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(Stock Exchange Code 8061)
June 6, 2022

To Shareholders with Voting Rights:

Akihiko Sakurai
President and Chief Executive
Officer
Seika Corporation
3-3-1 Marunouchi, Chiyoda-ku, Tokyo

**NOTICE OF
THE 99TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

Please be informed that the 99th Annual General Meeting of Shareholders of Seika Corporation (the “Company”) will be held for the purposes as described below.

After careful consideration, in light of the recent spread of the novel coronavirus infections, the Company has decided to hold this Annual Shareholders Meeting with appropriate measures in place to prevent infections. From the standpoint of preventing the spread of infections, we would like to strongly request that you exercise your voting rights in writing or via the Internet in advance, and refrain from attending the meeting in person, if at all possible, regardless of your health condition.

Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:30 p.m. on Monday, June 27, 2022, Japan time.

- 1. Date and Time:** Tuesday, June 28, 2022 at 10:00 a.m. Japan time
- 2. Place:** LEVEL XXI Tokyo Kaikan Star Room at Urbannet Otemachi Building 21F located at 2-2-2 Otemachi, Chiyoda-ku, Tokyo
- 3. Meeting Agenda:**
Matters to be reported:
 1. The Business Report, Consolidated Financial Statements for the Company’s 99th Fiscal Year (April 1, 2021 - March 31, 2022) and results of audits by the Accounting Auditor and the Board of Auditors of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 99th Fiscal Year (April 1, 2021 - March 31, 2022)

Proposals to be resolved:

- Proposal 1:** Dividend of Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of six (6) Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee)
- Proposal 4:** Election of three (3) Directors Serving as Members of the Audit and Supervisory Committee
- Proposal 5:** Election of one (1) Substitute Director Serving as a Member of the Audit and Supervisory Committee
- Proposal 6:** Determination of Amounts of Remuneration for Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee)
- Proposal 7:** Determination of Amounts of Remuneration for Directors Serving as Members of the Audit and Supervisory Committee

Proposal 8: Determination of Amounts and Details of Stock Remuneration-Type Stock Options to Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee and Outside Directors)

- ◎ Please note that we will not be giving out souvenirs to attending shareholders this year.
- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- ◎ Any amendments to the Reference Documents for the General Meeting of Shareholders or the attached documents will be posted on the Company's website (<https://seika.com/ir/stock/meeting/>).

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Dividend of Surplus

Matters related to year-end dividends

The Company considers the return of profits to shareholders one of the most important management issues, and has a basic policy of paying a stable dividend.

While strengthening business foundations through efficient business operations across both an operational and financial perspective, and flexibly responding to funding needs for new business development, etc., the Company targets a consolidated dividend payout ratio of 35%.

Based on this policy, the Company proposes to pay a year-end dividend of 40 yen per share for the fiscal year ended March 31, 2022.

Accordingly, the annual dividend for the fiscal year ended March 31, 2022 will be 65 yen per share including the interim dividend of 25 yen already paid.

<Matters related to the year-end dividend>

- (1) Matters related to allocation of dividend property to shareholders and total amount thereof
40 yen per share of the Company's common stock and total 479,090,000 yen
- (2) Effective date of dividends from surplus
June 29, 2022

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

- (1) In order to strengthen the auditing and supervisory functions for the legality and appropriateness of business execution and to further enhance the corporate governance system and improve management efficiency, the Company will transition to a “company with an Audit and Supervisory Committee” under which Directors serving as members of the Audit and Supervisory Committee have voting rights at meetings of the Board of Directors. Accordingly, the Company proposes necessary amendments to the Articles of Incorporation of the Company.
- (2) The revised sections of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, the Company proposes the following necessary amendments to the Company’s Articles of Incorporation to introduce the system for electronic provision of the Reference Documents for the General Meetings of Shareholders.
 - i) Article 15, Paragraph 1 of the proposed amendments stipulates that information contained in reference documents for the general meeting of shareholders shall be provided electronically, and Article 15, Paragraph 2 of the proposed amendments establishes a provision to limit the scope of matters to be included in the paper copy to be sent upon request for the paper copy.
 - ii) As the provision of internet disclosure and deemed provision of reference documents for general meetings of shareholders (Article 15 of the current Articles of Incorporation) will no longer be necessary, this shall be deleted.
 - iii) Supplementary provisions shall be established concerning the effective date in line with the new establishment and deletion above.

