-	- 112
<b>Total Investments and other assets</b>	<b>9,642</b>	<b>9,405</b>
<b>Total Fixed Assets</b>	<b>48,777</b>	<b>50,039</b>
<b>Total Assets</b>	<b>146,549</b>	<b>161,556</b>

	<b>FY2020/3</b> (March 31 <sup>st</sup> , 2020)	<b>FY2021/3</b> (March 31 <sup>st</sup> , 2021)
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable	7,500	9,379
Electronically recorded obligations-operating	9,395	13,682
Short-term debt	1,300	1,300
Current portion of long-term debt	2,000	2,000
Lease liabilities	110	114
Income taxes payable	593	3,935
Reserves for bonus	1,340	1,381
Reserves for director's bonuses	6	2
Others	6,771	7,500
Total current liabilities	29,017	39,296
Fixed Liabilities		
Long-term debt	6,000	4,000
Lease liabilities	231	167
Deferred tax liabilities	7	6
Allowance for director retirement benefits	60	47
Net defined benefit liabilities	1,157	1,059
Asset retirement obligations	297	64
Others	104	136
Total fixed liabilities	7,857	5,482
Total Liabilities	36,874	44,778
<b>NET ASSETS</b>		
Shareholder's Equity		
Common stock	10,703	10,818
Capital surplus	21,721	21,918
Retained earnings	75,032	83,874
Treasury stock	- 122	- 3,124
Total Shareholder's Equity	107,334	113,487
Accumulated other comprehensive income		
Holding gain or loss in investment	117	476
Foreign currency translation adjustment	670	220
Remeasurements of defined benefit plans	234	1,184
Total accumulated other comprehensive income	1,022	1,881
Share subscription rights	770	892
Non-controlling interests	546	516
Total Net Assets	109,674	116,777
Total Liabilities and Net Assets	146,549	161,556

[2] Consolidated statements of income and comprehensive income  
 [Consolidated statements of income]

MJPY

	<b>FY2020/3</b> (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	<b>FY2021/3</b> (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Net Sales	*1,*3 87,927	*1,*3 97,105
Cost of goods sold	53,452	60,190
Gross Profit on Sales	34,474	36,914
Selling, general and administrative expenses	*2,*3 22,192	*2,*3 21,351
Operating Profit	12,282	15,562
Non-operating income		
Interest income	30	20
Dividend income	100	88
Foreign exchange gains	-	121
Subsidy income	-	117
Others	124	192
Total Non-operating income	255	540
Non-operating expenses		
Interest expenses	81	72
Commission fee	-	30
Provision of allowance for doubtful accounts	-	112
Foreign exchange loss	31	-
Loss on disposal or sales of fixed assets	14	-
Others	50	19
Total Non-operating expenses	177	235
Recurring Profit	12,360	15,867
Extraordinary gains		
Gain on sales of investment securities	55	133
Gain on return of assets from retirement benefits trust	-	*4 1,189
Gain on reversal of subscription rights to shares	2	8
Others	-	22
Total Extraordinary gains	57	1,354
Extraordinary losses		
Costs to demolish existing buildings	-	292
Impairment loss for fixed assets	*5 1,652	*5 668
Extra retirement payments	60	108
Others	-	5
Total Extraordinary losses	1,712	1,074
Profit before income taxes and minority interests	10,705	16,147
Income tax and other taxes	3,654	4,806
Adjustment on income tax	- 55	- 828
Total Income tax and others	3,598	3,978
Profit before minority interests	7,106	12,169
Net Loss (-) Profit attributable to minority interests	- 49	- 6
Net Profit attributable to Owners of the Parent	7,156	12,175

[Consolidated statements of comprehensive income]

MJPY

	<b>FY2020/3</b> (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	<b>FY2021/3</b> (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Profit (Loss) before minority interests	7,106	12,169
Accumulated other comprehensive income		
Holding gain or loss in investment	- 751	359
Foreign currency translation adjustment	478	- 460
Remeasurements of defined benefit plans	- 449	950
Total accumulated other comprehensive income	*1 - 722	*1 849
<b>Comprehensive Income</b>	<b>6,384</b>	<b>13,018</b>
(breakdown)		
Comprehensive income attributable to owners of the parent	6,426	13,034
Comprehensive income attributable to non-controlling interests	- 42	- 15

[3] Consolidated statements of changes in net assets

FY 2020/3 (April 1<sup>st</sup>, 2019 – March 31<sup>st</sup>, 2020)

MJPY

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity
Balance as of previous fiscal year	10,591	21,608	72,200	- 120	104,280
Changes during the fiscal year					
Issue of new shares	112	112			224
Cash dividends paid			- 4,325		- 4,325
Net Profit (loss) attributable to Owners of the Parent			7,156		7,156
Purchases of treasury stock				- 1	- 1
Changes of items other than shareholders' equity(net)					
Total changes during the fiscal year	112	112	2,831	- 1	3,054
Balance as of end of the fiscal year	10,703	21,721	75,032	- 122	107,334

	Accumulated other comprehensive income				Share Subscription Rights	Minority Interests	Total Net Assets
	Holding gain or loss in investment	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of previous fiscal year	868	199	683	1,751	781	587	107,403
Changes during the fiscal year							
Issue of new shares							224
Cash dividends paid							- 4,325
Net Profit (loss) attributable to Owners of the Parent							7,156
Purchases of treasury stock							- 1
Changes of items other than shareholders' equity(net)	- 751	471	- 449	- 729	- 13	- 40	- 783
Total changes during the fiscal year	- 751	471	- 449	- 729	- 13	- 40	2,270
Balance as of end of the fiscal year	117	670	234	1,022	770	546	109,674



	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity
Balance as of previous fiscal year	10,703	21,721	75,032	- 122	107,334
Changes during the fiscal year					
Issue of new shares	115	115			230
Cash dividends paid			- 3,333		- 3,333
Net Profit (loss) attributable to Owners of the Parent			12,175		12,175
Purchases of treasury stock				- 3,002	- 3,002
Changes of items other than shareholders' equity(net)		82			82
Total changes during the fiscal year	115	197	8,841	- 3,002	6,152
Balance as of end of the fiscal year	10,818	21,918	83,874	- 3,124	113,487

	Accumulated other comprehensive income				Share Subscription Rights	Minority Interests	Total Net Assets
	Holding gain or loss in investment	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of previous fiscal year	117	670	234	1,022	770	546	109,674
Changes during the fiscal year							
Issue of new shares							230
Cash dividends paid							-3,333
Net Profit (loss) attributable to Owners of the Parent							12,175
Purchases of treasury stock							-3,002
Changes of items other than Shareholders' equity(net)	359	- 450	950	858	121	- 29	1,033
Total changes during the fiscal year	359	- 450	950	858	121	- 29	7,103
Balance as of end of the fiscal year	476	220	1,184	1,881	892	516	116,777

	<b>FY2020/3</b> (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	<b>FY2021/3</b> (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
<b>Cash flows from operating activities:</b>		
Profit(loss) before income taxes and minority interests	10,705	16,147
Depreciation	3,450	3,516
Amortization of goodwill	41	28
Stock related expense	135	171
Change in allowance for employee retirement benefits (-:increase)	- 386	2,881
Change in allowance for employee retirement debts (-:decrease)	334	- 142
Change in allowance for director retirement benefits (-:decrease)	6	- 12
Change in allowance for doubtful accounts (-:decrease)	- 31	116
Interest and dividend income	- 130	- 109
Interest expense	81	72
Subsidy income	-	-117
Gain(loss) on sales of investment securities (-: gain)	- 55	- 133
Gain on return of assets from retirement benefits trust	-	- 1,189
Impairment loss for fixed assets	1,652	668
Extra retirement payments	60	108
Change in trade notes and accounts receivable (-: increase)	6,598	- 987
Change in inventories (-: increase)	- 171	- 3,491
Change in trade notes and accounts payable(-:decrease)	- 9,347	5,584
Others	- 356	97
Subtotal	<u>12,587</u>	<u>23,210</u>
Proceeds from interest and dividend income	130	108
Payment of interest	- 84	- 69
Proceeds from subsidy income	-	117
Payment/Refund of income taxes (-: payment)	- 6,668	- 1,304
Net cash provided by (used in) operating activities	<u>5,965</u>	<u>22,062</u>
<b>Cash flows from investing activities:</b>		
Payment for time deposits	- 133	- 43
Proceeds from time deposits	308	45
Payment for purchase of tangible fixed assets	- 4,433	- 5,864
Proceeds from sales of tangible fixed assets	19	67
Payment for purchase of intangible fixed assets	- 442	- 188
Payment for purchase of investment securities	- 99	- 50
Proceeds from sales of investment securities	357	864
Payment for purchase of shares of affiliated company	- 217	-
Payment for purchase of investments in capital of affiliates	- 31	-
Payments for transfer of business	*2 - 1,208	-
Payment for loans receivable	-	- 0
Proceeds from collection of loans receivable	2	2
Payments for lease deposits and guarantee deposits	- 247	- 25
Proceed from collection of lease deposits and guarantee deposits	8	2
Net cash provided by (used in) investing activities	<u>- 6,116</u>	<u>- 5,191</u>

	<b>FY2020/3</b> (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	<b>FY2021/3</b> (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	- 2,000	- 2,000
Repayment of lease liability	- 127	- 135
Proceeds from exercise of stock options	78	188
Dividend payments	- 4,325	- 3,333
Repurchase of Treasury stock	- 1	- 3,002
Net cash provided by (used in) financing activities	- 6,375	- 8,282
Effect of exchange rate changes on cash and cash equivalents	- 159	429
Net increase/decrease in cash and cash equivalents (-: decrease)	- 6,685	9,018
Cash and cash equivalents at beginning of year	41,290	34,605
Cash and cash equivalents at end of year	*1 34,605	*1 43,624

[Significant accounting policies]  
(Basis of Presenting Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries (17 companies)

Tosei Engineering Corp  
Tosei Systems Co., Ltd  
Accretech Create Corp  
Tosei Box Corp  
Accretech Powertro System Co., Ltd.  
Accretech Finance Co., Ltd  
Accretech America Inc.  
Accretech (Europe) GmbH  
Accretech Korea Co., Ltd  
Accretech (China) Co., Ltd  
Accretech Taiwan Co., Ltd  
Accretech (Malaysia) Sdn Bhd  
Accretech Adamas (Thailand) Co., Ltd  
Accretech (Thailand) Co., Ltd  
Tosei Engineering (Pinghu) Co., Ltd  
Tosei (Thailand) Co., Ltd  
Accretech SBS Inc.

