

Securities code: 5975

June 3, 2021

To : Shareholders

Shinichiro Uchigasaki,
Representative Director and President

Topre Corporation

12-2, Nihonbashi 3-chome, Chuo-ku, Tokyo

**NOTICE OF CONVOCATION OF
THE 126TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially informed that the 126th Ordinary General Meeting of Shareholders (“Meeting”) will be held as detailed below.

We would like to express our deepest sympathies to those of you who have been affected by the COVID-19 pandemic.

In view of the strong request for self-restraint from outings, all shareholders are requested to exercise your voting rights for the Meeting in advance in writing, online, or other means as much as possible in order to prevent the spread of infection. Regardless of your health condition, we strongly recommend that you refrain from attending the Meeting in person.

- 1. Date and time** 10:00 a.m., Thursday, June 24, 2021 (reception starts at 9:00 a.m.)
- 2. Place** KKR Hotel Tokyo, 10th floor, Zuiho
4-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
(For directions, please refer to the map provided at the end of this Notice of Convocation.)
- 3. Purpose**
 - Matters to be Reported**
 1. The Business Report, the Consolidated Financial Statements for the 126th Term (from April 1, 2020 to March 31, 2021) and Audit Reports by the Independent Auditor and the Board of Auditors on the Consolidated Financial Statements
 2. The Financial Statements for the 126th Term (from April 1, 2020 to March 31, 2021)

Matters to be Voted on

Appropriation of Surplus

- If you attend the Meeting in person, please present the enclosed Form for Exercising Voting Rights at the reception desk.
- If there are any revisions to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Financial Statements and the Consolidated Financial Statements, the revised matters will be posted on the Company’s website (<http://www.topre.co.jp/>).
- The Business briefing session which used to be held after the Meeting will not be held since we put first priority on the health and safety of our shareholders. We will also refrain from offering gifts. We would appreciate your understanding.

Guide to Exercise of Voting Rights

Voting rights may be exercised using one of the following three methods.

Attending the General Meeting of Shareholders



Please present the Voting Form to the reception desk.

Date and
time

10:00 a.m., Thursday, June 24, 2021 (reception starts at 9:00 a.m.)

Place

KKR Hotel Tokyo, 10th floor, Zuiho
4-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
(For directions, please refer to the map provided at the end of this Notice of
Convocation.)

Voting in writing (by mail)



Please indicate agree or disagree on the proposals and mail the form; no stamp is needed.

Exercise
deadline

Forms must be received by 5:30 p.m., Wednesday, June 23, 2021

Voting online



Please access the voting website (<http://evote.tr.mufg.jp/>) using your computer, smart phone or mobile phone, enter your “Login ID” and “Temporary Password” indicated on the enclosed Voting Form, and vote agree or disagree on the proposals by following the instructions on the screen.

Exercise
deadline

Voting must be completed by 5:30 p.m., Wednesday, June 23, 2021

If you vote more than once, the last vote will be deemed the valid vote. When you vote in duplicate using both a computer and a mobile phone, the last vote will be deemed valid.
When you vote in duplicate both in writing and online, the online vote will be deemed valid.

To institutional investors:

The Company participates in the electronic voting platform for Institutional Investors operated by ICJ, Inc.

Guide to Exercise of Voting Rights Online

By Scanning Your QR Code

You can log in to the voting website without entering your Login ID and Temporary Password indicated on the duplicate form of the Voting Form.

1. Please scan the QR code on the bottom right of the Voting Form.



* QR code is a registered trademark of Denso Wave Inc.

2. Please follow the instructions on the screen and enter your vote for or against the proposal.



You can log in using the QR code one time only.

If you vote a second time or exercise your voting rights without using your QR code, please enter your Login ID and Temporary Password shown at the right.

For questions regarding the exercise of the voting rights online—that is, by computer, smartphone or mobile phone—please contact:

By Entering Your Login ID and Temporary Password

Voting website: <https://evote.tr.mufg.jp/>

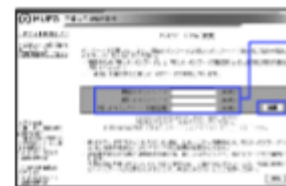
1. Please access the voting website.
2. Please enter the Login ID and Temporary Password indicated on the Voting Form and click on “Login”.



Enter your
Login ID
and
Temporary

Click on
“Login”

3. Please set up a new password.



Enter a
new
password

Click on
“Submit”

4. Please follow the instructions on the screen and enter your vote for or against the proposal.

Mitsubishi UFJ Trust and Banking Corporation
Security Representative Services Department
Helpdesk
0120-173-027
(Toll free: Hours: 9 a.m. to 9 p.m.)

Institutional investors can use the electronic voting platform for Institutional Investors operated by ICJ, Inc.

Reference Documents for the General Meeting of Shareholders

Proposal Appropriation of Surplus

The Company proposes to appropriate surplus as follows.

Re: Term-end dividends

Taking into account performance in the term under review and in recent years as well as business development going forward and the strengthening of our management structure, we propose to distribute the 126th Term term-end dividends as follows:

Type of property to be distributed	Cash
Matters relating to allotment of dividends to shareholders and total amount	15 yen per common share of the Company. The total amount of dividends will be 788,751,540 yen. Annual dividends including interim dividends (15 yen per share) will be 30 yen per share.
The date dividends of surplus come into effect	June 25, 2021

(Attached Materials)

Business Report

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


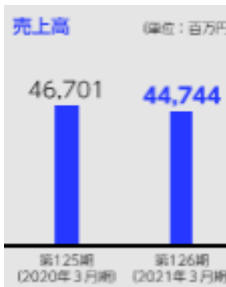
1. Current Condition of the Business Group

(1) Business Developments and Results of Operations

Reviewing the consolidated operating results of the Topre Group (the “Group”) for the consolidated fiscal year under review, net sales were 214,544 million yen, an increase of 952 million yen (0.4% increase) over the preceding fiscal year, while operating income was 10,833 million yen, a decrease of 2,993 million yen (21.6% decrease) from the preceding fiscal year. Ordinary income was 16,487 million yen, an increase of 5,740 million yen (53.4% increase) from the preceding fiscal year. As a result, net income attributable to shareholders of the parent company was 12,559 million yen, an increase of 4,123 million yen (48.9% increase) from the preceding fiscal year.

Net Sales 214,544 million yen An increase of 0.4% over the preceding consolidated fiscal year ↗	Ordinary Income 16,487 million yen An increase of 53.4% from the preceding consolidated fiscal year ↗
Operating Income 10,833 million yen A decrease of 21.6% from the preceding consolidated fiscal year ↘	Net Income Attributable to Shareholders of the Parent Company 12,559 million yen An increase of 48.9% from the preceding consolidated fiscal year ↗

Next, we would like to report on sales by business segment

<p>Press-Related Products Business</p> <p>Sales: 160,602 million yen (up 2.0% over the preceding year)</p> <p>Percentage of sales: 74.8%</p>	<p>In the press-related products area, favorable performance at overseas bases, particularly in North America, where sales of dies and molds have been increasing due to new model launches, and in China, which has quickly recovered from the effects of COVID-19 and has been maintaining an upturn, has lifted overall sales in press-related products businesses to 160,602 million yen, up 3,185 million yen (2.0% increase) over the preceding year. However, as a result of decreases in volume of materials due to the spread of COVID-19 infections and cost increases due to new model launches, segment income (operating income) totaled 3,036 million yen, down 3,383 million yen from the preceding year (52.7% decrease).</p>	 <table><tr><th>売上高</th><th>(単位: 百万円)</th></tr><tr><td>157,417</td><td>第125期 (2020年3月期)</td></tr><tr><td>160,602</td><td>第126期 (2021年3月期)</td></tr></table>	売上高	(単位: 百万円)	157,417	第125期 (2020年3月期)	160,602	第126期 (2021年3月期)
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160,602	第126期 (2021年3月期)							
<p>Temperature Controlled Logistics-Related Business</p> <p>Sales: 44,744 million yen (down 4.2% from the preceding year)</p> <p>Percentage of sales: 20.9%</p>	<p>In the refrigerated vehicles area, the demand relating to supermarkets increased, and orders and production of large-sized and medium-sized vehicles were favorable due to the increase in the number of at-home meals as people refrained from going out due to the spread of COVID-19; however, sales of small-sized vehicles and mini vehicles for home delivery decreased from the previous year due to decreased demand relating to dining out as people refrained from such. As a result, sales for the temperature controlled logistics-related business totaled 44,744 million yen, down 1,957 million yen from the preceding year (4.2% decrease). On the</p>	 <table><tr><th>売上高</th><th>(単位: 百万円)</th></tr><tr><td>46,701</td><td>第125期 (2020年3月期)</td></tr><tr><td>44,744</td><td>第126期 (2021年3月期)</td></tr></table>	売上高	(単位: 百万円)	46,701	第125期 (2020年3月期)	44,744	第126期 (2021年3月期)
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46,701	第125期 (2020年3月期)							
44,744	第126期 (2021年3月期)							

other hand, segment income (operating income) came to 6,802 million yen, up 419 million yen over the preceding year (6.6% increase) due to fixed cost reductions and improvement of sales composition.

Other Business
Sales: 9,197 million
yen
(down 2.9% from
the preceding year)
Percentage of sales:
4.3%

In the electronic devices and components area, sales of “REALFORCE” keyboards continued to be favorable, especially in Japan, due to an increase in demand relating to staying home. Sales of corporate products, such as touch screens, also exceeded the previous year. In the air conditioning equipment area, both sales and operating income fell below the previous year due to a decrease in the number of orders received due to the spread of COVID-19. As a result, sales for Other Business reached 9,197 million yen, down 276 million yen from the preceding year (2.9% decrease). Segment income declined to 994 million yen, down 29 million yen from the preceding year (2.9% decrease).



(2) Capital Expenditures

During the consolidated fiscal year under review, the Group’s capital expenditures totaled 33,597 million yen. Major capital expenditures are as follows:

(i) Major capital expenditures completed during the consolidated fiscal year under review

Press-related Products Business

- Building, dies and molds and assembly production equipment (Topre Corporation)
- Dies and molds and assembly production equipment (Topre Kyushu Corporation)
- Dies and molds and assembly production equipment (Topre Tokai Corporation)
- Building and assembly production equipment (Topre America Corporation)
- Building, dies and molds and assembly production equipment (TOPRE (FOSHAN) AUTOPARTS CORPORATION)

(ii) Major capital expenditures continuing during the consolidated fiscal year under review

Press-related Products Business

- Dies and molds and assembly production equipment (Topre Corporation)
- Dies and molds and assembly production equipment (Topre Kyushu Corporation)
- Building and assembly production equipment (Topre America Corporation)
- Building and assembly production equipment (TOPRE (WUHAN) AUTOPARTS CORPORATION)

(3) Financing

During the consolidated fiscal year under review, a long-term borrowing of 20 billion yen was obtained from a financial institution, mainly as funding for the press-related products business.