2. Details of the amendments
The details of the amendments are as follows.

(Underlines indicate amended sections)

Current Articles of Incorporation	Proposed amendments
<p>Chapter III General Meeting of Shareholders</p> <p><u>(Internet disclosure and deemed provision of reference documents for general meetings of shareholders)</u></p> <p><u>Article 15 When convening a general meeting of shareholders, the Company may deem that it has provided its shareholders with information pertaining to the matters to be stated or presented in the reference documents for general meetings of shareholders, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing it via the internet in accordance with the provisions of the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>Chapter III General Meeting of Shareholders</p> <p>(Deleted)</p> <p>(Measures for electronic provision, etc.)</p> <p><u>Article 15</u> 1. <u>When convening a general meeting of shareholders, the Company shall electronically provide the information contained in the reference documents for the general meeting of shareholders.</u></p> <p>2. <u>Among the matters to be provided electronically, the Company may choose not to include all or a part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to the shareholders who have requested it by the record date for voting rights.</u></p>
<p>Chapter IV Directors and the Board of Directors</p> <p>(Number of Directors)</p> <p>Article 19 The number of Directors of the Company shall not exceed eleven (11).</p> <p>(Newly established)</p>	<p>Chapter IV Directors and the Board of Directors</p> <p>(Number of Directors)</p> <p>Article 19 1. The number of Directors of the Company <u>(excluding Directors serving as members of the Audit and Supervisory Committee)</u> shall not exceed eleven (11).</p> <p>2. <u>Directors serving as members of the Audit and Supervisory Committee of the Company shall not exceed four (4).</u></p>

Current Articles of Incorporation	Proposed amendments
<p>(Election of Directors) Article 20 1. Directors shall be elected by resolution of the general meeting of shareholders.</p> <p>2. (Omitted) 3. (Omitted)</p> <p>(Dismissal of Directors) Article 21 (Omitted)</p> <p>(Term of Office of Directors) Article 22 The terms of office of Directors shall expire at the conclusion of the annual general meeting of shareholders pertaining to the last business year ending within one (1) year from their election.</p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Rules of the Board of Directors) Article 23 (Omitted)</p>	<p>(Election of Directors) Article 20 <u>1.</u> Directors shall be elected by resolution of the general meeting of shareholders, <u>by differentiating between Directors serving as members of the Audit and Supervisory Committee and the other Directors.</u></p> <p>2. (Unchanged) 3. (Unchanged)</p> <p>(Dismissal of Directors) Article 21 (Unchanged)</p> <p>(Term of Office of Directors) Article 22 <u>1.</u> The terms of office of Directors <u>(excluding Directors serving as members of the Audit and Supervisory Committee)</u> shall expire at the conclusion of the annual general meeting of shareholders pertaining to the last business year ending within one (1) year from their election.</p> <p><u>2. The terms of office of Directors serving as members of the Audit and Supervisory Committee shall expire at the conclusion of the annual general meeting of shareholders pertaining to the last business year ending within two (2) years from their election.</u></p> <p><u>3. The term of office of a Director serving as a member of the Audit and Supervisory Committee who was elected as a substitute of a Director serving as a member of the Audit and Supervisory Committee who retired before the expiration of his/her term of office, shall expire at the expiration of the term of office of the retired Director serving as a member of the Audit and Supervisory Committee.</u></p> <p>(Rules of the Board of Directors) Article 23 (Unchanged)</p>