(2) Non- Consolidated subsidiaries

Accretech (Singapore) Pte. Ltd.  
Accretech Vietnam Co., Ltd.  
PT Accretech Indonesia  
Accretech-Tosei Do Brazil Ltda  
Tosei Korea Co., Ltd.  
Tosei Taiwan Co., Ltd.  
PT Tosei Indonesia  
Tosei Engineering Malaysia Sdn. Bhd.  
Tosei Philippines Corporation  
Tosei Engineering Private Ltd.  
Tosei Canada Measuring Inc.  
Tosei Mexico S.A. De.C.V  
Accretech-Tosei Hungary Kft  
Accretech (Pinghu) Co., Ltd  
Accretech SBS UK Ltd.  
Tosei Technology Development (Shanghai) Co., Ltd.

All of the above 16 companies which were excluded from the consolidation range are all small companies, in terms of their total assets, total sales, total Net profit(depending on their equity), total retained earnings(depending on their equity), and others, and do not have a significant effect on our financial statements.

## 2. Equity Method

(1) The equity method is not applied to any non-consolidated subsidiary.

Non-consolidated subsidiaries where the equity method is not used all have an extremely small effect on the consolidated Net profit (depending on their equity), consolidated retained earnings (depending on their equity), and other financial amounts, and overall are of low importance. For these reasons, the equity method is not used for these companies, and a cost evaluation method is used for evaluation.

(2) The equity method is not applied to any affiliated company.

Affiliated companies where the equity method is not used all have an extremely small effect on the consolidated Net profit (depending on their equity), consolidated retained earnings (depending on their equity), and other financial amounts, and low importance. For these reasons, the equity method is not used for these companies, and a cost evaluation method is used for evaluation.

## 3. Accounting period of consolidated subsidiaries

The end-date of Fiscal term for following 6 companies is at December 31<sup>st</sup>. In order to prepare this Consolidated Financial Statement, the Parent Company applied statements of these subsidiaries as of December 31<sup>st</sup>. Any significant business transactions which were completed between their Fiscal end and the Parent Company's Fiscal end were properly adjusted in the consolidated review. The end of the FY for remaining consolidated subsidiaries matches the end of the consolidated FY of the Parent Company.

Companies where end-date of fiscal term differs from consolidated fiscal term:

Accretech (China) Co., Ltd.  
Accretech Adamas (Thailand) Co., Ltd.  
Accretech (Thailand) Co., Ltd.  
Tosei Engineering (Pinghu) Co., Ltd.  
Tosei (Thailand) Co., Ltd.  
Accretech SBS Inc.

## 4. Significant accounting policies

(1) Valuation standards and methods for important assets

(A) Securities

Shares of affiliated companies: carried at cost determined by the moving average method.

Other securities;

Marketable securities: Marketable securities as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in shareholders' equity. Costs of securities sold are calculated by the moving average method.

Non-marketable securities: Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

(B) Inventories

Inventories of the Parent Company and its domestic consolidated subsidiaries are stated at cost determined by the weighted-average method (using the method of devaluing the book price to reflect declines in profitability); however, overseas consolidated subsidiaries use the lower of cost determined by the first-in, first-out method.

(2) Depreciation of significant assets

(A) Tangible fixed assets (except leasing assets)

The Parent Company and its domestic consolidated subsidiaries use the declining balance method. However, the straight-line method is used for buildings (excluding equipment attached to buildings) which were acquired on or after April 1<sup>st</sup>, 1998, and the Leasehold and Constructs that were acquired on or after April 1<sup>st</sup>, 2016.

Overseas consolidated subsidiaries use the straight-line method.

The significant useful lives are as follows.

Buildings and structures	8 – 50 years
Machinery and equipment	4 - 11 years

- (B) Intangible fixed assets (except lease assets)

Goodwill is amortized using a straight-line method. Software for use by the Parent Company is depreciated using a straight-line method based on the estimated life at the Parent Company. Other intangible fixed assets are also depreciated using the straight-line method.
- (C) Lease assets

Lease assets (Financial leases other than those deemed to transfer ownership of properties to lessees) is depreciated using the straight-line method under leasing term to be considered as useful lives.
- (3) Basis for significant reserves
  - (A) Allowance for doubtful accounts

For covering probable losses on collection of receivables, the allowance for doubtful accounts is calculated based on past experience for ordinary receivables. For specific bonds such as one with a default possibility, it is based on individual estimates of the collectability of receivables, and consists of the amount estimated to be uncollectible.
  - (B) Allowance for bonuses

The Parent Company and its domestic consolidated subsidiaries calculate the allowance for bonuses to employees based on the expected amount of payment.
  - (C) Accrued director's bonuses

Domestic consolidated subsidiaries calculate the allowance for bonuses to directors based on the expected amount of payment during that consolidated FY.
  - (D) Accrued director's retirement benefits

Domestic consolidated subsidiaries calculate the allowance for payment of director retirement benefits that are forecasted to occur upon director retirement based on internal regulations as at the end-date of FY.
- (4) Accounting Method for retirement obligations
  - (A) Method of periodic attribution of the estimated amount of retirement benefits

The attribution of estimated amounts for the current FY is based on the payment calculation method.
  - (B) Actuarial gain or loss, and Prior service cost

For actuarial gains and losses, proportional amounts are amortized beginning from the consolidated FY following the next FY in which it occurs, using a fixed number of years (10) that is within the average estimated remaining service time of the employees for each consolidated FY. For Prior service cost, proportional amounts are amortized beginning from the consolidated FY in which it occurs, using a fixed number of years (10) that is within the average estimated remaining service time of the employees for each consolidated FY.
- (5) Standard of Foreign currency translation of significant foreign currency based assets/liabilities

Receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange in effect on the balance sheet date, and differences arising from the translation are processed as gains or losses. Assets, liabilities, gains and losses of overseas consolidated subsidiaries denominated in foreign currencies are translated into yen at the rate of exchange in effect on the balance sheet date, and differences arising from the translation are processed as foreign currency translation adjustment or Minority interests in the net assets.
- (6) Amortization of goodwill

Amortization of goodwill is evaluated for each acquisition, and is carried out over a reasonable number of years (7 or 10 years).

(7) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements consist of cash on hand, available funds on deposit, and short-term, highly liquid investments that are readily convertible to cash, with original maturities of three months or less, and that are substantially free of price fluctuation risk.

(8) Other significant accounting policies

(A) Accounting for consumption tax

Transactions subject to national and local consumption taxes are recorded as amounts exclusive of consumption tax.

(B) Consolidated tax-reporting

The Company Group applies consolidated tax-reporting system.

(C) Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

For the accounts that have been revised to apply the Group taxation system (including ones that have been revised in terms of Single taxation system simultaneously) which is newly established by "Revision of the Income Tax Act" (Laws of Japan, No.8, Year 2020), the Parent Company and some of the domestic consolidated companies do not apply "Partial Amendments to Accounting Standards for Tax Effect Accounting" (ASBJ Statement No. 28, February 16<sup>th</sup>, 2018) by the handing of Article 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Solution No.39, March 31<sup>st</sup>, 2020). Therefore, the amount of deferred tax assets and liabilities are based on the Income Tax Act before revision.

[Significant Accounting Estimates]

Not applicable.

[Accounting principles not yet applied]

(Accounting Standard for Revenue Recognition)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31<sup>st</sup>, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26<sup>th</sup>, 2021)

(1) Overview

Above are comprehensive guidance and standards for revenue recognition. Revenue in the future will be recognized in following 5 steps.

Step 1: Identify the contract with a customer

Step 2: Identify the separate performance obligation(s) in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the separate performance obligation(s)

Step 5: Recognize revenue when the entity satisfies each performance obligation(s)

(2) Date of effect

The company will apply principles above from the first day of the FY which starts April 1<sup>st</sup>, 2021.

(3) Impact of applying the principle

Following a provision of section 84 of the Revenue recognition accounting standards, an impact which can be anticipated in a case of retroactive adoption will be applied to retained earnings at the beginning of FY2022/3(April 1<sup>st</sup>, 2021). As a result, there is minimum impact to retained earnings at the beginning of FY2022/3.

(Accounting Standard for Fair Value Measurement)

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4<sup>th</sup>, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4<sup>th</sup>, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4<sup>th</sup>, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4<sup>th</sup>, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31<sup>st</sup>, 2021)

(1) Overview

An accounting standard and its implementation guidance for fair value measurement were newly developed to improve comparability of the standards between the international accounting standards and Japanese accounting standard, and guidance was published. These standards will be applied to measure fair value as shown below.