Furthermore, the second series debenture bond (with special provision regarding the same rank among bonds) was issued on December 4, 2020, and 10 billion yen was procured.

(4) Acquisition or Disposition of Other Company Shares or Other Equity or Share Warrants

N/A

(5) Challenges

The Group has formulated its 15th Medium-Term Management Plan (the “Plan”) covering the period from FY 2021 to FY 2023, and is implementing its basic policies with the following vision(s): “Topre will evolve to contribute to the society of the future!” and “In order to solve our customers’ problems, we will further evolve our technological capabilities, and achieve sustainable growth.” Under this Plan, the numerical targets for FY 2023, the final year of the Plan, are consolidated net sales of 280 billion yen and consolidated operating income of 24 billion yen, and we will continue to achieve further growth and development by responding flexibly to the diverse and changing environment while keeping a close eye on market trends.

<Vision for the 15th Medium-Term Management Plan>

Topre will evolve to contribute to the society of the future!

We will further evolve our technological capabilities and achieve sustainable growth.

<Basic Policy of the 15th Medium-Term Management Plan>

- We will pursue Topre’s value of “Art of Making (“*Monozukuri*”).”
- We will strengthen our development systems and improve our technological capabilities in order to solve our customers’ problems.
- We will aim to maintain and improve our quality in order to further earn the trust of our customers.
- We will build a new business and organizational structure that responds to the business environment.
- We will develop employees who can be active in the world.
- We will train and strengthen “Artisans (“*Takumi*”)” (skilled workers) who support Topre.

(6) Changes in Assets and Income

Item	Unit	123 rd Term ended March 2018	124 th Term ended March 2019	125 th Term ended March 2020	126 th Term ended March 2021 (Consolidated fiscal year under review)
Net Sales	Million yen	191,189	201,365	213,591	214,544
Ordinary Income	Million yen	24,665	21,704	10,747	16,487
Net Income of Shareholders of Parent Company	Million yen	16,887	15,372	8,435	12,559
Net Income Per Share	Yen	327.89	292.91	160.73	239.28
Net Assets	Million yen	148,695	159,269	149,395	165,632
Total Assets	Million yen	217,669	239,172	266,467	309,790

Note: Net income per share was calculated based on the average number of outstanding shares (number of shares *less* number of treasury shares) during the term under review. The “Officer Compensation BIP Trust” was introduced in the 122nd Term, and Company shares held by said trust are included in treasury shares for computation.

(7) Material Parent and Subsidiaries

(i) Parent company

N/A

(ii) Material subsidiaries

	Company name	Capital	Company's share of voting rights	Main business
		Million yen	%	
Domestic	Toprec Corporation	300	100	Sales of refrigerated vehicles
	Toho Transportation Co., Ltd.	282	50	Transport business
	Topre Kyushu Corporation	100	100	Manufacture of auto parts
	Topre Tokai Corporation	490	100	Manufacture of auto parts
	Mitsuike Corporation	775	51.6	Manufacture of auto parts
North America	Topre America Corporation	25 (US\$ million)	100	Manufacture of auto parts
	Topre Autoparts Mexico, S.A. de C.V.	327 (Mex\$ million)	100	Manufacture of auto parts
Asia	TOPRE (FOSHAN) AUTOPARTS CORPORATION	2,000	100	Manufacture of auto parts
	TOPRE (XIANGYANG) AUTOPARTS CORPORATION	2,000	100	Manufacture of auto parts
	TOPRE (WUHAN) AUTOPARTS CORPORATION	2,000	100	Manufacture of auto parts
	TOPRE (THAILAND) CO., LTD.	835 (THB million)	100	Manufacture of auto parts
	Topre India Pvt. Ltd.	1,730 (INR million)	100	Manufacture of auto parts

Notes:

The Company has 15 consolidated subsidiaries, including the 12 above.

(8) Main Businesses (as of March 31, 2021)

Business segment	Sales category	Main products
Press-related products business	Automotive	Automotive press products
	Dies and Molds	Press dies and molds, resin dies and molds, tools
Temperature controlled logistics-related business	Refrigeration Equipment	Manufacture, sale and construction of reefer containers, refrigeration equipment, chillers and refrigerators, temperature controlled warehousing and logistic centers, etc.
	Refrigerated Transport	
Other business	Air-conditioning Equipment	Vavcon, fans, clean room equipment, residential ventilation systems
	Electronic Equipment	Keyboards, card readers, touch screens
	Other	Surface treatment business

(9) Major Offices and Plants (as of March 31, 2021)

Domestic	Topre Corporation	Head Office	Chuo-ku, Tokyo
		Sagamihara Office	Chuo-ku, Sagamihara-shi, Kanagawa
		Hiroshima Office	Higashi Hiroshima-shi, Hiroshima
		Tochigi Office	Kaminokawa-machi, Kawachi-gun, Tochigi
		Gifu Office	Kawabe-cho, Kamo-gun, Gifu
		Saitama Plant	Tokigawa-cho, Hiki-gun, Saitama
	Toprec Corporation	Head Office	Chuo-ku, Tokyo
		Sendai Service Center	Wakabayashi-ku, Sendai
		Saitama Service Center	Kawaguchi-shi, Saitama
		Atsugi Service Center	Isehara-shi, Kanagawa
		Osaka Service Center	Settsu-shi, Osaka
		Kyoto Service Center	Kyoto-shi, Kyoto
	Toho Transportation Co., Ltd.	Head Office	Chuo-ku, Sagamihara-shi, Kanagawa
		Atsugi Office	Atsugi-shi, Kanagawa
	Topre Kyushu Corporation	Head Office Plant	Kurume-shi, Fukuoka
		Engineering Center	Kurume-shi, Fukuoka
		Kanda Plant	Kanda-machi, Miyako-gun, Fukuoka
	Topre Tokai Corporation	Toin Head Office Plant	Toincho, Inabe-gun, Mie
		Yokkaichi Plant	Yokkaichi-shi, Mie
		Suzuka Plant	Suzuka-shi, Mie
North America	Topre America Corporation	Head Office Plant	Alabama, U.S. A.
	Topre Autoparts Mexico, S.A. de C.V.	Head Office Plant	Queretaro, Mexico
Asia	TOPRE (FOSHAN) AUTOPARTS CORPORATION	Head Office Plant	Guangdong Prov, China
	TOPRE (XIANGYANG) AUTOPARTS CORPORATION	Head Office Plant	Hubei Prov, China
	TOPRE (WUHAN) AUTOPARTS CORPORATION	Head Office Plant	Hubei Prov, China
	TOPRE (THAILAND) CO., LTD.	Head Office Plant	Samut Prakarn, Thailand
	Topre India Pvt. Ltd.	Head Office Plant	Gujarat, Republic of India
	PT. TOPRE REFRIGERATOR INDONESIA	Head Office Plant	Banten, Indonesia

(10) Employees (as of March 31, 2021)

(i) Group employees

Business segment	Number of employees	Change from a year earlier
Press-related business	4,961	577
Temperature controlled logistics-related business	889	6
Other business	249	-30
Total	6,099	553

Notes:

Employee numbers do not include temporary employees or employees on probation.

(ii) Company's employees

Number of employees		Change from a year earlier	Average age	Average length of service (years)
Male	1,497	56	38.3	14.9
Female	100	6	34.3	9.1
Total or average	1,597	62	38.1	14.5

Notes:

Employee numbers do not include temporary employees or employees on probation.

(11) Major Lenders (as of March 31, 2021)

Lender	Borrowing balance
Resona Bank, Limited.	17,117 Million Yen 0.75 Million US Dollars
Mizuho Bank, Ltd.	7,144 Million Yen 34 Million US Dollars 73 Million RMB
MUFG Bank, Ltd.	6,723 Million Yen 8 Million RMB

(12) Other Important Matters Concerning the Current Situation of the Group

N/A

2. Company Shares (as of March 31, 2021)

- (1) **Total number of shares authorized to be issued** 81,240,000 shares
- (2) **Total number of outstanding shares** 52,583,436 shares (excluding 1,438,388 treasury shares)
- (3) **Number of shareholders** 13,197
- (4) **Major Shareholders**

Shareholder	Shares (Thousands of shares)	Shareholding ratio (%)
Custody Bank of Japan, Ltd. (trust account)	3,344	6.36
The Master Trust Bank of Japan, Ltd. (trust account)	3,114	5.92
Naoko Ishii	2,660	5.06
Resona Bank, Limited.	2,493	4.74
Mitsubishi UFJ Trust and Banking Corporation	2,491	4.74
Nippon Life Insurance Company	2,135	4.06
Sumitomo Life Insurance Company	1,429	2.72
Topre Corporation Client Stock Ownership	1,419	2.70
Mizuho Bank, Ltd.	1,265	2.40
Government of Norway	1,209	2.30

Note: The Company owns 1,438,388 treasury shares; however, because these treasury shares are without voting rights, the Company is excluded from the above list of major shareholders. The 1,438,388 treasury shares do not include the 93,351 Company shares owned by the Officer Compensation BIP Trust Account. The shareholding ratios are calculated without treasury shares.

(5) Status of Shares Issued to the Company's Officers as Compensation for the Execution of Their Duties During the Term Under Review

Regarding the Company's stock compensation, 5,700 shares were issued to two directors (excluding outside directors) who retired during the term under review.

The details of the Company's stock compensation are described in "3.(2) Director and Auditor Compensation, (3) Policy Regarding Decisions on Company Officer Compensation Amounts or Calculation Method" on page 13 of the Business Report.

(6) Other Important Matters Concerning Shares, etc.