Current Articles of Incorporation	Proposed amendments
<p>(Representative Director and Executive Officers, etc.) Article 24 1. The Board of Directors shall, by its resolution, appoint a Representative Director.</p> <p>2. The Board of Directors shall, by its resolution, appoint one (1) President from among Directors or Executive Officers.</p> <p>3. (Omitted) 4. (Omitted)</p> <p>(Person Authorized to Convene the Board of Directors Meetings and its Chairperson) Article 25 1. (Omitted) 2. A convocation notice of a Board of Directors meeting shall be sent to each Director <u>and Auditor</u> at least five (5) days prior to the date of the meeting, provided, however, that this period may be shortened in case of urgency.</p> <p>(Method of Resolutions of the Board of Directors) Article 26 1. (Omitted) 2. Notwithstanding the provision of the preceding paragraph, in cases where a proposal is made by a Director with respect to a matter to be resolved at a meeting of the Board of Directors, if all of the Directors (limited to those who are entitled to participate in the voting on the matter) have expressed their consent to the proposal in writing or by electromagnetic record, the proposal shall be deemed to have been approved by the resolution of the Board of Directors, <u>provided, however, that this shall not apply in cases where an Auditor raises an objection to the said proposal.</u></p> <p>(Newly established)</p> <p>(Limitation of Liability of Directors) Article <u>27</u> (Omitted)</p>	<p>(Representative Director and Executive Officers, etc.) Article 24 1. The Board of Directors shall, by its resolution, appoint a Representative Director <u>from among Directors who do not serve as members of the Audit and Supervisory Committee.</u> 2. The Board of Directors shall, by its resolution, appoint one (1) President from among Directors <u>who do not serve as members of the Audit and Supervisory Committee</u> or Executive Officers. 3. (Unchanged) 4. (Unchanged)</p> <p>(Person Authorized to Convene the Board of Directors Meetings and its Chairperson) Article 25 1. (Unchanged) 2. A convocation notice of a Board of Directors meeting shall be sent to each Director at least five (5) days prior to the date of the meeting, provided, however, that this period may be shortened in case of urgency.</p> <p>(Method of Resolutions of the Board of Director) Article 26 1. (Unchanged) 2. Notwithstanding the provision of the preceding paragraph, in cases where a proposal is made by a Director with respect to a matter to be resolved at a meeting of the Board of Directors, if all of the Directors (limited to those who are entitled to participate in the voting on the matter) have expressed their consent to the proposal in writing or by electromagnetic record, the proposal shall be deemed to have been approved by the resolution of the Board of Directors.</p> <p><u>(Delegation of Decisions on Important Business Execution)</u> Article 27 Pursuant to Article 399-13, Paragraph 6 of the Companies Act, the Company may, by a resolution of the Board of Directors, delegate all or part of the decisions on important business execution (excluding the matters listed in each item of Paragraph 5 of the same Article) to Directors.</p> <p>(Limitation of Liability of Directors) Article <u>28</u> (Unchanged)</p>

Current Articles of Incorporation	Proposed amendments
<u>Chapter V Auditors and the Board of Auditors</u>	(Deleted)
<u>(Establishment of Auditors and the Board of Auditors)</u>	(Deleted)
<u>Article 28 The Company shall establish Auditors and a Board of Auditors.</u>	(Deleted)
<u>(Number of Auditors)</u>	(Deleted)
<u>Article 29 The number of Auditors of the Company shall not exceed four (4).</u>	(Deleted)
<u>(Election of Auditors)</u>	(Deleted)
<u>Article 30 1. Auditors shall be elected by resolution of the general meeting of shareholders.</u> <u>2. A resolution for the election of Auditors shall be adopted by a majority of the votes of the shareholders present who hold not less than one-third of the voting rights held by the total shareholders entitled to exercise their voting rights.</u>	(Deleted)
<u>(Term of Office of Auditors)</u>	(Deleted)
<u>Article 31 1. The term of office of Auditors shall expire at the conclusion of the annual general meeting of shareholders held pertaining to the last business year ending within four (4) years from their election.</u> <u>2. The term of office of an Auditor elected as a substitute shall be until the expiration of the term of office of the retired Auditor.</u>	(Deleted)
<u>(Full-time Auditors)</u>	(Deleted)
<u>Article 32 The Board of Auditors shall appoint Full-time Auditors from among Auditors.</u>	(Deleted)
<u>(Rules of the Board of Auditors)</u>	(Deleted)
<u>Article 33 Matters concerning the Board of Auditors shall be governed by laws and regulations or these Articles of Incorporation, as well as the Rules of the Board of Auditors established by the Board of Auditors of the Company.</u>	(Deleted)
<u>(Convening of the Board of Auditors)</u>	(Deleted)
<u>Article 34 A convocation notice of a Board of Auditors meeting shall be sent to each Auditor at least five (5) days prior to the date of the meeting, provided, however, that this period may be shortened in case of urgency.</u>	(Deleted)