- Any financial instruments as stipulated in “Accounting Standard for Financial Instruments”

- Inventories held mainly for trading, as stipulated in “Accounting Standard for Measurement of Inventories”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised to define contents of the notes per each level of financial instrument.

(2) Date of effect

The company will apply principles above from the first day of the FY which starts April 1<sup>st</sup>, 2021 or later.

(3) Impact of applying the principle

The impact of applying principle above is currently being evaluated.

(Accounting Standard for Leases)

Leases (ASU 2016-02)

(1) Overview

Adoption of this accounting standard will require that all lessees be accounted for in consolidated balance sheets as assets and liabilities.

(2) Date of effect

The company will apply this standard from FY2023/3.

(3) Impact of applying the principle

The impact of applying principle above is currently being evaluated.



[Changes in presentation]

(Consolidated statements of cash flows)

In FY2020/3, “Change in allowance for employee retirement benefits (-:increase)” was included in “Cash flows from operating activities” – “Others”. However, it has been listed separately in FY2021/3 because the monetary importance of this account has increased. Accordingly, the applicable amount of -¥386 million included in “Others” for FY2020/3 have been denotatively reclassified to “Change in allowance for employee retirement benefits (-:increase)“.

(Consolidated balance sheet)

\*1 Investment in non-consolidated subsidiaries and/or affiliated companies

	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Investment securities	¥431 million	¥472 million
Other investment or other assets(Capital stock)	¥258 million	¥258 million

(Consolidated statements of income)

\*1 Devaluing the book price of inventories (primarily for sales) to reflect declines in profitability

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Cost of goods sold	¥143 million	¥440 million

\*2 Primary items of selling, general, and administrative expenses

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Research and development costs	¥8,234 million	¥7,193 million
Salaries for employees	¥4,531 million	¥5,200 million
Provision for employees' bonuses	¥259 million	¥265 million
Provision for retirement benefits for directors and corporate auditors	¥10 million	¥4 million
Provision for directors' and corporate auditors' bonuses	¥6 million	¥1 million
Provision for retirement benefits for employees	¥54 million	¥79 million
Provision of allowance for doubtful accounts	¥ - 18 million	¥0 million

\*3 Research and development costs included in general and administrative expenses and manufacturing costs

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Research and development costs	¥8,234 million	¥7,193 million

\*4 Gain on return of assets from retirement benefits trust

Resulting from a lump sum adjustment for unrecognized actuarial gains and losses arising from the return of a part of a retirement benefit trust.

\*5 Detail of impairment loss

FY2020/3 (April 1<sup>st</sup>, 2019-March 31<sup>st</sup>, 2020)

The Group accounted for impairment losses arising from the following asset groups.

Purpose	Place	Type	Amount of impairment losses
Business properties	Hino-city, Tokyo, Japan	Buildings	¥1,479 million
		Constructions	¥113 million
		Total	¥1,591 million
	Furudono, Ishikawa-gun, Fukushima, Japan	Buildings and Machineries	¥60 million
		Total	¥60 million

The Group defines an asset group considering the minimum unit that can realize isolated cash flows based on the type of business.

Buildings and constructions located in Hino-city, Tokyo Japan will be disposed of due to a change in the new plant construction plan. Therefore, the Group reduced the value of these assets to recoverable amounts calculated from these values in use. Amounts of such decreases have been accounted as an impairment loss.

For the buildings and machineries decrease in profitability located in *Furudono*, Ishikawa-gun, Fukushima, the Group also reduced these values to recoverable amounts calculated from these values in use. These decreases have been accounted as an impairment loss.

FY2021/3 (April 1<sup>st</sup>, 2020-March 31<sup>st</sup>, 2021)

The Group accounted for impairment losses arising from the following asset groups.

Purpose	Place	Type	Amount of impairment losses
Business properties	Furudono, Ishikawa-gun, Fukushima, Japan	Machineries and tools	¥668 million

The Group defines an asset group considering the minimum unit that can realize isolated cash flows based on the type of business.

For the machineries and tools decrease in profitability located in *Furudono*, Ishikawa-gun, Fukushima, the Group also reduced these values to recoverable amounts calculated from these values in use. These decreases have been accounted as an impairment loss.

## (Consolidated statements of comprehensive income)

## \*1 Adjustments and Tax effects related to Comprehensive income

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Unrealized Holding gain or loss on investment		
Arising during the FY	¥ - 1,027 million	¥651 million
Reclassification Adjustments	¥ - 55 million	¥ - 133 million
Before Tax effect adjustment	¥ - 1,082 million	¥517 million
Tax effect	¥331 million	¥- 158 million
Unrealized Holding gain or loss on investment	¥ - 751 million	¥359 million
Foreign currency translation adjustment		
Arising during the FY	¥478 million	¥- 460 million
Reclassification Adjustments	-	-
Before Tax effect adjustment	¥478 million	¥- 460 million
Tax effect	-	-
Foreign currency translation adjustment	¥478 million	¥- 460 million
Remeasurements of defined benefit plans		
Arising during the FY	¥ - 235 million	¥1,570 million
Reclassification Adjustments	¥ - 411 million	¥ - 201 million
Before Tax effect adjustment	¥ - 646 million	¥1,368 million
Tax effect	¥ 197 million	¥- 418 million
Remeasurements of defined benefit plans	¥ - 449 million	¥950 million
Total other comprehensive income	¥ -722 million	¥849 million

## (Consolidated statements of changes in net assets)

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

## 1. Issued stock

Stock class	At beginning of FY	Increase	Decrease	At end of FY
Common stock (shares)	41,598,381	97,000	-	41,695,381

Note: Reason for the increase of 97,000 shares is exercise of SSR from stock options.

## 2. Treasury stock

Stock class	At beginning of FY	Increase	Decrease	At end of FY
Common stock (shares)	36,791	416	-	37,207

Note:

The increase of 416 shares was due to purchases of shares less than 1 unit.

### 3. Share subscription rights

Company name	Breakdown	Class of stock issued upon exercise of the right	Number of shares issued upon exercise of the right (shares)				Balance at FY end (MJPY)
			At beginning of FY	Increase	Decrease	At end of FY	
The Parent Company	The 10 <sup>th</sup> SSR (SOs) (Issued 2013)	-		-		12	
	The 11 <sup>th</sup> SSR (SOs) (Issued 2014)	-		-		10	
	The 12 <sup>th</sup> SSR (SOs) (Issued 2015)	-		-		24	
	The 13 <sup>th</sup> SSR (SOs) (Issued 2016)	-		-		33	
	The 14 <sup>th</sup> SSR (SOs) (Issued 2017)	-		-		65	
	The 15 <sup>th</sup> SSR (SOs) (Issued 2018)	-		-		38	
	The 16 <sup>th</sup> SSR (SOs) (Issued 2019)	-		-		14	
	SSR issued July 2006 (stock compensation type)	-		-		16	
	SSR issued July 2007 (stock compensation type)	-		-		19	
	SSR issued July 2011 (stock compensation type)	-		-		22	
	SSR issued July 2012 (stock compensation type)	-		-		16	
	SSR issued July 2013 (stock compensation type)	-		-		35	
	SSR issued July 2014 (stock compensation type)	-		-		34	
	SSR issued July 2015 (stock compensation type)	-		-		60	
	SSR issued July 2016 (stock compensation type)	-		-		58	

Company name	Breakdown	Class of stock issued upon exercise of the right	Number of shares issued upon exercise of the right (shares)				Balance at FY end (MJPY)
			At beginning of FY	Increase	Decrease	At end of FY	
The Parent Company	SSR issued July 2017 (stock compensation type)	-		-		116	
	SSR issued July 2018 (stock compensation type)					104	
	SSR issued August 2019 (stock compensation type)					87	
Total		-		-		770	

#### 4. Dividends

##### (1) Amounts of dividends paid

Resolution	Class of stock	Total amount of dividends (MJPY)	Dividend per share (yen)	Cut-off date	Effective date
June 24 <sup>th</sup> , 2019 Regular general meeting of Shareholders	Common stock	2,743	66.00	March 31 <sup>st</sup> , 2019	June 25 <sup>th</sup> , 2019
November 8 <sup>th</sup> , 2019 Board of Directors	Common stock	1,582	38.00	September 30 <sup>th</sup> , 2019	December 10 <sup>th</sup> , 2019

##### (2) Dividends with a shareholders' cut-off date in FY2020/3 and an effective date in FY2021/3

Resolution	Class of stock	Resource for dividends	Total amount of dividends (MJPY)	Dividend per share (yen)	Cut-off date	Effective date
June 22 <sup>th</sup> , 2020, Regular general meeting of Shareholders	Common stock	Retained earnings	1,583	38.00	March 31 <sup>st</sup> , 2020	June 23 <sup>th</sup> , 2020

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

##### 1. Issued stock

Stock class	At beginning of FY	Increase	Decrease	At end of FY
Common stock (shares)	41,695,381	64,600	-	41,759,981

Note: Reason for the increase of 64,600 shares is exercise of SSR from stock options.

##### 2. Treasury stock

Stock class	At beginning of FY	Increase	Decrease	At end of FY
Common stock (shares)	37,207	677,957	-	715,164

Note:

The increase of 677,957 shares was due to repurchase of Company shares based on a resolution of the Board of Directors meeting held on November 11<sup>th</sup>, 2020 and of 557 shares due to purchases of shares less than 1 unit.