N/A

3. Matters Concerning the Company Officers

(1) Directors and Auditors (as of March 31, 2021)

Position	Name	Responsibilities at the Company, and major concurrent position(s)
President (Representative Director)	Shinichiro Uchigasaki	
Executive Managing Director	Takashi Sawa	Auto Parts Headquarters General Manager and Foreign Operations Dept. Asia Manager
Executive Managing Director	Yutaka Yamamoto	Administrative Headquarters General Manager
Executive Managing Director	Katsuro Harata	Product Business Dept. General Manager and Product Business Dept. Cold Storage Equipment Div. Manager
Director	Yoshinori Tsuyuki	Purchasing General Manager
Director	Ryosuke Furusawa	
Director	Masao Ohsaki	Quality General Manager and Auto Parts Headquarters Engineering Div. Manager and Technology Manager
Director	Hideo Shimizu	Auto Parts Headquarters Foreign Operations Dept. North America Manager Topre America Corporation Representative Director and President
Director	Masahirao Matsuo	Auto Parts Headquarters Sales Div. Manager
Director	Akemi Uchida	Administrative Headquarters Human Resources Dept. Manager, Administrative Headquarters Operation and Planning Dept. Manager, and Administrative Headquarters in charge of Safety and Health.
Director	Tsuyoshi Takada	Wadakura Gate Law Office, Representative Partner and Attorney Maruetsu Inc. Outside Auditor Armure Blanc. Inc., Outside Director IP Dream Inc., Outside Director Noritsu Koki Co., Ltd., Outside Director
Director	Naoshi Ogasawara	Avantia GP, Legal Representative National Institution for Academic Degrees and Quality Enhancement of Higher Education, Director TSUZUKI DENKI CO., LTD. Outside Auditor
Full-time Auditor	Koichi Kitagawa	
Auditor	Jun Watanabe	Watanabe Law Office, Attorney
Auditor	Kazuaki Hosoi	Hosoi Accounting Office CPA, Certified Public Tax Accountant Fujikura Rubber Industry K. K. Outside Auditor Nippon Denko Co., Ltd. Outside Director

Notes:

1. Director Tsuyoshi Takada and Naoshi Ogasawara are outside directors.
2. Auditors Jun Watanabe and Kazuaki Hosoi are outside auditors.
3. The Company has determined that Director Tsuyoshi Takada, Director Naoshi Ogasawara, Auditors Jun Watanabe and Kazuaki Hosoi do not have any conflicts of interest with general shareholders and are highly independent, and has appointed the four officers as independent officers pursuant to the rules of the Tokyo Stock Exchange and filed with the TSE as such.
4. Auditor Kazuaki Hosoi is a certified public accountant and a certified public tax accountant, who possesses a considerable level of knowledge concerning finance and accounting.
5. In accordance with the stipulations of Paragraph 1, Article 427 of the Companies Act, the Company and all outside directors and auditors have entered into agreements limiting their liability to compensate the Company for damage pursuant to Article 423, Paragraph 1 of the Companies Act to the minimum liability amount as set forth in Article 425, Paragraph 1 of the Companies Act.
6. The Company has entered into a directors and officers liability insurance contract with the Directors, Auditors, and officers of the subsidiaries as the insured. The insurance premiums are fully paid by the Company. The contract covers damage that may arise from the insured assuming responsibility for the execution of their duties or receiving claims related to the enforcement of such responsibility. However, there are certain exemptions, such as damage caused by acts committed with the knowledge that such acts are in violation of laws and regulations, which will not be covered.

(2) Director and Auditor Compensation

Category	Number	Total amount of compensation (million yen)	Compensation by type (million yen)		
			Base compensation	Performance-linked compensation	Stock compensation
Directors (of which are outside directors)	14 (2)	256 (20)	207 (20)	23 (-)	25 (-)
Auditors (of which are outside auditors)	3 (2)	39 (18)	39 (18)	-	-
Total (of which are outside officers)	17 (4)	295 (39)	247 (38)	23 (-)	25 (-)

Notes:

1. The amounts of base compensation and stock compensation for the two Directors who retired at the conclusion of the 125th Ordinary General Meeting of Shareholders held on June 25, 2020 as well as the numbers thereof are included in the above table.
2. Director compensation does not include the employee portion of salary for directors who also have employee positions.
3. The Company recorded 1 million yen in provision of reserves for one director (director who lives overseas) for the term under review with respect to the performance-linked stock compensation.
4. The Company recorded 16 million yen for the two directors who retired during the term under review, in addition to the above with respect to performance-linked stock compensation.
5. In addition to the foregoing, the Company recorded 23 million yen in provision of reserves for 9 directors (excluding outside directors and those who live overseas) for the term under review with respect to the performance-linked stock compensation.

(3) Policy Regarding Decisions on Officer Compensation Amounts or Calculation Method

(i) Basic Policy

The Company has the following policies with respect to the determination of officer compensation amounts.

- (1) Compensation plan that enhances directors' work performance motivation
- (2) Compensation plan linked to corporate performance
- (3) Compensation plan that is commensurate with director roles and responsibilities

In accordance with these policies, director compensation is comprised of base compensation, compensation linked to short-term corporate performance and compensation linked to medium- to long-term corporate performance. Auditor compensation consists only of base compensation.

The date of the resolution of the General Meeting of Shareholders on officer compensation was June 26, 2008 for "base compensation" and "performance-linked bonuses," which is compensation linked to short-term corporate performance, and the particulars of the resolution are that the amount of compensation for directors shall be no more than 350 million yen per year and the amount of compensation for auditors shall be no more than 60 million yen per year. As of the close of the said General Meeting of Shareholders, the number of directors was 12 (including 0 outside directors) and the number of auditors was 5 (including 3 outside auditors). "Performance-linked stock compensation," which is compensation linked to medium-term corporate performance, was resolved at the General Meeting of Shareholders held on June 28, 2016, and the particulars of the resolution thereof are that stock compensation will be provided to directors that is separate from the maximum amount of compensation for directors (350 million yen per year) resolved on June 26, 2008. As of the close of the said General Meeting of Shareholders, the number of directors was 15 (including 2 outside directors) and the number of auditors was 4 (including 2 outside auditors).

With respect to the authority to determine policies concerning Company officer compensation amounts or the method of calculating such amounts, the Board of Directors has delegated that authority to the Compensation Committee (Representative Director and President, Director in charge of General Affairs, and Outside Directors), which is a voluntary decision-making body; with respect to compensation for directors, for the purpose of enhancing objectivity and appropriateness of such compensation, the Compensation Committee shall, with the exception of stock compensation, determine the amount of monthly compensation and bonuses for each director in accordance with the regulations within the scope of the total amount of compensation approved at the General Meeting of Shareholders. The Board of Directors respects the details of the report and considers it to be in line with the aforementioned policy.

Stock compensation is granted in June of each year by multiplying a predetermined number of base points for each position by a performance-linked coefficient that varies according to the level of achievement in the fiscal year ending on March 31 of the same year. Monthly compensation for auditors is delegated to the Board of Auditors (consisting entirely of auditors), which determines the amount of compensation for each auditor within the scope of the total compensation approved at the General Meeting of Shareholders.

The Company's Compensation Committee meetings are held at least once a year to determine the amount of monthly compensation and bonuses linked to single-year performance to be paid to each director. The composition ratios of the compensation amount (base compensation: 75; compensation linked to short-term corporate performance: 15; compensation linked to medium-term corporate performance: 10) were determined at the meeting of the Board of Directors for the settling of accounts held in May 2016. In addition, the regulation on officer's compensation stipulates that the Company's indicators for performance-linked compensation are the "consolidated operating income coefficient" and "consolidated revenue growth ratio" for compensation linked to short-term corporate performance and the "consolidated operating income coefficient" and "ROE (rate of net income on equity) coefficient" for compensation linked to medium-term corporate performance.

(ii) Director Compensation

Types of Compensation	Description
Base compensation	Monthly director compensation is determined through discussions by the Compensation Committee, which is a non-statutory decision-making body; an independent compensation amount is respectively determined for each individual.
Compensation linked to short-term corporate performance	Bonuses linked to performance in a fiscal year are determined through discussions by the Compensation Committee, which is a non-statutory decision-making body, taking into consideration each director's contribution to corporate performance and other factors; an independent compensation amount is respectively determined for each individual.
Compensation linked to medium- to long-term corporate performance	Company shares, etc. are issued based on the cumulative number of points rewarded according to the level of achievement of performance targets for each business year.

Compensation for outside directors consists solely of base compensation, which is not linked to corporate performance, from the perspective of their performing the function of supervising management from a position independent from the execution of business.

(iii) Auditor Compensation

An independent compensation amount is respectively determined for each individual through consultations by Auditors. From the perspective of their performing the function of auditing the directors' execution of their duties, auditors are not paid performance-linked compensation.

(4) Matters relating to Outside Officers, etc.

- (i) Relationship between the Company and the companies at which outside auditors have concurrent position(s).

Category	Name	Major concurrent position(s)
Director	Tsuyoshi Takada	Wadakura Gate Law Office, Representative Partner and Attorney Maruetsu Inc. Outside Auditor Armure Blanc. Inc., Outside Director IP Dream Inc., Outside Director Noritsu Koki Co., Ltd., Outside Director
Director	Naoshi Ogasawara	Avantia GP, Legal Representative National Institution for Academic Degrees and Quality Enhancement of Higher Education Part-Time Auditor TSUZUKI DENKI CO., LTD. Outside Auditor
Auditor	Jun Watanabe	Watanabe Law Office, Attorney
Auditor	Kazuaki Hosoi	Hosoi Accounting Office CPA, Certified Public Tax Accountant Fujikura Composite Industry K. K. Outside Auditor Nippon Denko Co., Ltd. Outside Director

Note: There are no important transactional or other relationships between the companies at which the outside auditors hold concurrent positions and the Company.

- (ii) Relationship with major business partners and specified related businesses

N/A

- (iii) Major activities in the term under review

Category	Name	Major activities
Director	Tsuyoshi Takada	Director Takada attended all of the Board of Directors Meetings held during the term under review. On the basis of his professional knowledge and experience as an attorney, he mainly expressed his opinion from the perspective of having no interests in the Company.
Director	Naoshi Ogasawara	Director Ogasawara attended all of the Board of Directors Meetings held during the term under review. On the basis of the experience and knowledge that he has cultivated as a certified public accountant, he mainly expressed his opinion from the perspective of having no interests in the Company.
Auditor	Jun Watanabe	Auditor Watanabe attended all of Board of Directors Meetings and all of the Board of Auditors Meetings held during the term under review, and on the basis of his experience and knowledge as a legal expert that he has cultivated as prosecutor and attorney, he expressed his opinion from the perspective of having no interests in the Company.
Auditor	Kazuaki Hosoi	Auditor Hosoi attended all of Board of Directors Meetings and all of the Board of Auditors Meetings held during the term under review, and on the basis of his experience and knowledge as a certified public accountant and tax accountant, he expressed his opinion from the perspective of having no interests in the Company.

4. Independent Auditor

(1) Name of independent auditor

Grant Thornton Taiyo LLC

(2) Summary of limitation on liability agreements

N/A

(3) Amount of compensation, etc. paid to the independent auditor during the term under review

	Payment
Amount of compensation, etc. paid to the independent auditor during the term under review	39 million yen
Total amount of money and other property interests payable to the independent auditor by the Company and its subsidiaries	47 million yen

Notes:

1. Because in the contract between the Company and the independent auditor no clear distinction is made between the amounts of compensation for auditing under the Companies Act and for auditing under the Financial Instruments and Exchange Act, and in actuality such a distinction is not possible, the amount of compensation paid to the independent auditor during the term under review is the total compensation for the two.
2. The Board of Auditors made the necessary verification of whether the content of the audit plan, status of performance of audit, and grounds for calculating compensation estimates were appropriate, and having done so, judged the amount of compensation for the independent auditor to be appropriate.
3. Some of the overseas subsidiaries of the Company are subject to audit by an independent auditor other than the Company's independent auditor.

(4) Details of non-auditing services

The Company has paid to the independent auditor the consideration for preparing the comfort letter concerning the second series debenture bond (with special provision regarding the same rank among bonds) which falls under services other than those under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(5) Policy regarding decisions on dismissal or non-reappointment of the independent auditor

If the independent auditor has not properly carried out its duties as an independent auditor or has otherwise been negligent in its duties or engaged in misconduct unsuitable as an independent auditor, and the Company believes that its remaining as the company's independent auditor would be a major obstacle for the Company, the Board of Auditors will dismiss the independent auditor in accordance with the provisions of Article 340 of the Companies Act pursuant to unanimous agreement by them.