Current Articles of Incorporation	Proposed amendments
<p><u>(Method of Resolutions of the Board of Auditors)</u> <u>Article 35 Unless otherwise stipulated by laws and regulations, the resolutions of the Board of Auditors shall be made by a majority of the Auditors.</u></p>	<p>(Deleted)</p>
<p><u>(Limitation of Liability of Outside Auditors)</u> <u>Article 36 The Company may enter into an agreement with outside Auditors to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, if the requirements stipulated by law are met. However, the maximum amount of liability for damages under such agreement shall be a predetermined amount exceeding five (5) million yen or the minimum liability amount stipulated by law, whichever is higher.</u></p>	<p>(Deleted)</p>
<p>(Newly established)</p>	<p><u>Chapter V Audit and Supervisory Committee</u></p>
<p>(Newly established)</p>	<p><u>(Establishment of Audit and Supervisory Committee)</u> <u>Article 29 The Company shall establish an Audit and Supervisory Committee.</u></p>
<p>(Newly established)</p>	<p><u>(Full-time members of the Audit and Supervisory Committee)</u> <u>Article 30 Audit and Supervisory Committee may, by its resolution, appoint full-time members of the Audit and Supervisory Committee.</u></p>
<p>(Newly established)</p>	<p><u>(Rules of Audit and Supervisory Committee)</u> <u>Article 31 Matters concerning the Audit and Supervisory Committee shall be governed by laws and regulations or these Articles of Incorporation, as well as the Rules of the Audit and Supervisory Committee established by the Audit and Supervisory Committee of the Company.</u></p>
<p>(Newly established)</p>	<p><u>(Convening of Audit and Supervisory Committee)</u> <u>Article 32 A convocation notice of an Audit and Supervisory Committee shall be sent to each member of the Audit and Supervisory Committee at least five (5) days prior to the date of the meeting, provided, however, that this period may be shortened in case of urgency.</u></p>