### 3. Share subscription rights

Company name	Breakdown	Class of stock issued upon exercise of the right	Number of shares issued upon exercise of the right (shares)				Balance at FY end (MJPY)
			At beginning of FY	Increase	Decrease	At end of FY	
The Parent Company	The 11 <sup>th</sup> SSR (SOs) (Issued 2014)	-		-		5	
	The 12 <sup>th</sup> SSR (SOs) (Issued 2015)	-		-		18	
	The 13 <sup>th</sup> SSR (SOs) (Issued 2016)	-		-		23	
	The 14 <sup>th</sup> SSR (SOs) (Issued 2017)	-		-		53	
	The 15 <sup>th</sup> SSR (SOs) (Issued 2018)	-		-		39	
	The 16 <sup>th</sup> SSR (SOs) (Issued 2019)	-		-		36	
	The 17 <sup>th</sup> SSR (SOs) (Issued 2020)	-		-		15	
	SSR issued July 2006 (stock compensation type)	-		-		16	
	SSR issued July 2007 (stock compensation type)	-		-		19	
	SSR issued July 2011 (stock compensation type)	-		-		22	
	SSR issued July 2012 (stock compensation type)	-		-		16	
	SSR issued July 2013 (stock compensation type)	-		-		35	
	SSR issued July 2014 (stock compensation type)	-		-		34	
	SSR issued July 2015 (stock compensation type)	-		-		60	
	SSR issued July 2016 (stock compensation type)	-		-		58	

Company name	Breakdown	Class of stock issued upon exercise of the right	Number of shares issued upon exercise of the right (shares)				Balance at FY end (MJPY)
			At beginning of FY	Increase	Decrease	At end of FY	
The Parent Company	SSR issued July 2017 (stock compensation type)	-		-		116	
	SSR issued July 2018 (stock compensation type)	-		-		104	
	SSR issued August 2019 (stock compensation type)	-		-		87	
	SSR issued July 2020 (stock compensation type)	-		-		127	
Total		-		-		892	

#### 4. Dividends

##### (1) Amounts of dividends paid

Resolution	Class of stock	Total amount of dividends (MJPY)	Dividend per share (yen)	Cut-off date	Effective date
June 22 <sup>nd</sup> , 2020 Regular general meeting of Shareholders	Common stock	1,583	38.00	March 31 <sup>st</sup> , 2020	June 23 <sup>rd</sup> , 2020
November 11 <sup>th</sup> , 2020 Board of Directors	Common stock	1,750	42.00	September 30 <sup>th</sup> , 2020	December 14 <sup>th</sup> , 2020

##### (2) Dividends with a shareholders' cut-off date in FY2021/3 and an effective date in FY2022/3

Resolution	Class of stock	Resource for dividends	Total amount of dividends (MJPY)	Dividend per share (yen)	Cut-off date	Effective date
June 21 <sup>st</sup> , 2021, Regular general meeting of Shareholders	Common stock	Retained earnings	2,544	62.00	March 31 <sup>st</sup> , 2021	June 22 <sup>nd</sup> , 2021

(Consolidated statements of cash flows)

\*1 Relationship between cash and cash equivalents at year end and the amounts for items listed in the consolidated balance sheet

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Cash and cash equivalents (Balance sheets)	¥34,640 million	¥43,657 million
Time deposits with original maturities over three months	¥ - 35 million	¥ - 33 million
Cash and cash equivalents(Statement of cash flows)	¥34,605 million	¥43,624 million

\*2 Detail of Assets and Liabilities of company newly received through a business acquisition

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

Details of Assets and Liabilities of the company arising from new business purchases, including acquisition cost, and net payment for acquisitions are as follows.

Current Assets	¥877 million
Fixed Assets	¥319 million
Goodwill	¥219 million
Current Liabilities	¥ - 193 million
Fixed Liabilities	¥ - 7 million
Acquisition Cost	¥ 1,215 million
Cash and Cash equivalents	¥ - 7 million
Net Payment for acquisition	¥ 1,208 million

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

Not applicable.

(Lease transactions)

1. Finance lease transactions

(Lessee)

Financial lease transactions other than those deemed to transfer ownership of properties to lessees

(1) Description of lease assets

Lease assets are consisted mainly of Vehicles and Machinery and equipment for SPE business.

(2) Formulas for calculating estimated depreciation expense of lease assets

Refer to Page 68, [Significant accounting policies] (Basis of Presenting Consolidated Financial Statements)

“4. Significant accounting policies” (2) Depreciation of significant assets.

2 Operation Lease transactions

(Lessee)

Estimative balance of lease premiums included in undissolvable operating lease transactions

	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Current portion	¥49 million	¥55 million
Non-current portion	¥678 million	¥625 million
Total	¥728 million	¥681 million



(Investment securities)

1. Status of Financial Instruments

(1) System for managing financial instruments in the Company Group

The Group accommodates long-term finances based on the forecast of Group investments for SPE and Metrology business mainly by loans from banks. Short term finance is derived mainly by loans from banks, and temporarily unused funds are managed with low-risk financial assets.

Derivatives are only to be applied for the purpose of risk management, and not applied for speculative purposes.

(2) Detail and risk of Financial Instruments

Trade notes, accounts receivable and electronically recorded monetary claims face reliability risks of these customers and foreign-currency based bonds though the Group's global business also face foreign currency risk. Investment securities, mainly stocks related to correspondent companies or capital and business alliances therefore face market price fluctuation risk.

The due date of most of the operating receivables such as trade notes, accounts payable and electronically recorded obligations occur within one year. Some interest bearing debts such as loans payable and/or lease liabilities are set to variable rates and therefore face interest rate fluctuation risk.

(3) Risk management for Financial Instruments

(A) Credit risk management (risk of client's breach of contract)

The Parent Company controls trade notes and balances and due dates per each client working with both Accounting Dept. and Sales Division in order to assess the financial status of each client and avoid contract breach risk. The consolidated subsidiaries apply same method for credit risk management.

(B) Market risk management (risk of fluctuation in exchange rates or interest rates)

The Parent Company periodically checks market prices of investment securities and the financial status of those who issued these securities. In parallel, the amount of holding investment securities is also reviewed and revised as necessary based on the conditions of trade between the Company and those who issued these securities.

(C) Liquidity risk management in financing operations

The Parent Company actively manages liquidity risk. The Accounting and Finance Dept. generates and revises financial plans as necessary to keep short-term liquidity to appropriate levels based on business activity forecasts such as orders, production and sales. The consolidated subsidiaries apply the same method for liquidity risk management.

(4) Additional information for the current value of Financial Instruments

Current value of Financial Instruments includes not only the value based on a current market price (or the reasonably calculated value if market price does not exist), but is also formulated using an allowance for price fluctuations that may affect expected market value.

## 2. Current Value of Financial Instruments

Accounted value on Balance Sheet, Current Value and balance are as follows.

The items for which current value cannot accurately be estimated are omitted (refer to Notes 2.)

FY2020/3 (March 31<sup>st</sup>, 2020)

MJPY

	Accounted on consolidated BS	Current Value	Difference
(1) Cash and cash equivalents	34,640	34,640	-
(2) Notes and accounts receivable	24,279	24,279	-
(3) Electronically recorded monetary claims	5,353	5,353	-
(4) Investment securities (Others)	2,529	2,529	-
Assets Total	66,803	66,803	-
(1) Notes and accounts payable	7,500	7,500	-
(2) Electronically recorded obligations-operating	9,395	9,395	-
(3) Short-term debt	1,300	1,300	-
(4) Long-term debt (include current portion)	8,000	8,000	-
Liability Total	26,195	26,195	-

FY2021/3 (March 31<sup>st</sup>, 2021)

MJPY

	Accounted on consolidated BS	Current Value	Difference
(1) Cash and cash equivalents	43,657	43,657	-
(2) Notes and accounts receivable	27,304	27,304	-
(3) Electronically recorded monetary claims	3,642	3,642	-
(4) Investment securities (Others)	2,366	2,366	-
Assets Total	76,970	76,970	-
(1) Notes and accounts payable	9,379	9,379	-
(2) Electronically recorded obligations-operating	13,682	13,682	-
(3) Short-term debt	1,300	1,300	-
(4) Long-term debt (include current portion)	6,000	6,000	-
Liability Total	30,362	30,362	-

Notes 1. Evaluation method of financial instrument and information for investment securities and derivatives

Assets

(1) Cash and cash equivalents

Based on book value because all cash equivalents are current amounts, current value is mostly equivalent to book value.

(2) Notes and Account receivables, (3) Electronically recorded monetary claims

Based on book value because all settlements are planned in short-term, current value is mostly equivalent to book value.

(4) Investment Securities and other securities

These are based on market price because all of securities are the stocks. Additional notes are described in “Securities”.

Liabilities

(1) Notes and account payables, (2) Electronically recorded obligations-operating, and (3) short term debts

Based on book value because all settlements are planned in short-term, current value is mostly equivalent to book value.

(4) Long term debts

Debts with variable interest rates are based on book value because it reflects market interest rates and is mostly equivalent to the book value.

Notes 2. Accounted value on consolidated balance sheet of Financial Instruments where current value is omitted

MJPY

Type	March 31 <sup>st</sup> , 2020	March 31 <sup>st</sup> , 2021
Investment Securities (unlisted stock)	750	796

These securities are excluded from (4) Investment Securities - other because these securities do not have a listed Market value, the cost/benefit of further estimating their value is negligible.