In addition to the case above, if the Board of Auditors believes that the Company's independent auditor is ill-qualified, the particulars of a proposal for dismissal or non-reappointment will be determined.

5. Company System and Policies

(1) Systems for ensuring compliance of the execution of duties by Directors with laws, regulations and the Articles of Incorporation and other systems for ensuring the propriety of business operations

The Company adopted a resolution regarding the said systems at the Board of Directors Meeting as follows.

(i) Fundamental Principles and Code of Conduct of the Topre Group

The Company has formulated the following Fundamental Principles and Code of Conduct as the basic guidelines to be followed by all officers and employees of the Topre Group in the performance of their duties.

Basic Principles

The Topre Group's mission is to create products and services by maximizing its technical expertise in order to contribute positively to the societies in which it conducts business.

The Group will not only pursue excellence in its economic performance, but also carry out business activities as a group of international companies with the highest ethical standards, which will promote a

Topre Group image that will be acknowledged and respected.

This philosophy will guide The Topre Groups domestic and international business actions, while also continuously seeking to enhance the Group's long term prosperity and making positive contributions to the societies in which it is engaged.

Code of Conduct

1. Compliance with Laws, Company Rules, and the Moral Code

We will comply with relevant legislation and regulations when conducting our business. Our company rules have been established as a means of fulfilling our business activities with fairness and transparency. We will also continue to conduct our business in an ethical manner. We have in place an internal reporting system (hotline) to prevent and correct any act that breaches or is suspected of breaching the above.

The management are responsible for taking the initiative in complying with the Code of Conduct to establish a highly ethical corporate culture and for maintaining an internal system to prevent situations that breach the Code of Conduct.

2. Contribution to Society

We will contribute to a safe, convenient, and comfortable society through our products and services.

We respect the culture and values of the countries and communities in which our company is based, and actively involve ourselves in local activities and development.

3. Fair and Equal Relationships

We will continue to establish ethical relationships with our business partners.

We will maintain honest business practices with our partners, subcontractors, suppliers, etc. We will have no relationship whatsoever with anti-social forces, and systematically and firmly respond to any unreasonable demands.

We will also disclose our corporate activities and operating information in a timely and proper manner so that our investors can make informed investment decisions.

In addition, we will not engage in any fraudulent, unfair or unjust act in the context of our relationship with politics and administration.

4. Respect for Human Rights and Diversity

We will continue to respect all human rights and will never permit any form of discrimination concerning race, beliefs, gender/sexuality, nationality, physical differences, or language or other various forms of harassment.

5. Environmental Protection and Health and Safety

We will continue to promote the "3Rs" (Reduce, Reuse, Recycle) and energy conservation in conducting our business as an environment-friendly corporation.

Also, we ensure the safety and health of our staff members, we have minimized on-the-job accidents and injuries, and we are committed to continuous improvement of working conditions.

6. Company Asset Protection

We will conduct our business ethically and prohibit any private use or misuse of company assets.

Also, we ensure that company-owned information or assets will neither be leaked without following specified procedures nor be used for unauthorized and improper purposes.

Company assets must be acquired, used, or released in a predefined manner and with full authorization. We

will neither act for the benefit of a third party nor allow any staff member to act for the benefit of himself/herself or a third party.

In order to create a “compliant corporate culture” and “compliant structures” on the basis of the Group’s Fundamental Principals and Code of Conduct, we have established the following guidelines concerning internal control systems and will continue to endeavor to ensure proper and efficient execution of business.

(ii) Basic Guidelines for the Establishment of Internal Control Systems

Preface

In accordance with the Companies Act and other relevant laws and regulations, the Company has established the following Basic Guidelines for Internal Controls (Basic Guidelines for Systems for Ensuring the Propriety of Business Operations) which it will continue to review and revise in keeping with future business developments and changes in relevant laws and regulations. The Board of Directors of the Company has promulgated these Basic Guidelines to all of the Group’s employees and will work to maintain a corporate environment conducive to the effective functioning of internal controls.

Basic Guidelines for Systems for Ensuring the Propriety of Business Operation

1. Systems to ensure compliance of execution of duties by officers and employees with laws and regulations and the Articles of Incorporation in the Group, including subsidiaries

- 1) The Group officers and employees will strive to understand and implement the Group Fundamental Principals and Code of Conduct.
- 2) The Internal Controls Committee will oversee the development and implementation of internal controls for Group companies and when required will create subcommittees for specific purposes in order to more effectively and smoothly carry out its activities.
- 3) The Audit Department will receive reports from the Compliance Committee on a regular basis and will audit the implementation of compliance procedures.
- 4) If Group officers or employees know of any violations or potential violations of laws or regulations, they may report them to an “Internal Reporting Contact,” both inside and outside the Group.
- 5) Every Group officer and employee will steadfastly ensure that any and all relationships with antisocial forces or organizations, which threaten the order and security of civil society, are blocked and eliminated.

2. Rules and systems regarding loss risk management etc. in the Group, including subsidiaries

- 1) Group companies will classify risks associated with its business operations in accordance with its Risk Management Rules and establish units responsible for ongoing monitoring of those risks.
- 2) In order to deal with risks involving the entire company or multiple units, the Risk Management Subcommittee will coordinate the roles and duties of all involved units.
- 3) The Audit Department will receive reports on a regular basis from the Risk Management Subcommittee and audit the implementation of risk management at Group companies.

3. Systems for ensuring the efficient execution of duties by Directors at the Group including subsidiaries

- 1) The Company will maintain a system to ensure that business operations are carried out efficiently, through division of duties, approval authority and other rules based on internal regulations at Group companies.
- 2) The Company has established “Basic Policies” shared by all officers and employees of the

Group, and every three years a new Medium-Term Management Plan is formulated in accordance with those policies.

- 3) Performance targets by term for each business unit are established based on the Medium-Term Management Plan of the entire Group, with actual results reported to the Company's Board of Directors on a monthly basis; when targets are not achieved, the relevant business unit makes a report analyzing the reasons why and proposing improvement measures.

4. Systems to preserve and manage information pertaining to the execution of duties by Directors

- 1) Information pertaining to the execution of duties by Directors is filed together with related documents in accordance with the Document Management Regulations.
- 2) If a request is made by a Director or Auditor to review documents, the relevant documents will be made available at the Head Office within three business days from when the request was made.

5. Systems to ensure the propriety of business operations conducted by the corporate group consisting of the Company and its subsidiaries

- 1) Members of the Internal Control Committee are selected from Group companies and systems are in place to ensure that discussions and information about internal controls are shared and that the communication of directives and requests is done efficiently.
- 2) The Company's Directors will receive reports regarding the status of business operations at the board of directors of each subsidiary, and will report the content thereof to the Company's Board of Directors.

6. Matters concerning Group employees when an Auditor requests Group employees to assist with duties, matters concerning the independence from Directors of such employees, and matters concerning ensuring the effectiveness of instructions by Auditors to such employees

- 1) If the Board of Auditors requests the placement of employees to assist in its duties, in principle such personnel will be placed within three months.
- 2) The appointment, transfer and performance review of Auditors' assistants requires a prior report from and consent of the full-time Auditor.
- 3) Auditors' assistants will perform their duties as instructed by Auditors.

7. Systems for Directors and employees to report to Auditors and other reporting systems to Auditors

Directors and employees of Group companies and auditors of each subsidiary will report promptly to the Company's Auditors all matters stipulated in the Internal Control Regulations and other matters important from the standpoint of internal controls.

8. Systems for ensuring that persons who report to the Auditors are not subject to disadvantageous treatment as a result of such reporting

The companies of the Group do not engage in dismissal or other disadvantageous treatment of officers and employees on the grounds that a report was made to the Company's Auditors in accordance with the preceding item.

9. Matters relating to procedures for advance payment or reimbursement of expenses arising in relation to the performance of duties by the Auditors and other policies on processing expenses and debts arising in relation to the performance of those duties

The Company budgets in advance for expenses necessary for the performance of duties by the

Company's Auditors and reimburses such expenses including expenses incurred on a provisional or emergency basis each time such expenses are incurred.

10. Systems to ensure effective audits by the Auditors

The Board of Auditors may at its own discretion engage lawyers, certified public accountants and other professionals in order to obtain advice in regard to its audit work.

11. Systems to ensure proper financial reporting

- 1) The Company prepares and revises as needed the rules etc. relating to its Accounting Rules based on accounting rules and standards, and promotes their dissemination and understanding, and compliance therewith.
- 2) The Financial Report Oversight Committee, in order to promote proper disclosure of financial reports required by the Financial Instrument Exchanges Act, works to ensure the accuracy and uniformity of operations regarding the accounting, cost and finance operations at all Group companies.

Summary of Operational Status of Systems for Ensuring Propriety of Business Operation

1. Measures relating to compliance

- 1) In order to reinforce compliance by the entire Group, the Compliance Committee met three times during the term under review and took measures to further raise awareness of compliance by officers and employees. The Committee also investigated, reported on, and monitored the status of implementation of compliance procedures and made improvements when necessary.
- 2) Training and awareness-raising regarding compliance is conducted through periodic training prepared for individual ranks.
- 3) An internal reporting system and consultation hotline were established for Group companies, and measures are taken to inform employees about these systems and to create an environment that facilitates their use.
- 4) Internal reports that are periodically distributed include information regarding compliance awareness, and measures are taken to inform personnel about laws and regulations as well as internal rules and so on.

2. Measures relating to risk management

- 1) The Risk Management Committee met three times during the term under review, investigated risks relating to natural disasters, accidents, and domestic and overseas business sites, and reviewed management systems concerning those risks.
- 2) Potential risks in each division of Group companies were re-identified and re-evaluated and countermeasures were taken.

3. Measures relating to increasing the appropriateness and efficiency of the execution of duties by directors

- 1) The Board of Directors met 14 times during the term under review, made decisions regarding matters specified by laws, regulations, and the Articles of Incorporation as well as significant matters such as business plans and profit plans, and monitored the appropriate performance of duties.
- 2) Directors that have operational duties reported to the Board of Directors concerning the status of the execution of duties in order to ensure the appropriateness of the execution of duties by directors.

4. Measures relating to ensuring the appropriateness of operations in the Group

- 1) The Financial Report Oversight Committee meets to conduct periodic evaluations of asset

management and accounting of all Group companies and ensure the appropriateness of finances.

- 2) The Accounting Division Global Training Conference meets to ensure the appropriateness and uniformity of operations in relation to accounting, record keeping, book values, and finances of all Group companies.