Current Articles of Incorporation	Proposed amendments
<p>(Newly established)</p> <p>Articles <u>37</u> - <u>39</u> (Omitted)</p> <p>(Remuneration, etc., for Accounting Auditor) Article <u>40</u> Remuneration, etc., paid to the Accounting Auditor shall be determined by Representative Director after obtaining the consent of the <u>Board of Auditors</u>.</p> <p>Articles <u>41</u> - <u>45</u> (Omitted)</p> <p>(Newly established)</p>	<p><u>(Method of Resolutions of Audit and Supervisory Committee)</u></p> <p>Article <u>33</u> <u>Resolutions of the Audit and Supervisory Committee shall be adopted by a majority of the votes of members of the Audit and Supervisory Committee present at the meeting at which a majority of members of the Audit and Supervisory Committee who are entitled to vote are present.</u></p> <p>Articles <u>34</u> - <u>36</u> (Unchanged)</p> <p>(Remuneration, etc., for Accounting Auditor) Article <u>37</u> Remuneration, etc., paid to the Accounting Auditor shall be determined by Representative Director after obtaining the consent of the <u>Audit and Supervisory Committee</u>.</p> <p>Articles <u>38</u> - <u>42</u> (Unchanged)</p> <p><u>Supplementary provisions</u></p> <p><u>Article 1</u> <u>The agreement to limit liability for damages under Article 423, Paragraph 1 of the Companies Act with respect to the acts committed by Outside Auditors (including those who were Outside Auditors) prior to the conclusion of the 99th Annual General Meeting of Shareholders shall be subject to and governed by Article 36 of the Articles of Incorporation of the Company before the amendments made by the resolution of the said meeting.</u></p> <p><u>Article 2</u></p> <p><u>(1) The deletion of Article 15 (Internet disclosure and deemed provision of reference documents for general meetings of shareholders) of the current Articles of Incorporation and the new establishment of Article 15 (Measures for electronic provision, etc.) of the proposed amendments shall take effect from the date of enforcement of the revised provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (“Enforcement Date”).</u></p> <p><u>(2) Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation shall remain in force with respect to a general meeting of shareholders held within six months from the Enforcement Date.</u></p> <p><u>(3) This Article shall be deleted after the lapse of six months from the Enforcement Date or the lapse of three months from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>

Proposal 3: Election of Six (6) Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee)

Subject to the approval of Proposal 2 “Partial Amendments to the Articles of Incorporation,” the Company will transition to a company with an Audit and Supervisory Committee, and the terms of office of all eight (8) current Directors will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, the Company proposes the election of six (6) Directors (excluding Directors serving as members of the Audit and Supervisory Committee).

This proposal will take effect subject to the coming into force of the amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation.”

The candidates for Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee) are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Akihiko Sakurai (January 10, 1959)	February 1989 Joined the Company April 2005 General Manager, Machinery Department II, Osaka Operations Division II April 2009 President, Seika Shanghai Co., Ltd. April 2011 General Manager, Strategical Planning Department, Corporate Planning Division and General Manager, Asian Market Department, the Company April 2013 Executive Officer; General Manager, Tokyo Operations Division I April 2014 Executive Officer; Deputy General Manager, Business Control Division, Industrial Machinery Region June 2014 Director; Senior Executive Officer; Deputy General Manager, Business Control Division, Industrial Machinery Region April 2015 Director; Managing Executive Officer; General Manager, Business Control Division, Industrial Machinery Region April 2016 Director; Managing Executive Officer; General Manager, Business Control Division April 2018 Representative Director; President and CEO (to present)	18,167
		[Reason for nomination as candidate for Director] Mr. Akihiko Sakurai has been in charge of the management of the Company as Representative Director, President and CEO since April 2018. The Company believes that he has led the Company in the right direction by making calm and appropriate judgments and actions while maintaining a challenging mindset, even in matters requiring difficult management decisions that arose from time to time. He has just started to chart a solid growth trajectory with reforms after refining long-term strategies. Thus, the Company has nominated him so that he can continue to fulfill his responsibilities as Director.	