Notes 3. Notes due for redemption

FY2020/3 (March 31<sup>st</sup>, 2020)

MJPY

Category	Less than 1 year	1-5 years	5 - 10 years	Over 10 years
Bank deposits	33,994	-	-	-
Notes and accounts receivable	24,279	-	-	-
Electronically recorded monetary claims	5,353	-	-	-
Total	64,274	-	-	-

FY2021/3 (March 31<sup>st</sup>, 2021)

MJPY

Category	Less than 1 year	1-5 years	5 - 10 years	Over 10 years
Bank deposits	43,657	-	-	-
Notes and accounts receivable	27,304	-	-	-
Electronically recorded monetary claims	3,642	-	-	-
Total	74,604	-	-	-

Notes 4. Repayment schedule after FY end for short-term and long-term loans

FY2020/3 (March 31<sup>st</sup>, 2020)

MJPY

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years
Short-term	1,300	-	-	-	-
Long-term	2,000	2,000	2,000	2,000	-
Total	3,300	2,000	2,000	2,000	-

FY2021/3 (March 31<sup>st</sup>, 2021)

MJPY

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years
Short-term	1,300	-	-	-	-
Long-term	2,000	2,000	2,000	-	-
Total	3,300	2,000	2,000	-	-

(Securities)

1. Other Securities

FY2020/3 (March 31<sup>st</sup>, 2020)

MJPY

Type	Accounted on consolidated BS	Carrying value	Difference
Securities with a carrying value higher than the acquisition cost			
Stocks	1,705	1,300	404
Subtotal	1,705	1,300	404
Securities with a carrying value no higher than the acquisition cost			
Stocks	824	1,059	- 235
Subtotal	824	1,059	- 235
Total	2,529	2,360	168

FY2021/3 (March 31<sup>st</sup>, 2021)

MJPY

Type	Accounted on consolidated BS	Carrying value	Difference
Securities with a carrying value higher than the acquisition cost			
Stocks	1,831	989	841
Subtotal	1,831	989	841
Securities with a carrying value no higher than the acquisition cost			
Stocks	535	691	- 155
Subtotal	535	691	- 155
Total	2,366	1,680	686

2. Securities sold during the Fiscal term

FY2020/3 (April 1<sup>st</sup>, 2019 – March 31<sup>st</sup>, 2020)

MJPY

Type	Sale price	Proceeds from sales	Loss on sales
Stocks	357	55	-
Total	357	55	-

FY2021/3 (April 1<sup>st</sup>, 2020 – March 31<sup>st</sup>, 2021)

MJPY

Type	Sale price	Proceeds from sales	Loss on sales
Stocks	864	133	-
Total	864	133	-

3. Revaluated Securities

FY2020/3 (April 1<sup>st</sup>, 2019 – March 31<sup>st</sup>, 2020)

Not Applicable.

FY2021/3 (April 1<sup>st</sup>, 2020 – March 31<sup>st</sup>, 2021)

Not Applicable.

(Retirement benefits)

1. Description of retirement benefit plans

The Parent Company has a Lump-sum Retirement Allowance Plan (Savings-type, Retirement Benefits Trust is set), a Defined Benefit Pension Plan (Savings-type) and a Defined Contribution Pension Plan.

Our domestic consolidated subsidiaries utilize the Lump-sum Retirement Allowance Plan (excepting savings-type), and some of domestic consolidated subsidiaries also apply a Defined Benefit Pension Plan (Savings-type) or a Defined Contribution Pension Plan.

Both Net defined liabilities and Retirement benefit costs on domestic consolidated subsidiaries' Retirement Allowance Plans and Defined Benefit Pension Plans are calculated by the principal method or the simplified method (to allocate . amount paid for voluntary termination as at the ending date of each fiscal year as a retirement benefit obligation).

In FY2021/3, one of our domestic consolidated subsidiaries has terminated its retirement benefit plan.

2. Defined Benefit Pension Plan (excepting where simplified method is applied)

(1) Adjustment of Opening balance and Closing Balance of projected benefit obligations

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)	MJPY
Opening Balance	4,096	5,244	
Service Cost	392	451	
Interest Cost	32	32	
Recognized Actuarial Differences	15	24	
Benefit Paid	- 331	- 262	
Transferred cost due to change from simplified method to principal method	813	-	
Increase from a change from simplified method to principal method	225	-	
Decrease due to termination of retirement benefit plan (note)	-	- 229	
Closing Balance	5,244	5,191	

(Note) This decrease is due to the termination of a retirement benefit plan at a domestic consolidated subsidiary.

(2) Adjustment of Opening balance and Closing Balance of Plan assets (Pension)

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)	MJPY
Opening Balance	6,896	7,070	
Expected return on plan assets	54	55	
Recognized Actuarial Differences	- 219	2,784	
Contribution from Entrepreneurs	134	124	
Benefit Paid	- 132	- 105	
Return of assets from retirement benefits trust	-	-3,000	
Transferred cost due to change from simplified method to principal method	0	-	
Increase from a change from simplified method to principal method	334	-	
Decrease due to termination of retirement benefit plan (note)	-	- 319	
Others	1	1	
Closing Balance	7,070	6,610	

(Note) This decrease is due to the termination of a retirement benefit plan at a domestic consolidated subsidiary.

(3) Adjustment between the closing balances of projected benefit obligations and Plan assets (Pension), and Net defined liabilities/assets accounted on Balance sheet

	MJPY	
	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Projected retirement obligation (savings-type)	4,567	4,453
Plan assets(pension)	- 7,070	- 6,610
	- 2,503	- 2,157
Projected retirement obligation (except savings-type)	676	737
Net defined liabilities/assets on Balance sheet (net)	- 1,826	- 1,419
Net defined liabilities	752	791
Net defined assets	- 2,579	- 2,211
Net defined liabilities/assets on Balance sheet (net)	- 1,826	- 1,419

(4) Components of net periodic pension and severance costs

	MJPY	
	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Service Cost	392	451
Interest Cost	32	32
Expected return on plan assets	- 54	- 55
Expense for actuarial difference	- 355	- 145
Expense for prior service cost	- 55	- 55
Extra retirement payments	58	-
Gain on return of assets from retirement benefits trust (note 1)	-	- 1,189
Net periodic pension and severance costs (note 2)	17	- 962

(Note 1): Results from a lump sum of unrecognized actuarial gains and losses arising from the return of part of a retirement benefit trust and is accounted for as Extraordinary gains for FY2021/3.

(Note 2): Other than Note 1 above, ¥22 million of extraordinary gains was accounted for in FY2021/3 due to the termination of a retirement benefit plan at one domestic consolidated subsidiary.

(5) Adjustments for retirement obligations

Detail of adjustments accounted for as Adjustment for retirement obligation (before tax effect) is as shown below.

	MJPY	
	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Unrecognized prior service cost	- 55	- 55
Unrecognized actuarial gain or loss	- 590	1,424
Total	- 646	1,368

(6) Accumulated adjustments for retirement obligations

Detail of adjustments accounted for as Accumulated adjustment for retirement obligation (before tax effect) is as shown below.

	MJPY	
	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Unrecognized prior service cost	83	27
Unrecognized actuarial gain or loss	254	1,679
Total	338	1,707

(7) Detail of Plan Assets

7-1. Detail of Plan Assets

The ratio of each type of assets consisted with plan assets (pension) is as shown below.

	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Deposits	37%	56%
Shares	40%	20%
General Account	14%	14%
Bonds	7%	7%
Others	2%	3%
Total	100%	100%

7-2. Method of defining long-term expected returns

Expected returns on Plan assets takes into account the portfolio of assets and current and future accumulating long term earning rates.

(8) Major basis of calculating actuarial gains or losses

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Discount Rate	0.8%	0.8%
Expected Rate of return on plan assets		
Plan assets (pension)	2.5%	2.5%
Employees' retirement benefits trust	0.0%	0.0%
Expected salary increase rate	0.0% – 3.7%	0.0% – 3.7%

3. Defined benefit plan applying the simplified method

(1) Adjustment of Opening balance and Closing Balance of Net defined liabilities which applied the simplified method for calculation

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Opening Balance of net defined liabilities	784	404
Cost for retirement allowance	121	71
Retirement allowance paid	- 22	- 208
Transferred cost due to change from simplified method to principal method	- 479	-
Closing Balance of net defined liabilities	404	268



(2) Adjustment between the closing balances of projected benefit obligations and Plan assets, and Net defined liabilities/assets accounted on Balance sheet MJPY

	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Projected retirement obligation (except savings-type)	404	268
Net defined liabilities/assets on Balance sheet (net)	404	268
Net defined liabilities	404	268
Net defined liabilities/assets on Balance sheet (net)	404	268

(3) Cost for retirement allowances MJPY

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Cost for retirement allowances (calculated by simplified method)	121	71

\* Other than above, ¥108 million of extra retirement payments at one domestic consolidated subsidiary was accounted for as Extraordinary losses for FY2021/3.