5. Measures relating to Audit Systems

- 1) The auditors conduct audits by engaging in close exchanges of information with the Audit Department, attending Board of Directors Meetings and other significant meetings, receiving reports from directors and employees, and conducting on-site investigations.
- 2) The Board of Auditors met 9 times during the term under review, requested reports and explanations from representative directors and others as necessary, and conducted audits concerning the execution of duties by directors.
- 3) The auditors conducted financial audits by closely collaborating with the independent auditor, receiving quarterly reports from the independent auditor, receiving explanations as necessary, and exchanging information.

(2) Basic Policy Regarding Control of Stock Company

N/A

Notes:

With respect to amounts, the number of shares and the ratio of shareholding set forth in this business report, decimal numbers were rounded down and ratios were rounded off to the nearest whole number.

Consolidated Financial Statements

Consolidated Balance Sheet

(As of March 31, 2021)

(Million yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
I Current assets		I Current liabilities	
Cash and deposits	39,279	Notes payable and accounts payable	43,629
Notes receivable and accounts receivable	52,285	Short-term borrowings	5,020
Marketable securities	49	Long-term borrowings due within one year	10,772
Products and goods	1,811	Corporate taxes payable	1,774
Works in progress	22,372	Bonus reserves	1,488
Raw materials and stored goods	5,061	Bonus reserves for Officers	60
Other	9,302	Reserves for product warranties	148
		Other	18,629
Total current assets	130,162	Total current liabilities	81,525
II Fixed assets		II Fixed liabilities	
1 Tangible fixed assets		Bonds	30,000
Buildings and structures	51,493	Long-term borrowings	27,044
Machinery, equipment, and vehicles	57,921	Long-term accounts payable	45
		Tax deferred liabilities	4,227
Tools, furniture, and fixtures	16,990	PCB processing reserves	46
Land	10,165	Reserves for stock grant to Officers	81
Lease assets	641	Retirement benefit liabilities	42
Construction in progress	17,016	Other	1,145
Total tangible fixed assets	154,229	Total fixed liabilities	62,633
2 Intangible fixed assets	4,353	Total liabilities	144,158
3 Investments and other assets		(Net assets)	
Investment securities	17,092	I Shareholders' equity	
Long-term loans	374	1 Capital	5,610
Deferred tax assets	1,695	2 Capital surplus	4,446
Other	1,998	3 Earned surplus	146,175
Loan-loss reserves	-115	4 Treasury stock	-1,096
Total investments and other assets	21,044	Total shareholders' equity	155,135
Total fixed assets	179,628	II Other accumulated comprehensive income	
		1 Valuation difference on available-for-sale securities	4,303
		2 Foreign currency translation adjustment accounts	3,037
		3 Accumulated retirement benefit adjustments	-333
		Total other accumulated comprehensive income	7,007
		III Minority interest	3,489
		Total net assets	165,632
Total assets	309,790	Total liabilities and net assets	309,790

Notes:

Amounts less than 1 million yen were rounded down.

Consolidated Income Statement
(April 1, 2020-March 31, 2021)

(Million yen)

Item		Amount	
I	Net sales		214,544
II	Cost of goods sold		189,440
	Gross income		25,103
III	SG&A expenses		14,269
	Operating income		10,833
IV	Non-operating income		
	Interest income	212	
	Dividend income	308	
	Rent income on fixed assets	83	
	Foreign exchange gains	3,676	
	Dividend income of insurance	141	
	Income from subsidy	1,412	
	Investment return using equity method	465	
	Other non-operating income	190	6,491
V	Non-operating expenses		
	Interest expenses	331	
	Interest on bonds	45	
	Rent expenses on fixed assets	19	
	Allowance for doubtful accounts	31	
	Bond issue cost	49	
	Allowance for Absence from work	225	
	Other non-operating expenses	136	838
	Recurring income		16,487
VI	Extraordinary income		
	Capital gains on the sale of fixed assets	72	
	Capital gains on the sale of investment securities	97	
	Gain on extinguishment of tie-in shares	20	190
VII	Extraordinary losses		
	Loss on sales and retirement of non-current assets	44	
	Loss on sales of investment securities	21	
	Other extraordinary losses	2	68
	Net income before income taxes		16,609
	Corporate taxes, resident taxes, and business taxes	2,739	
	Corporate tax adjustments	989	3,729
	Net income		12,879
	Net income attributable to non-controlling shareholders		320
	Net income attributable to shareholders of the parent company		12,559

Notes:

Amounts less than 1 million yen were rounded down.

Consolidated Shareholders' Equity Statement

(April 1, 2020-March 31, 2021)

(Million yen)

	Shareholders' Equity				
	Capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Beginning-of-term balance	5,610	4,446	135,968	-1,111	144,913
Changes during the term under review					
Dividends on surpluses			-1,577		-1,577
Net income attributable to shareholders of the parent company			12,559		12,559
Buyback of treasury shares				-0	-0
Disposal of treasury shares		0		16	16
Changes in the scope of consolidation			-775		-775
Beginning-of-term (net) change in items excluding shareholders' equity					—
Total change in the term under review	—	0	10,206	15	10,222
End-of-term balance	5,610	4,446	146,175	-1,096	155,135

(Million yen)

	Total other accumulated comprehensive income				Non-controlling shareholders interest	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment accounts	Accumulated retirement benefit adjustments	Total other accumulated comprehensive income		
Beginning-of-term balance	2,427	-15	-1,046	1,366	3,116	149,395
Changes during the term under review						
Dividends on surpluses						-1,577
Net income attributable to shareholders of the parent company						12,559
Share buyback						-0
Disposal of treasury shares						16
Changes in the scope of consolidation						-775
Beginning-of-term (net) change in items excluding shareholders' equity	1,876	3,052	712	5,641	372	6,014
Total change in the term under review	1,876	3,052	712	5,641	372	16,236
End-of-term balance	4,303	3,037	-333	7,007	3,489	165,632

Notes:

Amounts less than 1 million yen were rounded down.

Notes to Consolidated Financial Statements

1 Notes on essential items which serve as the basis for creating these consolidated financial statements

1. Scope of consolidation

- (1) Number of consolidated subsidiaries: 15 Toprec Corporation
Toho Transportation Co., Ltd.
Topre Kyushu Corporation
Topre Tokai Corporation
Mitsuike Corporation
Tochigi Mitsuike Co., Ltd.
Topre America Corporation
Topre Autoparts Mexico, S.A. de C.V.
TOPRE (FOSHAN) AUTOPARTS CORPORATION
TOPRE (XIANGYANG) AUTOPARTS CORPORATION
TOPRE (WUHAN) AUTOPARTS CORPORATION
Guangzhou Mitsuike Corporation
- TOPRE (THAILAND) CO., LTD.
Topre India Private Limited
PT.Topre Indonesia Autoparts

As a result of a review of the scope of consolidation as an opportunity for organizational restructuring of the Group, Tokyo Metal Pack Co., Ltd. has been removed from the scope of consolidation since it was determined that the company will not have a substantial influence on consolidated financial accounts.

Top Kogyo Co., Ltd. has been removed from the scope of consolidation because it merged with the Company, as of July 1, 2020.

Shenzhen Mitsuike Corporation has been removed from the scope of consolidation because it was liquidated as of November 3, 2020.

- (2) Number of non-consolidated subsidiaries: 5

Information on non-consolidated subsidiaries has been omitted since each company is small in terms of total assets, sales, net profits (based on the Company's investment stake) and earned surpluses (based on the Company's investment stake) and since the non-consolidated subsidiaries together do not have a substantial influence on consolidated financial accounts.

Furthermore, Topre R&D Co., Ltd. merged with the Company as of July 1, 2020.

2. Items related to the application of the equity method

- (1) The number of affiliates to which the equity method applied: 2
Marujun Co., Ltd. / AAPICO Mitsuike (Thailand) CO., Ltd.
- (2) With regard to the investments in five non-consolidated subsidiaries which do not apply the equity method, the aggregate net profits and earned surpluses etc. corresponding to our equity

in these companies will have only a negligible effect on the consolidated net profits and consolidated earned surpluses, etc., and are unimportant even when their figures are combined. Accordingly, we apply the cost method instead of the equity method.

3. Items related to the business years of consolidated subsidiaries

With respect to Topre Autoparts Mexico, S.A. de C.V., TOPRE (FOSHAN) AUTOPARTS CORPORATION, TOPRE (XIANGYANG) AUTOPARTS CORPORATION, and TOPRE (WUHAN) AUTOPARTS CORPORATION, they were consolidated after the provisional accounting was carried out therefor on the consolidated book-closing date of March 31.

Among the consolidated subsidiaries, the book-closing date of Guangzhou Mitsuike Corporation is December 31. With respect to the preparation of the consolidated financial statements of these consolidated subsidiaries, the financial statements as of said book-closing date are used.

However, necessary adjustments for consolidated accounting are made with respect to material transactions made during the period from January 1 to the consolidated book-closing date, March 31 of these consolidated subsidiaries.

4. Items related to accounting policy

(1) Valuation standards and valuation methods of important assets

(i) Marketable securities

Other marketable securities

Those with market value

Valued at market value based on the market price as of the fiscal year-end date (revaluation differences are all included as a component of shareholder equity while cost of sales is determined by the moving average method)

Those with no market value

Cost method or amortized cost method based on the moving average method

(ii) Derivative transactions

Market value method

(iii) Inventory assets

Inventories owned for normal sales purposes

The cost method (in which book price is reduced as profitability declines) is used as the valuation method

Goods, products, and works in progress

Weighted average method, actual cost method

Raw materials and stored goods

FIFO method

(2) Depreciation method for important depreciable assets

(i) Tangible fixed assets (excluding lease assets)

Straight-line method

- (ii) Intangible fixed assets (excluding lease assets)
 - Straight-line method
 - However, software that the Company uses is depreciated using the straight-line method over the estimated in-house working life of five years.
- (iii) Lease assets
 - Lease assets related to finance lease transactions in which ownership is transferred
 - The same depreciation method applied to fixed assets owned by the Company is applied.
 - Lease assets related to finance lease transactions in which ownership is not transferred
 - Useful life is based on the lease period duration, and straight-line depreciation is applied with an assumed residual value of zero.
- (3) Standards for recording important reserves
 - (i) Loan-loss reserves
 - To prepare for losses due to bad debt claims, general claims are treated using the loan loss ratio. For specific loans such as those classified as loans with default possibility, the likelihood of loan recovery is considered individually and an estimated unrecoverable amount is allocated.
 - (ii) Bonus reserves
 - To pay employee bonuses, a bonus reserve is allocated based on the expected payment amount.
 - (iii) Bonus reserves for Officers
 - The Company and its domestic consolidated subsidiaries prepare for bonus payments to Officers by allocating bonus reserves for Officers based on the expected payment amount for the consolidated fiscal year under review.
 - (iv) Reserves for stock grant to Officers
 - The Company prepares for the grant of Company stock to Company Directors under the stock-granting plan by recording reserves for grant of stock based on the expected stock-granting obligations as of the end of the relevant consolidated fiscal year under review.
 - (v) Reserves for product warranties
 - Estimated warranty costs based on past results are recorded as reserves to prepare for defect liability of products sold.
 - (vi) PCB processing reserves
 - To prepare for the payment of costs for processing PCBs and other waste that the Company stores, for expenses that can be reasonably estimated, the amounts expected to be incurred going forward are recorded.
- (4) Other important items that form the basis for creating consolidated financial statements

Standards for recording of retirement benefit liabilities

In the calculation of employee retirement liabilities, when attributing an estimated amount of retirement benefits to the period up to the end of the consolidated fiscal year under review, the estimated benefits method is mainly used.