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Yasumasa Kawana (September 29, 1960)	April 1984 Joined the Company	8,450
		April 2010 General Manager, Strategic Planning Department, Corporate Planning Division and Deputy General Manager, Internal Audit Division and Deputy General Manager, Affiliated Company Supervision Division	
		April 2011 General Manager, Nagoya Branch, Osaka Operations Division II	
		April 2013 Director and Deputy President, Nippon Daiya Valve Co., Ltd. (seconded)	
		July 2013 President and CEO (seconded)	
		April 2015 Executive Officer, the Company President and CEO, Nippon Daiya Valve Co., Ltd. (seconded)	
		April 2016 Senior Executive Officer, the Company President and CEO, Nippon Daiya Valve Co., Ltd. (seconded)	
		April 2017 Senior Executive Officer, the Company; General Manager, Subsidiary and Affiliate Business Strategy Division and General Manager, Subsidiary and Affiliate Administration Department	
		June 2017 Director; Senior Executive Officer, the Company; General Manager, Subsidiary and Affiliate Business Strategy Division and General Manager, Subsidiary and Affiliate Administration Department	
		April 2019 Director; Managing Executive Officer; General Manager, Subsidiary and Affiliate Business Strategy Division	
		October 2020 Director; Managing Executive Officer; General Manager, Subsidiary and Affiliate Business Strategy Division and General Manager, Business Strategy Department	
		November 2020 Director; Managing Executive Officer; General Manager, Subsidiary and Affiliate Business Strategy Division	
		October 2021 Director; Managing Executive Officer; General Manager, Corporate Planning Division and General Manager, Subsidiary and Affiliate Business Strategy Division	
April 2022 Director; Senior Managing Executive Officer in charge of planning (to present)			
<p>[Reason for nomination as candidate for Director] Mr. Yasumasa Kawana has been a Director of the Company since June 2017 and played a part in the management of the Company. In terms of business execution, he has most recently served as General Manager of the Subsidiary and Affiliate Business Strategy Division and General Manager of the Corporate Planning Division, and also as President of the Company's consolidated subsidiary. Based on his broad experience and in-depth insight, he has a global and group-wide strategic mindset with a higher perspective, as well as excellent capabilities in organizational development and personnel training, and the Company believes that he is capable of driving innovation and growth for the Company. Thus, the Company has nominated him again as a Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3*	Hirohisa Masuda (March 28, 1961)	<p>April 1983 Joined the Company</p> <p>April 2008 General Manager, Nagasaki Branch, Kyushu Business Operation Division</p> <p>April 2013 General Manager, Strategical Planning Department, Corporate Planning Division; Deputy General Manager, Internal Audit Division</p> <p>April 2014 Deputy General Manager, Business Control Division, Chemicals and Energy Plant Region</p> <p>April 2015 Executive Officer; Deputy General Manager, Business Control Division, Chemicals and Energy Plant Region</p> <p>April 2016 Executive Officer; General Manager, Global Business Division; General Manager, Overseas Business Department</p> <p>April 2017 Executive Officer, the Company; Director and President, Nippon Daiya Valve Co., Ltd. (seconded)</p> <p>April 2019 Senior Executive Officer, the Company Director and President, Nippon Daiya Valve Co., Ltd. (seconded)</p> <p>April 2022 Managing Executive Officer in charge of sales and marketing; General Manager, Business Operation Division, the Company (to present)</p>	8,588
		<p>[Reason for nomination as candidate for Director] Until the end of March 2022, Mr. Hirohisa Masuda had been involved in the management of Nippon Daiya Valve Co., Ltd., a consolidated subsidiary of the Company, as President, driving the company's solid performance and growth. He also has a wealth of experience in the sales department of the Company, and in April 2022, he assumed the position of General Manager of the Business Operation Division, responsible for leading the entire sales department. Based on his background, the Company believes that he has comprehensive sales capabilities and judgement ability based on a bird's-eye view, and that he is capable of contributing to the enhancement of the corporate value and sustainable development of the Company. Thus, the Company has newly nominated him as a Director.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	Tomoaki Hasegawa (June 1, 1963)	April 1986	
		April 2011	
		April 2013	
		April 2016	5,000
		April 2019	
		April 2021	
		June 2021	
		April 2022	
<p>[Reason for nomination as candidate for Director] Mr. Tomoaki Hasegawa assumed the position of Director in June 2021 and has played a part in the management of the Company. In terms of business execution, he makes decisions on important matters primarily regarding personnel, general affairs, accounting, and finance, fulfilling accountability to the Board of Directors. Further, he served as President of Seika Sangyo GmbH and Tsurumi (Europe) GmbH, the overseas subsidiaries of the Company, and possesses management knowledge and background. Thus, the Company believes that he is capable of contributing to the enhancement of the corporate value of the Company, and has nominated him again as a Director.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	Kiyomi Miyata (March 14, 1947)	<p>April 1969 Joined HOSOKAWA MICRON CORPORATION</p> <p>December 1998 Director</p> <p>December 2003 Vice President</p> <p>December 2008 Representative Director, President</p> <p>February 2009 Director, The Japan Society Of Industrial Machinery Manufacturers</p> <p>June 2012 Vice Chairman, Hosokawa Powder Technology Foundation</p> <p>October 2014 Chairman, HOSOKAWA MICRON CORPORATION</p> <p>December 2017 Full-time Adviser</p> <p>January 2019 Adviser (Part-time)</p> <p>June 2020 Outside Director, the Company (to present)</p> <p>[Reason for nomination as candidate for Outside Director and expected roles] Mr. Kiyomi Miyata has monitored and supervised the Company's management from an independent perspective as an Outside Director since June 2020. He has also been active in both the Nomination Examination Committee and the Remuneration Examination Committee, fulfilling his duties appropriately. Mr. Miyata previously held important posts such as Representative Director and President of HOSOKAWA MICRON CORPORATION. Based on his extensive experience, he has a higher viewpoint and broad view and can be expected to provide advice and supervision from a perspective different from internal directors. Thus, the Company has nominated him again as an Outside Director.</p>	1,655