4. Defined Contribution plan MJPY

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Contribution payable by the Parent Company and consolidated subsidiaries	179	176

(Stock options and others)

1. Account and amount charged as expenses

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

MJPY

Breakdown	Account name: "Stock compensation expense"			
	Cost of goods sold	Selling expense	General and administrative expenses	Total
The 14 <sup>th</sup> SSR	4	2	3	10
The 15 <sup>th</sup> SSR	9	4	8	22
The 16 <sup>th</sup> SSR	6	3	5	14
SSR issued August 2019 (stock compensation type)	-	-	87	87
Total	19	10	105	135

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

MJPY

Breakdown	Account name: "Stock compensation expense"			
	Cost of goods sold	Selling expense	General and administrative expenses	Total
The 15 <sup>th</sup> SSR	2	1	2	6
The 16 <sup>th</sup> SSR	9	4	6	21
The 17 <sup>th</sup> SSR	7	3	5	16
SSR issued July 2020 (stock compensation type)	-	-	127	127
Total	19	9	142	171

2. Gains and accounts from the expiration of exercising rights

MJPY

	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Reversal of SSR (Extraordinary Gains)	2	8

### 3. Description, scale, and movement of stock options

#### The Parent Company

##### (1) Description of stock options

###### The 10<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent Company: 235 Directors of subsidiaries: 9 Employees of subsidiaries: 71
Number and class of shares to be provided (shares)	Common stock: 68,500
Date of issue	July 22 <sup>nd</sup> , 2013
Conditions of settlement of rights	He/She must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for SOs	July 22 <sup>nd</sup> , 2013 - July 22 <sup>nd</sup> , 2015
Exercise period	July 23 <sup>rd</sup> , 2015 - June 30 <sup>th</sup> , 2020

###### The 11<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 9 Employees of the Parent Company: 250 Directors of subsidiaries: 11 Employees of subsidiaries: 80
Number and class of shares to be provided (shares)	Common stock: 71,300
Date of issue	July 22 <sup>nd</sup> , 2014
Conditions of settlement of rights	He/She must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for SOs	July 22 <sup>nd</sup> , 2014 - July 22 <sup>nd</sup> , 2016
Exercise period	July 23 <sup>rd</sup> , 2016 - June 30 <sup>th</sup> , 2021

###### The 12<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 9 Employees of the Parent Company: 256 Directors of subsidiaries: 13 Employees of subsidiaries: 89
Number and class of shares to be provided (shares)	Common stock: 74,800
Date of issue	July 22 <sup>nd</sup> , 2015
Conditions of settlement of rights	He/She must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for SOs	July 22 <sup>nd</sup> , 2015 - July 22 <sup>nd</sup> , 2017
Exercise period	July 23 <sup>rd</sup> , 2017 - June 30 <sup>th</sup> , 2022

The 13<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 9 Employees of the Parent Company: 258 Directors of subsidiaries: 13 Employees of subsidiaries: 92
Number and class of shares to be provided (shares)	Common stock: 76,500
Date of issue	July 21 <sup>st</sup> , 2016
Conditions of settlement of rights	He/She must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for SOs	July 21 <sup>st</sup> , 2016 - July 21 <sup>st</sup> , 2018
Exercise period	July 22 <sup>nd</sup> , 2018 - June 30 <sup>th</sup> , 2023

The 14<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent Company: 172 Directors of subsidiaries: 12 Employees of subsidiaries: 22
Number and class of shares to be provided (shares)	Common stock: 77,500
Date of issue	July 24 <sup>th</sup> , 2017
Conditions of settlement of rights	He/She must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for SOs	July 24 <sup>th</sup> , 2017 - July 24 <sup>th</sup> , 2019
Exercise period	July 25 <sup>th</sup> , 2019 - June 30 <sup>th</sup> , 2024

The 15<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent Company: 183 Directors of subsidiaries: 8 Employees of subsidiaries: 18
Number and class of shares to be provided (shares)	Common stock: 74,500
Date of issue	July 23 <sup>th</sup> , 2018
Conditions of settlement of rights	He/She must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for SOs	July 23 <sup>th</sup> , 2018 - July 23 <sup>th</sup> , 2020
Exercise period	July 24 <sup>th</sup> , 2020 - June 30 <sup>th</sup> , 2025

The 16<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 7 Employees of the Parent Company: 195 Directors of subsidiaries: 8 Employees of subsidiaries: 26
Number and class of shares to be provided (shares)	Common stock: 77,800
Date of issue	August 2 <sup>nd</sup> , 2019
Conditions of settlement of rights	He/She must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for SOs	August 2 <sup>nd</sup> , 2019 - August 2 <sup>nd</sup> , 2021
Exercise period	August 3 <sup>rd</sup> , 2021 - June 30 <sup>th</sup> , 2026

The 17<sup>th</sup> SSR

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 7 Employees of the Parent Company: 195 Directors of subsidiaries: 8 Employees of subsidiaries: 36
Number and class of shares to be provided (shares)	Common stock: 79,900
Date of issue	July 30 <sup>th</sup> , 2020
Conditions of settlement of rights	He/She must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for SOs	July 30 <sup>th</sup> , 2020 - July 30 <sup>th</sup> , 2023
Exercise period	July 31 <sup>st</sup> , 2023 – June 30 <sup>th</sup> , 2028

SSR issued June 2005 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:7 Employees of the Parent Company (executive officers):11
Number and class of shares to be provided (shares)	Common stock: 47,000
Date of issue	June 29 <sup>th</sup> , 2005
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	June 30 <sup>th</sup> , 2005 - June 30 <sup>th</sup> , 2025

SSR issued July 2006 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 6 Employees of the Parent Company (executive officers): 12
Number and class of shares to be provided (shares)	Common stock:29,600
Date of issue	July 14 <sup>th</sup> , 2006
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 15 <sup>th</sup> , 2006 - July 14 <sup>th</sup> , 2026

SSR issued July 2007 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Parent Company (executive officers):12
Number and class of shares to be provided (shares)	Common stock:32,000
Date of issue	July 19 <sup>th</sup> , 2007
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 20 <sup>th</sup> , 2007 - July 19 <sup>th</sup> , 2027

SSR issued July 2011 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Parent Company (executive officers):2
Number and class of shares to be provided (shares)	Common stock:33,100
Date of issue	July 12 <sup>th</sup> , 2011
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 13 <sup>th</sup> , 2011 - July 12 <sup>th</sup> , 2031

SSR issued July 2012 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:7 Employees of the Parent Company (executive officers):2
Number and class of shares to be provided (shares)	Common stock:35,600
Date of issue	July 23 <sup>rd</sup> , 2012
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 24 <sup>th</sup> , 2012 - July 23 <sup>rd</sup> , 2032

SSR issued July 2013 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 7 Employees of the Parent Company (executive officers):2
Number and class of shares to be provided (shares)	Common stock:35,100
Date of issue	July 22 <sup>nd</sup> , 2013
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 23 <sup>rd</sup> , 2013 - July 22 <sup>nd</sup> , 2033

SSR issued July 2014 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent Company (executive officers): 2
Number and class of shares to be provided (shares)	Common stock:38,100
Date of issue	July 22 <sup>nd</sup> , 2014
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 23 <sup>rd</sup> , 2014 - July 22 <sup>nd</sup> , 2034

SSR issued July 2015 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company: 8 Employees of the Parent Company (executive officers): 1
Number and class of shares to be provided (shares)	Common stock:36,100
Date of issue	July 22 <sup>nd</sup> , 2015
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 23 <sup>rd</sup> , 2015 - July 22 <sup>nd</sup> , 2035

SSR issued July 2016 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:8 Employees of the Parent Company (executive officers): 1
Number and class of shares to be provided (shares)	Common stock:37,000
Date of issue	July 21 <sup>st</sup> , 2016
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 22 <sup>nd</sup> , 2016 - July 21 <sup>st</sup> , 2036

SSR issued July 2017 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:7 Employees of the Parent Company (executive officers): 3
Number and class of shares to be provided (shares)	Common stock:41,900
Date of issue	July 24 <sup>th</sup> , 2017
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 25 <sup>th</sup> , 2017 - July 24 <sup>th</sup> , 2037

SSR issued July 2018 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:7 Employees of the Parent Company (executive officers):3
Number and class of shares to be provided (shares)	Common stock:42,300
Date of issue	July 23 <sup>rd</sup> , 2018
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 24 <sup>th</sup> , 2018 - July 23 <sup>rd</sup> , 2038

SSR issued August 2019 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:6 Employees of the Parent Company (executive officers):5
Number and class of shares to be provided (shares)	Common stock:44,200
Date of issue	August 2 <sup>nd</sup> , 2019
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	August 3 <sup>rd</sup> , 2019 – August 2 <sup>nd</sup> , 2039



SSR issued July 2020 (stock compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Parent Company:6 Employees of the Parent Company (executive officers):5
Number and class of shares to be provided (shares)	Common stock:44,500
Date of issue	July 30 <sup>th</sup> , 2020
Conditions of settlement of rights	In principle, directors and executive officers of the Parent Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for SOs	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 31 <sup>st</sup> , 2020 – July 30 <sup>th</sup> , 2040

## (2) Scale and movement of stock options

## [1] Numbers of stock options

	The 10 <sup>th</sup> SSR	The 11 <sup>th</sup> SSR	The 12 <sup>th</sup> SSR	The 13 <sup>th</sup> SSR	The 14 <sup>th</sup> SSR	The 15 <sup>th</sup> SSR	The 16 <sup>th</sup> SSR
Non-exercisable SOs							
SOs outstanding at end of previous FY (shares)	-	-	-	-	-	74,500	77,800
SOs granted (shares)	-	-	-	-	-	-	-
Forfeitures (shares)	-	-	-	-	-	900	1,400
Conversion to exercisable SOs (shares)	-	-	-	-	-	73,600	-
SOs outstanding (shares)	-	-	-	-	-	-	76,400
Exercisable SOs							
SOs outstanding at end of previous FY (shares)	18,900	19,300	42,900	58,200	76,500	-	-
Conversion from non-exercisable SOs (shares)	-	-	-	-	-	73,600	-
SOs exercised (shares)	9,300	7,400	10,500	16,500	13,000	7,900	-
Forfeitures (shares)	9,600	500	600	800	1,000	1,000	-
SOs outstanding (shares)	-	11,400	31,800	40,900	62,500	64,700	-