Prior service costs are amortized using the straight-line method over a period based on a set number of years (10 years) equal to or less than the employees' average remaining service years. Actuarial differences are amortized using the straight-line method over a

period (10 years) equal to or less than the average remaining service years of employees for the fiscal year in which the differences occurred, commencing with the following consolidated fiscal year.

Actuarial differences and prior service costs yet to be recognized are recorded under shareholders' equity under other accumulated comprehensive income with accumulated retirement benefit adjustments recorded after making tax effect adjustments.

(5) Important methods of account hedging

(i) Method of account hedging

Interest swap transactions meet the requirements of special processing of interest swap and are thus based on special processing.

(ii) Hedging methods and transactions subject to hedging

Hedging methods

Interest swap

Transactions subject to hedging

Interest payable on specific borrowings

(iii) Hedging policy

The purpose is to avoid potential losses on borrowings due to interest rate fluctuations

(iv) Method of evaluating effectiveness

Because it is envisioned that the notional principal of the hedging means and important conditions regarding hedge transactions will be the same and that when hedging begins and subsequently, cash flow fluctuations will be completely offset, evaluation of hedging effectiveness is omitted.

(6) Other important matters in preparing the consolidated financial statements

Accounting treatment of consumption taxes

Taxes are excluded.

2 Notes on changes in the presentation method

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

We have applied "Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan Statement No. 31, March 31, 2020) starting from the consolidated financial accounts for the end of the consolidated fiscal year under review and stated notes on important accounting estimates in the consolidated financial accounts.

However, the details for the preceding consolidated fiscal year are not stated in the relevant notes in accordance with transitional measures provided in the proviso of paragraph 11 of that Standard.

3 Notes on accounting estimates

Items for which amounts are recorded in the consolidated financial accounts for the consolidated fiscal year under review due to accounting estimates and which may have a substantial influence on the consolidated financial accounts for the following consolidated fiscal year are as follows:

Deferred tax assets: 1,695 million yen.

The likelihood of realizability of deferred tax assets is determined according to whether or not such assets have the potential to reduce future amounts of tax burden based on the sufficiency of taxable income before addition and subtraction of temporary differences, etc. and the sufficiency of taxable

temporary differences on the basis of earning power and tax planning.

Therefore, if it becomes necessary to change the relevant estimate due to changes in the external environment because of fluctuations in economic conditions and the market environment, etc., the amount of deferred tax assets may be reduced and tax expenses may be recorded in the consolidated financial accounts for the following consolidated fiscal year.

4 Notes on the Consolidated Balance Sheet

1. Assets furnished as security and obligations pertaining to the security

(1) Assets furnished as security

Buildings	309 million yen
Machinery, equipment, and vehicles	2 million yen
Land	827 million yen
Total	1,139 million yen

(2) Obligations pertaining to the security

Long-term borrowings	1,087 million yen
Short-term borrowings	862 million yen
Total	1,950 million yen

2. Cumulative depreciation on tangible fixed assets 176,849 million yen

3. Fixed asset reduction entries

For tangible fixed assets acquired prior to the consolidated fiscal year under review, the reduction entry amount subtracted from the acquisition prices were 14 million yen for Buildings and 4 million yen for Machine Equipment.

5 Notes on the Consolidated Shareholders' Equity Statement

1. Type and number of outstanding shares at the end of the consolidated fiscal year under review

Common shares 54,021,824 shares

2. Dividends

(1) Dividends paid

Resolutions	Share type	Total dividends (Million yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders of June 25, 2020	Common shares	788	15.00	March 31, 2020	June 26, 2020
Board of Directors Meeting on November 13, 2020	Common shares	788	15.00	September 30, 2020	December 4, 2020
Total		1,577			

(Note)

1. The total dividend amount approved at the Ordinary General Meeting of Shareholders held on June 25, 2020, includes the 1 million yen in dividends on the 101,663 Company shares owned by the Officer Compensation BIP Trust Account.

2. The total dividend amount approved by the Board of Directors meeting held on November 13, 2020, includes the 1 million yen in dividends on the 93,351 Company shares owned by the Officer Compensation BIP Trust Account.

(2) Those dividends having a record date falling in the consolidated fiscal year under review and an effective date in the next term.

The following proposal for dividends on common shares will be proposed at the Ordinary General Meeting of Shareholders to be held on June 24, 2021.

Total dividends	788 million yen
Dividends per share	15.00 yen
Record date	March 31, 2021
Effective date	June 25, 2021

Dividends are to be sourced from earned surplus.

(Note) The total dividend amount above includes the 1 million yen in dividends on the 93,351 Company shares owned by the Officer Compensation BIP Trust Account.

6 Notes on financial products

1. Situation regarding financial products

(1) Handling of financial products

The Group invests its funds in highly safe financial assets and procures necessary funds from financial institutions in accordance with its capital investment plan. We make use of derivatives to avoid risks discussed later, but not for speculative purposes.

(2) Details of financial products and their risks

Notes and accounts receivable (trade receivables) are exposed to customers' credit risk.

Marketable securities are mainly assets for investment such as bonds, while investment securities are mainly equities and bonds, and both securities are exposed to market fluctuation risk.

Notes and accounts payable (trade payables) come due within one year.

Borrowings and bonds are mainly made for procuring funds for capital investments and the repayment date is five years from the settlement date at the latest.

Derivative transactions are interest rate swap transactions for hedging against interest rate fluctuation risk related to borrowings as well as currency forward transactions and currency swap transactions for hedging against forex fluctuation risk related to foreign currency-denominated borrowings and loans. We engage in these transactions only to the extent of actual demand in accordance with each company's internal rules and accompanying regulations. Please see "Important methods of account hedging" under "Items related to accounting policy" mentioned earlier for hedging methods, transactions subject to hedging, hedging policy, and for the method of evaluating the effectiveness of hedging.

(3) Risk control systems related to financial products

Regarding trade receivables, based on each company's credit management standards, sales control division of each business division regularly monitors the status of the transaction counterparty, manages

the dates and balances for each counterparty, and takes steps as early as possible to detect and reduce the counterparty's collection risk due to deterioration in its financial situation.

For marketable securities, credit risk is negligible since the bonds are mostly high-grade ones based on each company's internal company rules and accompanying regulations.

The market prices of shares and bonds, which is one of the investment securities are regularly monitored and reported to the Board of Directors.

Additionally, while trade payables and borrowings are exposed to liquidity risk, the division in charge manages them by drafting a funding plan as necessary based on the reports of each division.

(4) Supplementary explanation on financial product prices

The prices of financial products include the prices calculated based on market prices, and if there is no market price, a price reasonably calculated is used. Since the calculation of such prices include variables, prices may fluctuate from time to time due to the adoption of different assumptions.

As for the contracted amount of derivatives as mentioned in the notes regarding derivatives transactions, the amount itself does not indicate the market risk of the derivative transaction.

2. Market prices of financial products, etc.

The following are amounts provided in the Consolidated Balance Sheet as of March 31, 2021, market prices, and the differences between the two. Those for which it is extremely difficult to obtain market prices are not included in the table (please see Note 2).

(Million yen)			
	Amount recorded on the Consolidated Balance Sheet	Market price	Difference
(1) Cash and deposits	39,279	39,279	—
(2) Notes receivable and accounts receivable	52,285	52,285	—
(3) Short-term loans	3	3	—
(4) Marketable securities and investment securities			
Other marketable securities	13,915	13,915	—
Affiliate shares	3,001	2,539	-462
(5) Long-term loans	374		
Allowance for doubtful accounts (*1)	-107		
	267	325	57
Total assets	108,752	108,347	-404
(1) Notes payable and accounts payable	43,629	43,629	—
(2) Short-term borrowings	5,020	5,020	—
(3) Corporate taxes payable	1,774	1,774	—
(4) Bonds	30,000	29,997	-3
(5) Long-term borrowings	37,817	37,880	63
(6) Long-term accounts payable (other long-term accounts payable)	45	45	0
Total liabilities	118,287	118,347	60
Derivatives transactions (*2)	(166)	(166)	—

(*1) Loan-loss reserves recorded in the long-term loans have been deducted.

(*2) Receivables and payables recorded in derivatives transactions are shown on a net basis, and those which are net payable overall are shown in parentheses.

Note 1: Methods for calculating the market price of financial products, as well as items related to marketable securities and derivatives transactions

Assets

(1) Cash and deposits, (2) notes receivable and accounts receivable and (3) short-term loans

Since these are settled over the short term and market prices are close to the book price, the book prices themselves are used.

(4) Marketable securities and investment securities

The prices of these are based on share prices of the stock exchange, while those for bonds are based on the price provided by the financial institution with which the transaction is made.

(5) Long-term loans

The loan amounts of long-term loans to subsidiaries are calculated by discounting to present value the anticipated principal and interest collection amount reflecting loan recoverability at an interest rate for the remaining loan period having a high level of safety. Loans to employees are regularly updated

based on variable interest rates and thus the market value is very similar to the book value. Accordingly, the book value is used.

Liabilities

- (1) Notes payable and accounts payable and (2) short-term borrowings, (3) corporate taxes payable

Since these are settled over the short term and the market price is close to the book price, the book prices themselves are used.

- (4) Bonds

The price of the corporate bonds are based on the market price.

- (5) Long-term borrowings

The price of these is the present value of total principal and interest discounted by the interest rate assumed if similar borrowings, etc. were to take place again. Long-term borrowings based on variable interest rates are subject to special processing via interest rate swaps (please see derivatives transactions below), and are calculated by discounting the total amount of principal and interest processed as part of the interest rate swap concerned by the interest rate reasonably estimated if a similar borrowing was to take place.

- (6) Long-term accounts payable (other long-term accounts payable)

The price of long-term accounts payable is the present value calculated by discounting the government bond interest rate based on the payment date which is reasonably estimated.

Derivatives transactions

Please see “7 Derivatives transactions”.

Note 2: Financial products for which ascertaining the market price is recognized as extremely difficult

(Million yen)	
Category	Amount recorded on consolidated balance sheet
Non-listed shares	225

We recognize that ascertaining the price of the above securities is extremely difficult since there is no market price. We therefore have not included these under (4) Marketable securities and investment securities.

7 Derivatives transactions

1. Derivatives transactions for which hedge accounting is not applicable

Currency related

Category	Transaction type	Contract amount (Million yen)	Those exceeding one year (Million yen)	Market price (Million yen)	Valuation gains/losses (Million yen)
Non-market transactions	Currency forward transactions				
	Short Commitment THB	141	—	-33	-33
	Long Commitment Yen	777	479	-132	-132
Total		919	479	-166	-166

Notes: Method for calculating price

The price is calculated based on the price, etc. provided by the financial institution with which the transaction took place.

2. Derivatives transactions for which hedge accounting is applicable

Interest-rate related Special treatment of interest rate swaps

Hedge Accounting Method	Transaction type	Main transactions subject to hedging	Contract amount, etc. (Million yen)	Contracts exceeding one year (Million yen)	Market price (Million yen)
Special treatment of interest rate swaps	Interest rate swap (Paid/fixed and received/floating)	Long-term borrowings	413	129	-2

Notes: Method for calculating price

The price is calculated based on the price, etc. provided by the counterparty financial institution.

8 Notes regarding per share information

- Net assets per share 3,089.02 yen
- EPS 239.28 yen

Notes: The Company shares remaining in the Officer Compensation BIP Trust Account and recorded as treasury stock under net assets are included in treasury stock, which is deducted from the total number of issued shares as of the end of a fiscal year, for the purpose of calculating net assets per share, and are likewise included in treasury stock, which is deducted from the average number of issued shares during a fiscal year, for the purpose of calculating EPS. The number of such shares of treasury stock as of the end of the fiscal year deducted for the purpose of calculating net assets per share was 93,351, and the average number of such shares during the fiscal year deducted for the purpose of calculating EPS was 95,506.

9 Notes concerning significant subsequent events

N/A

10 Other notes

Amounts less than 1 million yen were rounded down.

Financial Statements

Balance Sheet (As of March 31, 2021)

(Million yen)

Item (Assets)	Amount	Item (Liabilities)	Amount
I Current assets		I Current liabilities	
Cash and deposits	17,193	Notes payable	12,464
Notes receivable	4,016	Accounts payable	13,166
Accounts receivable	39,328	Long-term borrowings due within one year	9,193
		Lease obligations	4
Goods	401	Accounts payable	609
Works in progress	3,356	Accrued expenses	2,281
Raw materials	1,009	Corporate taxes payable	278
Stored goods	139	Consumption taxes payable	296
Prepaid expenses	111	Advances received	1,029
Accrued revenues	4,819	Deposits received	12,363
Other current assets	1,171	Bonus reserves	850
		Bonus reserves for Officers	25
Total current assets	71,548	Reserves for product warranties	144
		Equipment-related notes payable	2,263
II Fixed assets		Total current liabilities	54,970
1 Tangible fixed assets		II Fixed liabilities	
Buildings	7,802	Bonds	30,000
Structures	1,376	Long-term borrowings	23,146
		Lease obligations	9
Machinery and equipment	7,452	Long-term account payables	4
Vehicles	66	Tax-deferred liabilities	2,047
Tools, furniture, and fixtures	5,406	PCB processing reserves	46
Land	1,906	Reserves for stock grant to Officers	81
Lease assets	12	Long-term deposits received	30
Construction in progress	5,532	Total fixed liabilities	55,365
Total tangible fixed assets	29,555		
2 Intangible fixed assets		Total liabilities	110,336
Software	214		
Software in progress	1,116	(Net assets)	
Right of utilization	10	I Shareholders' equity	
Total intangible fixed assets	1,341	1 Capital	5,610
3 Investments and other assets		2 Capital surplus	
Investment securities	10,668	Capital reserves	4,705
Shares of subsidiaries and affiliates	26,352	Other capital surpluses	2,552
Investments	1	Total capital surplus	7,258
Long-term loans	75,886	3 Earned surplus	
Guarantee deposits	51	Retained earnings	1,197
Prepaid pension expenses	1,043	Dividend reserves	400
Other investments	121	Reserve for reduction entry of land	589
Loan-loss reserves	-109	Reserve for reduction entry of replaced property	938
Total investments and other assets	114,017	Reserve for reduction entry of noncurrent assets	93
		Special reserves	18,914
Total fixed assets	144,915	Earned surplus carried over	68,569
Total assets	216,463	Total earned surplus	90,701
		4 Treasury stock	-1,586
		Total shareholders' equity	101,983
		II Valuation and translation adjustments	
		Valuation difference on available-for-sale securities	4,143
		Total valuation and translation differences	4,143
		Total net assets	106,127
		Total liabilities and net assets	216,463

Notes: Amounts less than 1 million yen were rounded down.

Income Statement
(April 1, 2020-March 31, 2021)

(Million yen)

Item		Amount	
I	Net sales		100,767
II	Cost of goods sold		95,747
	Gross income		5,020
III	SG&A expenses		5,267
	Operating losses (-)		-247
IV	Non-operating income		
	Interest income	1,258	
	Dividend income	1,199	
	Rent income on fixed assets	80	
	Foreign exchange gains	1,262	
	Dividend income from insurance	108	
	Other non-operating income	209	4,119
V	Non-operating expenses		
	Interest expenses	87	
	Interest on bonds	45	
	Rent expenses on fixed assets	20	
	Allowance for Absence from work	54	
	Allowance for doubtful accounts	31	
	Bond issue cost	49	
	Other non-operating expenses	73	361
	Recurring income		3,510
VI	Extraordinary income		
	Capital gains on the sale of investment securities	88	
	Capital gains on the sale of fixed assets	59	
	Gain on extinguishment of tie-in shares	2,228	2,376
VII	Extraordinary losses		
	Loss on sales and retirement of non-current assets	9	9
	Net income before income taxes		5,878
	Corporate taxes, resident taxes, and business taxes	470	
	Corporate tax adjustments	138	608
	Net income		5,269

Notes: Amounts less than 1 million yen were rounded down.

Shareholders' Equity Statement
(April 1, 2020-March 31, 2021)

(Million yen)

	Shareholders' Equity				
	Capital	Capital surplus			Earned surplus
		Capital reserves	Other capital surplus	Total capital surplus	Legal retained earnings
Beginning-of-term balance	5,610	4,705	2,552	7,258	1,197
Changes during the current term					
Dividends on surpluses					
Net income					
Provision of reserve for reduction entry of replaced property					
Reversals of reserve for reduction entry of replaced property					
Reversal of reserve for reduction entry of replaced property special subaccount					
Provision of reserve for reduction entry of noncurrent assets					
Reversal of reserve for reduction entry of noncurrent assets					
Share buyback					
Disposal of treasury shares			0	0	
(Net) change in items excluding shareholders' equity in the consolidated fiscal year					
Total change in the current term		—	0	0	—
End-of-term balance	5,610	4,705	2,552	7,258	1,197

(Million yen)

	Shareholders' Equity					
	Earned surplus					
	Other earned surplus					
	Dividend reserves	Reserve for reduction entry of land	Reserve for reduction entry of replaced property	Reserve for reduction entry of replaced property special subaccount	Reserve for reduction entry of noncurrent assets	Special reserves
Beginning-of-term balance	400	589	118	867	78	18,914
Changes during the current term						
Dividends on surpluses						
Net income						
Provision of reserve for reduction entry of replaced property			838			
Reversals of reserve for reduction entry of replaced property			-18			
Reversals of reserve for reduction entry of replaced property special subaccount				-867		
Provision of reserve for reduction entry of noncurrent assets					19	
Reversal of reserve for reduction entry of noncurrent assets					-4	
Share buyback of treasury shares						
Disposal of treasury shares						
(Net) change in items excluding shareholders' equity in the fiscal year						
Total change in the current term	—	—	820	-867	14	—
End-of-term balance	400	589	938	—	93	18,914

(Million yen)

(million yen)

	Shareholders' Equity				Valuation and translation differences		Total net assets
	Retained earnings		Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation differences	
	Retained earnings brought forward	Total retained earnings					
Beginning-of-term balance	64,844	87,009	-1,602	98,276	2,576	2,576	100,852
Changes during the current term							
Dividends on surpluses	-1,577	-1,577		-1,577			-1,577
Net income	5,269	5,269		5,269			5,269
Provision of reserve for reduction entry of replaced property	-838	—		—			—
Reversals of reserve for reduction entry of replaced property	18	—		—			—
Reversals of reserve for reduction entry of replaced property special subaccount	867	—		—			—
Provision of reserve for reduction entry of noncurrent assets	-19	—		—			—
Reversal of reserve for reduction entry of noncurrent assets	4	—		—			—
Share buyback		—	-0	-0			-0
Disposal of treasury shares		—	16	16			16
(Net) change in items excluding shareholders' equity in the fiscal year		—			1,567	1,567	1,567
Total change in the current term	3,724	3,691	15	3,707	1,567	1,567	5,274
End-of-term balance	68,569	90,701	-1,586	101,983	4,143	4,143	106,127

Notes: Amounts less than 1 million yen were rounded down.

Notes to Standalone Financial Statements

1 Notes to matters relating to important accounting standards

1. Valuation standards and valuation methods of assets

(1) Marketable securities

(i) Shares in subsidiaries and affiliates

Cost method based on the moving average method

(ii) Other marketable securities

Those with market value

Valued at market value based on the market price as of the business year-end date (revaluation differences are all included as a component of shareholders' equity while cost of sales is determined by the moving average method)

Those with no market value

Cost method or amortized cost method based on the moving average method

(2) Inventory assets

Inventory owned for normal sales purposes

The cost method (in which book price is reduced as profitability declines) is used as the valuation method

Goods, products, and works in progress

Weighted average method, actual cost method

Raw materials and stored goods

FIFO method

2. Depreciation method for important fixed assets

(1) Tangible fixed assets (excluding lease assets)

Straight-line method

(2) Intangible fixed assets (excluding lease assets)

Straight-line method

Software that the Company uses is depreciated using the straight-line method over the estimated in-house working life of five years.

(3) Lease assets

Lease assets related to finance lease transactions in which ownership is not transferred

Useful life is based on the lease period duration, and straight-line depreciation is applied with an assumed residual value of zero.

3. Standards for recording reserves

(1) Loan-loss reserves

To prepare for losses due to bad debt claims, general claims are treated using the loan loss ratio. For specific loans such as those classified as loans with default possibility, the likelihood of loan recovery is considered individually and the estimated unrecoverable amount is recorded.

(2) Bonus reserves

To pay employee bonuses, a bonus reserve is allocated based on the expected payment amount.

(3) Bonus reserves for Officers

The Company prepares for bonus payments to Officers by allocating bonus reserves for Officers based on the expected payment amount for the term under review.

(4) Reserves for stock grant to Officers

The Company prepares for the grant of Company stock to Company Directors under the stock-granting plan by recording reserves for grant of stock based on the expected stock-granting obligations as of the end of the term under review.

(5) Reserves for product warranties

Estimated guarantee costs based on past results are recorded as reserves to prepare for defect liability of products sold.

(6) Retirement benefit reserves

To prepare for employee retirement benefits, reserves are recorded based on estimated retirement benefit liabilities and pension assets as of the end of the term under review. If the estimated pension assets amount exceeds the estimated retirement benefits liabilities amount at the end of the business year, the surplus amount is recorded as prepaid pension expenses.