	The 17 <sup>th</sup> SSR	SSR issued June 2005 (stock compensation type)	SSR issued July 2006 (stock compensation type)	SSR issued July 2007 (stock compensation type)	SSR issued July 2011 (stock compensation type)	SSR issued July 2012 (stock compensation type)	SSR issued July 2013 (stock compensation type)
Non-exercisable SOs							
SOs outstanding at end of previous FY (shares)	-	4,800	3,300	4,800	15,500	15,500	17,900
SOs granted (shares)	79,900	-	-	-	-	-	-
Forfeitures (shares)	1,200	-	-	-	-	-	-
Conversion to exercisable SOs (shares)	-	-	-	-	-	-	-
SOs outstanding (shares)	78,700	4,800	3,300	4,800	15,500	15,500	17,900
Exercisable SOs							
SOs outstanding at end of previous FY (shares)	-	-	-	-	-	-	-
Conversion from non-exercisable SOs (shares)	-	-	-	-	-	-	-
SOs exercised (shares)	-	-	-	-	-	-	-
Forfeitures (shares)	-	-	-	-	-	-	-
SOs outstanding (shares)	-	-	-	-	-	-	-

	SSR issued July 2014 (stock compensation type)	SSR issued July 2015 (stock compensation type)	SSR issued July 2016 (stock compensation type)	SSR issued July 2017 (stock compensation type)	SSR issued July 2018 (stock compensation type)	SSR issued August 2019 (stock compensation type)	SSR issued July 2020 (stock compensation type)
Non-exercisable SOs							
SOs outstanding at end of previous FY (shares)	20,900	28,200	29,100	36,500	36,900	44,200	-
SOs granted (shares)	-	-	-	-	-	-	44,500
Forfeitures (shares)	-	-	-	-	-	-	-
Conversion to exercisable SOs (shares)	-	-	-	-	-	-	-
SOs outstanding (shares)	20,900	28,200	29,100	36,500	36,900	44,200	44,500
Exercisable SOs							
SOs outstanding at end of previous FY (shares)	-	-	-	-	-	-	-
Conversion from non-exercisable SOs (shares)	-	-	-	-	-	-	-
SOs exercised (shares)	-	-	-	-	-	-	-
Forfeitures (shares)	-	-	-	-	-	-	-
SOs outstanding (shares)	-	-	-	-	-	-	-

[2] Price information

	The 10 <sup>th</sup> SSR	The 11 <sup>th</sup> SSR	The 12 <sup>th</sup> SSR	The 13 <sup>th</sup> SSR	The 14 <sup>th</sup> SSR	The 15 <sup>th</sup> SSR	The 16 <sup>th</sup> SSR
Paid-in value (yen)	2,162	1,876	2,825	2,527	3,950	4,073	3,075
Average market price of the stock at the time of exercise (yen)	3,602	4,052	4,587	4,573	4,909	4,899	-
Fair value at the date of grant (yen)	646	521	572	580	862	611	568

	The 17 <sup>th</sup> SSR	SSR issued June 2005 (stock compensation type)	SSR issued July 2006 (stock compensation type)	SSR issued July 2007 (stock compensation type)	SSR issued July 2011 (stock compensation type)	SSR issued July 2012 (stock compensation type)	SSR issued July 2013 (stock compensation type)
Paid-in value (yen)	3,655	1	1	1	1	1	1
Average market price of the stock at the time of exercise (yen)	-	-	-	-	-	-	-
Fair value at the date of grant (yen)	917	-	4,944	4,046	1,431	1,036	1,957

	SSR issued July 2014 (stock compensation type)	SSR issued July 2015 (stock compensation type)	SSR issued July 2016 (stock compensation type)	SSR issued July 2017 stock compensation type)	SSR issued July 2018 stock compensation type)	SSR issued August 2019 stock compensation type)	SSR issued July 2020 stock compensation type)
Paid-in value (yen)	1	1	1	1	1	1	1
Average market price of the stock at the time of exercise (yen)	-	-	-	-	-	-	-
Fair value at the date of grant (yen)	1,672	2,129	2,022	3,182	2,841	1,986	2,860

#### 4. Valuation of fair value of stock options granted during FY

(1) Calculation method used: Black Scholes option pricing model

(2) Basic assumption and valuation method used

	The 17 <sup>th</sup> SSR	SSR issued July 2020 (stock compensation type)
Stock Price Volatility	37.641% *Note 1	36.810% * Note 2
Expected life	5.5 years *Note 3	10 years *Note 3
Expected dividend per share	¥76 *Note 4	¥76 *Note 4
Risk-free interest rate	- 0.121% *Note 5	0.015% *Note 5

Notes:

1. Calculated based on the list stock price records from the past 5.5 years (Closing price of each business day from January 30<sup>th</sup>, 2015 – July 30<sup>th</sup>, 2020).
2. Calculated based on the list stock price records from the past 10 years (Closing price of each business day from July 30<sup>th</sup>, 2010 – July 30<sup>th</sup>, 2020).
3. Assumed to be the mid-point between the vesting date and the end of the contractual term.
4. Based on the dividend records from the 12 months preceding the vesting date (¥38 interim dividend and ¥38 year-end dividend for FY2020/3).
5. Based on the yield of Japanese government bonds over the expected life.

#### 5. Estimation of the number of stock options vested

Because it is fundamentally difficult to reasonably estimate the future number of forfeitures, we have adopted a method which utilizes only historical data for the number of forfeitures.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities

MJPY

	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Deferred tax assets		
Tangible fixed assets	2,521	2,199
Inventories	611	800
Net defined benefit liabilities	581	539
Securities contribution to employees' retirement benefits trust	443	1,035
Provision for employees' bonuses	438	428
Tax loss carried forward *2	307	307
Investment Securities	259	168
Share subscription rights	175	213
Accrued expense	171	150
Accrued enterprise tax	75	227
Others	301	317
Subtotal of Deferred tax assets	5,885	6,388
Valuation allowance (mainly from the future deductible temporary differences)	- 1,059	- 838
Valuation allowance (from Tax loss carried forward) *2	- 307	- 307
Total Valuation allowance *1	- 1,366	- 1,145
Total Deferred tax assets	4,519	5,242
Deferred tax liabilities		
Undistributed earnings of foreign subsidiaries	- 765	- 942
Gain on securities contribution to employees' retirement benefits trust	- 365	- 151
Net defined benefit assets	- 104	- 537
Asset retirement cost	- 91	- 18
Holding gain or loss in investment	- 51	- 210
Others	- 77	- 68
Total deferred tax liabilities	- 1,455	- 1,929
Net deferred tax assets(or liabilities)	3,063	3,312

Note:

1. Amount and carry-over years of tax loss carried forward and deferred tax assets.

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Tax loss carried forward	-	-	-	-	-	¥307 million	¥307 million
Valuation allowance	-	-	-	-	-	¥ - 307 million	¥ - 307 million
Total	-	-	-	-	-	-	-

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Total
Tax loss carried forward	-	-	-	-	¥127 million	¥179 million	¥307 million
Valuation allowance	-	-	-	-	¥- 127 million	¥ - 179 million	¥ - 307 million
Total	-	-	-	-	-	-	-

2. Reconciliations between the effective corporate tax rates reflected in the consolidated financial statements and the statutory tax rate

	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Statutory tax rate of the Parent Company	30.62%	30.62%
(Reconciliation)		
Effect by special tax credits	- 6.44%	- 6.65%
Effect by differences of corporate tax rate between the Parent Company and consolidated subsidiaries	- 1.66%	- 1.54%
Change in valuation allowance	7.45%	- 0.81%
Effect by Tax audit and others	1.30%	0.43%
Inhabitant tax on per capita basis	0.57%	0.39%
Permanent differences in accounting such as entertainment fee	0.56%	1.99%
Others	1.22%	0.22%
Effective corporate tax rate	33.62%	24.64%

(Segment information)

1. Overview of reportable segments

(1) Method of defining reportable segments

The reportable segments of the Company are the business segments for which separate financial information can be obtained and are at the level where the Company's board of directors conducts periodic reviews leading to the allocation of resources and evaluation of business performance.

The Company consists of internal companies known as the Semiconductor Company and the Metrology Company, and each company's products and services are managed under comprehensive strategies inside and outside of Japan.

Therefore, the Company defines "SPE" and "Metrology instrument" as reportable segments based on the intercompany system and their outputs.

The "SPE" consists of manufacturing and sales of process and inspection equipment to be applied to Semiconductor Manufacturing Processes and the "Metrology Equipment" consists of manufacturing and sales of precision measurement equipment such as 3D coordinate measuring machines and surface texture and contour measuring instruments.

(2) Primary products of each reportable segment

SPE segment:	Wafer probing machines, wafer dicing machines, polish grinders, Wafer manufacturing machines, CMPs, precision dicing blades
Metrology segment:	3D coordinates measuring machines, roundness and cylindrical profile Measuring instruments, surface texture and contour measuring Instruments, machine control gauges, various automated measuring, sorting and assembling machines

2. Method of calculation of sales, profit/loss, assets/liabilities and/or others in reportable segments

The method of calculating segment results is mostly the same as applied to the consolidated financial statements. Therefore, segment profit is based on consolidated operating profit.