Prior service costs are amortized using the straight-line method over a period based on a set number of years (10 years) equal to or less than the employees' average remaining service years. Actuarial differences are amortized using the straight-line method over a period (10 years) equal to or less than the average remaining service years of employees for the business year in which the differences occurred, commencing with the following business year.

(7) PCB processing reserves

To prepare for payment of costs for processing PCBs and other waste that the Company stores, reasonably estimated funds expected to be accessed in the future are allocated.

4. Methods of account hedging

(1) Method of account hedging

Currency forward transactions meeting the requirements for deferral hedge accounting are accounted for by deferral hedge accounting, and interest swap transactions meeting the requirements for special processing are accounted for using special processing.

(2) Hedging methods and transactions subject to hedging

Hedging methods

Currency forward transactions, Interest rate swaps

Transactions subject to hedging

Foreign currency loans, Interest payable on specific borrowings

(3) Hedging policy

Pursuant to internal rules relating to derivative transactions, currency fluctuation risk and interest fluctuation risk are hedged to a certain extent.

(4) Method of evaluating hedging effectiveness

Because it is envisioned that the notional principal of the hedging methods and important conditions regarding hedge transactions will be the same and that when hedging begins and subsequently, cash flow fluctuations will be completely offset, evaluation of hedging effectiveness is omitted.

5. Other important matters in preparing the financial statements

Accounting treatment of consumption taxes
Taxes are excluded.

2 Notes on changes in the presentation method 【N&A:招集通知の個別注記表「2.表示方法の変更に関する注記」につき、(「会計上の見積りの開示に関する会計基準の適用」)とご記載頂いておりますが、カギ括弧の位置を(「会計上の見積りの開示に関する会計基準」の適用)と修正すべきと存じますので、ご確認ください。】

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

We have applied the “Accounting Standard for Disclosure of Accounting Estimates” (Accounting Standards Board of Japan Statement No. 31, March 31, 2020) starting from the financial accounts for the end of the fiscal year under review and stated notes on important accounting estimates in the financial accounts.

However, the details for the preceding fiscal year are not stated in the relevant notes in accordance with transitional measures provided in the proviso of paragraph 11 of that standard.

3 Notes on accounting estimates

There are no important items for which amounts are recorded in the financial accounts for the fiscal year under review due to accounting estimates.

However, items that may have a substantial influence on the financial accounts for the following fiscal year are as follows:

A cost method based on the moving average method has been adopted as a valuation standard and a valuation method of shares in subsidiaries and affiliates.

With regard to shares with no market prices, even if their actual value declines considerably due to deterioration of the financial condition of the company issuing the relevant shares, in cases where the likelihood of recovery of their actual value is supported by sufficient evidence based on production plans for each automobile model presented by customers, and future business plans established on the basis of an assumed situation involving inquiries, negotiations, etc., we have not recognized impairment losses.

During the fiscal year under review, there are no shares for which we have recognized impairment losses.

Therefore, if it becomes necessary to change the relevant estimates due to future business plans being affected by changes in the external environment caused by fluctuations in economic conditions and the market environment, etc., it may have a substantial influence on the financial accounts for the following fiscal year.

4 Notes on the Balance Sheet

1. Cumulative depreciation on tangible fixed assets	69,243 million yen
2. Short-term claims against affiliates	30,951 million yen
Long-term claims against affiliates	75,831 million yen
Short-term debts owed to affiliates	19,951 million yen

3. Guarantee obligations

The Company provides guarantees for borrowings from financial institutions for the following companies.

Borrowings from financial institutions	
Topre America Corporation	3,764 million yen
TOPRE (FOSHAN) AUTOPARTS	376 million yen

CORPORATION

Total 4,140 million yen

4. Fixed asset reduction entries

For tangible fixed assets acquired up to the term under review, the reduction entry amount subtracted from the acquisition price was 14 million yen for Buildings.

5 Notes on Profit/Loss Statement

Trade volume with affiliates

Sales	33,606 million yen
Purchases	44,482 million yen
Trade volume other than business trades	2,438 million yen

6 Notes on Statements of Changes in Net Asset

1. Type and number of outstanding shares at the end of the term under review

Common shares 54,021,824 shares

2. Type and number of treasury shares at end of the term under review

Common shares 1,531,739 shares

7 Notes relating to deferred tax assets and liabilities

(Breakdown of the major causes of deferred tax assets and deferred tax liabilities)

(1) Deferred tax assets

Loss on valuation of inventory assets	53	million yen
Bonus reserves	260	
Social insurance premium related to bonus reserves	40	
Unpaid business taxes	62	
Amount recorded on estimates for product warranties	34	
Reserves for product warranties	44	
Loan-loss reserves	32	
Reserves for stock grant to Officers	24	
PCB processing reserves	14	
Evaluation loss on investment securities	142	
Impairment loss	23	
Subsidiary corporation impairment loss	37	
Other	41	
Deferred tax asset total	813	

(2) Deferred tax liabilities

Prepaid pension expenses	319 million yen
Reserve for reduction entry of land	259
Reserve for reduction entry of replaced property	413
Reserve for reduction entry of noncurrent assets	41
Valuation difference on available-for-sale securities	1,827
Deferred tax liability total	<u>2,860</u>
Net deferred tax assets (liabilities)	<u>-2,047</u>

8 Notes on transactions with related parties
(Subsidiaries, etc.)

Type	Name of company, etc.	% of voting rights owned (owned by)	Relationship with related party	Transaction	Transaction amount (million yen)	Category	Balance at end of term (million yen)
Subsidiary	Toprec Corporation	Directly own 100%	Purchaser of goods	Product sale	26,808	Accounts receivable	12,235
			Entrustment of operating funds Concurrent officers	Entrustment of funds	—	Deposits	5,000
Subsidiary	Toho Transportation Co., Ltd.	Directly own 50%	Outsourcing of transport services	Outsourcing of transport services, etc.	927	Accounts payable	4
			Entrustment of operating funds Concurrent officers	Entrustment of funds	1,000	Unpaid expenses Deposits	163 5,100
Subsidiary	Topre Kyushu Corporation	Directly own 100%	Company supplier	Component purchase	16,633	Accounts payable	1,928
						Notes payable	1,000
			Equipment arrangements, etc.	Equipment arrangements, supply of parts, etc.	5,239	Accounts receivable	690
						Advance payments	538
			Entrustment of operating funds	Entrustment of funds	1,000	Deposits	1,002
				Refund of funds	800		
			Financial assistance	Lending of funds	1,400	Long-term loans	3,669
				Collection of funds	1,133		
			Concurrent officers				

Subsidiary	Topre Tokai Corporation	Directly own 100%	Company supplier	Component purchase	17,306	Accounts payable	2,187
			Equipment arrangements, etc.	Equipment arrangements, supply of parts, etc.	9,688	Accounts receivable	2,202
			Financial assistance	Lending of funds	300	Long-term loans	5,657
			Concurrent officers	Collection of funds	2,060		
Subsidiary	Mitsuike Corporation	Directly own 51.6%	Company supplier	Component purchase	1,861	Accounts payable	330
			Financial assistance	Lending of funds	1,000	Notes payable	152
			Concurrent officers			Long-term loans	1,000
Subsidiary	Topre America Corporation	Directly own 100%	Purchaser of goods	Component, dies and molds, equipment sales	1,924	Accounts receivable	11,023
			Financial assistance	Lending of funds	16,671	Long-term loans	40,882
				Collection of funds	5,210		
				Receipt of interest	805	—	
			Concurrent officers	Guarantee of obligations	3,764		
Subsidiary	Topre Autoparts Mexico, S.A. de C.V.	Directly own 100%	Purchaser of goods	Component, dies and molds, equipment sales	1,629	Accounts receivable	876
			Financial assistance	Lending of funds	2,717	Long-term loans	10,377
			Concurrent officers	Collection of funds	2,986		
Subsidiary	TOPRE (FOSHAN) AUTOPARTS CORPORATION	Directly own 100%	Purchaser of goods	Component, dies and molds, equipment sales	818	Accounts receivable	335
			Financial assistance	Collection of funds	705	Long-term loans	1,586
			Concurrent officers	Guarantee of obligations	376	—	
Subsidiary	TOPRE (XIANGYANG) AUTOPARTS CORPORATION	Directly own 100%	Purchaser of goods	Component, dies and molds, equipment sales	1,342	Accounts receivable	232
			Financial assistance	Lending of funds	900	Long-term loans	1,910
			Concurrent officers	Collection of funds	528		
Subsidiary	TOPRE (WUHAN) AUTOPARTS CORPORATION	Directly own 100%	Purchaser of goods	Component, dies and molds, equipment sales	528	Accounts receivable	14
			Financial assistance	Lending of funds	2,400	Long-term loans	3,000

Subsidiary	TOPRE (THAILAND) CO., LTD.	Directly own 100%	Purchaser of goods Financial assistance Concurrent officers	Component, dies and molds, equipment sales Lending of funds Collection of funds	344 850 1,025	Accounts receivable Long-term loans	25 3,171
Subsidiary	TOPRE (India) Pvt. Ltd.	Directly own 100%	Purchaser of goods Financial assistance Concurrent officers	Component, dies and molds, equipment sales Lending of funds Collection of funds	19 590 12	Accounts receivable Long-term loans	1,896 4,268
Affiliate	MARUJUN Co., Ltd.	Directly own 20.2%	Company supplier Equipment arrangements, etc. Concurrent officers	Purchase of component, dies and molds, equipment Equipment arrangements, supply of parts, etc.	5,995 1,811	Accounts payable Notes payable Accounts receivable	370 510 170

Note 1: Of the foregoing amounts, the transaction amount does not include consumption taxes, whereas the balance at the end of term does include consumption taxes.

Note 2: Transaction terms and a policy etc. for deciding the transaction terms

- (1) Decisions on the arrangement of equipment, supply etc. of materials, purchase of components and products are made by presenting the Company's desired price taking in the market price and the total costs into consideration and through negotiation.
- (2) Decisions on the sale of components, dies and molds and equipment, sales of products are made by presenting the Company's desired price taking the market price and the total costs into consideration and through negotiation.
- (3) The interest rate for loans is reasonably decided by taking the market interest rate into consideration.

9 Notes regarding per share information

1. Net assets per share 2,021.85 yen

2. EPS 100.39 yen

Note: The Company shares remaining in the Officer Compensation BIP Trust Account and recorded as treasury stock under net assets are included in treasury stock, which is deducted from the total number of issued shares as of the end of a fiscal year, for the purpose of calculating net assets per share, and are likewise included in treasury stock, which is deducted from the average number of issued shares during a fiscal year, for the purpose of calculating EPS.

The number of such shares of treasury stock as of the end of the fiscal year deducted for the purpose of calculating net assets per share was 93,351, and the average number of such shares during the fiscal year deducted for the purpose of calculating EPS was 95,506.

10 Notes concerning significant subsequent events

N/A

11 Other notes

Amounts less than 1 million yen were rounded down.