3. Net sales, profit/loss, assets/liabilities and/or others in reportable segments

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

MJPY

	Reportable Segments			Adjustment *1	Consolidated Total *2
	SPE	Metrology Equipment	Total		
Sales					
Sales to third party:	56,198	31,728	87,927	-	87,927
Intersegment sales to transfer	-	-	-	-	-
Total	56,198	31,728	87,927	-	87,927
Segment Profit	7,915	4,366	12,282	-	12,282
Segment Assets	99,393	46,350	145,743	805	146,549
Others					
Depreciation and amortization	2,450	1,000	3,450	-	3,450
Amortization of goodwill	39	1	41	-	41
Increase in tangible / intangible Fixed assets	3,832	3,644	7,477	-	7,477

Notes

\*1: adjustment for corporate assets which are not allotted to the segments such as long-term investments (other investment securities)

\*2: Segment profit is same amount as operating income stated in the consolidated financial statements.

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

MJPY

	Reportable Segments			Adjustment *1	Consolidated Total *2
	SPE	Metrology Equipment	Total		
Sales					
Sales to third party:	71,745	25,359	97,105	-	97,105
Intersegment sales to transfer	-	-	-	-	-
Total	71,745	25,359	97,105	-	97,105
Segment Profit	13,565	1,996	15,562	-	15,562
Segment Assets	118,547	42,040	160,587	968	161,556
Others					
Depreciation and amortization	2,343	1,172	3,516	-	3,516
Amortization of goodwill	7	20	28	-	28
Increase in tangible / intangible Fixed assets	3,499	2,450	5,950	-	5,950

Notes

\*1: adjustment for corporate assets which are not allotted to the segments such as long-term investments (other investment securities)

\*2: Segment profit is same amount as operating income stated in the consolidated financial statements.

(Related Information)

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

1. Information per each product and service

Data for this period is intentionally omitted because the same information is disclosed in “segment information”.

2. Information per geographical segment

(1) Sales

MJPY

Japan	East Asia					South East Asia	Other Areas	Total
	China	Taiwan	Korea	Other	Total			
34,085	19,422	9,416	8,296	4	37,139	7,342	9,360	87,927

Note: Country segments are determined based on the country where the customer is located.

(2) Tangible fixed assets

Data for this period is intentionally omitted because over 90% of tangible fixed assets accounted on Consolidated Balance Sheets are located in Japan.

3. Transaction with Significant Customers

There is no third party which exceeds over 10% of total sales accounted on Consolidated Statements of Income.

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

1. Information per each product and service

Data for this period is intentionally omitted because the same information is disclosed in “segment information”.

2. Information per geographical segment

(1) Sales

MJPY

Japan	East Asia					South East Asia	Other Areas	Total
	China	Taiwan	Korea	Other	Total			
29,253	24,787	19,389	5,806	2	49,986	6,796	11,069	97,105

Note: Country segments are determined based on the country where the customer is located.

(2) Tangible fixed assets

Data for this period is intentionally omitted because over 90% of tangible fixed assets accounted on Consolidated Balance Sheets are located in Japan.

3. Transaction with Significant Customers

There is no third party which exceeds over 10% of total sales accounted on Consolidated Statements of Income.

(Impairment losses on fixed assets per each reportable segment)

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

MJPY

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Impairment loss	1,591	60	1,652	-	1,652

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

MJPY

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Impairment loss	-	668	668	-	668

(Amortization and closing balance of goodwill per each reportable segment)

FY2020/3 (April 1<sup>st</sup>, 2019 - March 31<sup>st</sup>, 2020)

MJPY

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Balance as at FY2020 end	46	217	263	-	263

Note: The amortization of goodwill is intentionally omitted because the same information is disclosed in “segment information”.

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

MJPY

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Balance as at FY2020 end	35	184	220	-	220

Note: The amortization of goodwill is intentionally omitted because the same information is disclosed in “segment information”.

(Gain on negative goodwill per each reportable segment)

Not applicable.

(Related parties' information)

1. Related party transactions

FY2020/3 (April 1st, 2019 - March 31st, 2020)

Not applicable.

FY2021/3 (April 1<sup>st</sup>, 2020 - March 31<sup>st</sup>, 2021)

(1) Transactions between the Parent Company and related parties

Corporate Pension for employees, and others

Type	Name of related parties or person	Location	Common Stock (MJPY)	Type of business or occupation	% of voting rights held by Company (holding Company)	Detail of Relationship	Detail of Transaction	Transaction amount (MJPY)	Account	Closing Balance (MJPY)
Corporate Pension	Retirement benefit trust	-	-	-	-	Pension assets on retirement benefit trust	Return of a part of assets	3,000	-	-

(2) Transactions between a consolidated subsidiary of the Parent Company and related parties

Directors or their family members of consolidated subsidiary company of the Parent company

Type	Name of related parties or person	Location	Common Stock (MJPY)	Type of business or occupation	% of voting rights held by Company (holding Company)	Detail of Relationship	Detail of Transaction	Transaction amount (MJPY)	Account	Closing Balance (MJPY)
Director of subsidiary	Kazuhiro Tago (*1)	-	-	President of Tosei Engineering Corp.	-	-	Outpouring of company's funds through Misconducts	-	Long term loans receivable (*2)	112

Notes:

\*1. Kazuhiro Tago became a non-related party on March 15<sup>th</sup>, 2021, therefore, the closing balance is shown as at when he became a non-related party.

\*2. ¥112 million of allowance for doubtful accounts is accounted to aforementioned long-term loans receivable. Simultaneously, in FY2021/3, ¥112 million of provisions for doubtful accounts was included.

2. Notes for Significant affiliates

Not applicable.

(Per share information)

FY2020/3 (April 1 <sup>st</sup> , 2019 - March 31 <sup>st</sup> , 2020)			FY2021/3 (April 1 <sup>st</sup> , 2020 - March 31 <sup>st</sup> , 2021)		
Net assets per share	2,601.10	yen	Net assets per share	2,810.79	yen
Earnings per share	171.89	yen	Earnings per share	293.83	yen
Diluted earnings per share	170.72	yen	Diluted earnings per share	291.43	yen

Note: Basis for calculations

1 Basic Net profit per share and diluted Net profit in per share

Item	FY2020/3 (April 1 <sup>st</sup> , 2019- March 31 <sup>st</sup> , 2020)	FY2021/3 (April 1 <sup>st</sup> , 2020- March 31 <sup>st</sup> , 2021)
Basic Net profit per share		
Net profit attributable to owners of the parent (MJPY)	7,156	12,175
Amount not attributed to common shareholders (MJPY)	-	-
Net profit attributable to common shares (MJPY)	7,156	12,175
Average number of shares of common stock during the FY (shares)	41,634,084	41,435,808
Diluted Net profit per share		
Details of adjusted Net profit (MJPY)	-	-
Details of increase in common stock (shares)	286,759	342,347
(SSR(shares))	(286,759)	(342,347)
Securities excluded the calculation of diluted Net profit per share due to lack of dilutive effects	SSR (Stock Option Type)(shares) The 15 <sup>th</sup> 74,500	SSR (Stock Option Type)(shares) The 15 <sup>th</sup> 73,600

2. Net assets per share

Item	FY2020/3 (March 31 <sup>st</sup> , 2020)	FY2021/3 (March 31 <sup>st</sup> , 2021)
Total in the Net assets column of the consolidated balance sheet (MJPY)	109,674	116,777
Amounts to be excluded from Net assets(MJPY)	1,317	1,409
(SSR(MJPY))	(770)	(892)
(Minority interest (MJPY))	(546)	(516)
Net assets as at end of FY available to common shareholders (MJPY)	108,357	115,368
Number of common stock shares used to calculate net assets per share (shares)	41,658,174	41,044,817

(Significant subsequent events)

Not applicable.

[5] Consolidated supplemental statement  
 (Statement of bonds payable)  
 Not applicable.

(Schedule of borrowings)

Category	Balance at beginning of FY (MJPY)	Balance at end of FY (MJPY)	Average interest rate (%)	Repayment term
Short-term debt	1,300	1,300	0.55	-
Long-term debt scheduled to be paid within 1 year	2,000	2,000	0.63	
Lease obligation scheduled to be paid within 1 year	110	114	2.14	-
Long-term debt (exclude current portion)	6,000	4,000	0.63	June 30 <sup>th</sup> , 2022– Dec. 28 <sup>th</sup> , 2023
Lease obligation (exclude current portion)	231	167	1.76	April 30 <sup>th</sup> , 2022 Sep.30 <sup>th</sup> , 2026
Total	9,641	7,581	-	-

Notes

1. The “Average interest rate” represents the weighted-average rate applicable to the year-end balance.
2. The amounts of the long term debt (exclude current portion) that are scheduled to be paid within the 5 years following consolidated settlement date are as follows:

Category	1-2 years (MJPY)	2-3 years (MJPY)	3-4 years (MJPY)	4-5years (MJPY)
Long-term loans payable	2,000	2,000	-	-
Lease obligation	98	52	10	4
Total	2,098	2,052	10	4

(Detail of Asset Retirement Obligations)

Detail of Asset Retirement Obligations is intentionally omitted as allowed in the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements”, section 92-2, because total amounts of each as at the beginning and end of the fiscal term is less than 1/100 of Total liabilities and Net assets.

(2) Others

Quarterly business result of the consolidated FY

(Accumulated period)	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Quarterly Net Sales (MJPY)	21,070	45,112	66,709	97,105
Quarterly income before income taxes and minority interests (MJPY)	3,351	6,127	9,105	16,147
Quarterly Net profit attributable to Owners of the parent (MJPY)	2,470	4,677	6,942	12,175
Quarterly Net profit per share (yen)	59.30	112.27	167.01	293.83

(Non-accumulated period)	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Quarterly Net profit per share (yen)	59.30	52.98	54.73	127.55

End of Summary