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
6*	Masanori Kagami (January 6, 1952)	<p>January 1980 Joined Nippon Yusoki Co., Ltd. (currently Mitsubishi Logisnext Co., Ltd.)</p> <p>June 2010 Director, Executive Officer Representative Director and President, Nichiyu MHI Forklift Co., Ltd.</p> <p>April 2013 Director, Kitakanto Nichiyu Co., Ltd. (to present) Director, Senior Executive Officer, Mitsubishi Nichiyu Forklift Co., Ltd. (currently Mitsubishi Logisnext Co., Ltd.)</p> <p>June 2015 Director, Managing Executive Officer</p> <p>October 2017 Director, Executive Vice President, Mitsubishi Logisnext Co., Ltd.</p> <p>June 2020 Director and Chairman; Chairman of the Board of Directors</p> <p>June 2021 Senior Executive Advisor (to present) Vice Chairperson, Japan Industrial Vehicles Association Member, Kyoto Chamber of Commerce and Industry (to present)</p>	-
<p>[Reason for nomination as candidate for Outside Director and expected roles] Mr. Masanori Kagami has held a number of important positions such as Representative Director and President of Nichiyu MHI Forklift Co. Ltd. and Director and Chairman of Mitsubishi Logisnext Co., Ltd. Based on his experience, he has a practical sense and a higher viewpoint and broad view and can be expected to make proposals to the Board of Directors from a perspective different from internal directors. Thus, the Company believes that he is capable of contributing to the enhancement of management structure and corporate value of the Company, and has newly nominated him as an Outside Director.</p>			

(Notes)

1. There are no special interests between the candidates and the Company.
2. * indicates a new candidate for Director.
3. Mr. Kiyomi Miyata and Mr. Masanori Kagami are candidates for Outside Director.
4. Mr. Kiyomi Miyata is currently Outside Director of the Company.
5. The term of office of Mr. Kiyomi Miyata as Outside Director will be two years at the conclusion of this Annual General Meeting of Shareholders.
6. The Company has entered into an agreement with Mr. Kiyomi Miyata to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1 of the Companies Act, and the limit for liability under said agreement shall be the minimum amount as stipulated by laws and regulations.
7. If Mr. Masanori Kagami assumes the office of Outside Director, the Company plans to enter into an agreement with him to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1 of the Companies Act, and the limit for liability under said agreement shall be the minimum amount as stipulated by laws and regulations.
8. The Company has registered Mr. Kiyomi Miyata as an independent director with the Tokyo Stock Exchange.
9. If Mr. Masanori Kagami assumes the office of Outside Director, the Company plans to register him as an independent director with the Tokyo Stock Exchange.
10. The Company has entered into a directors and officers liability insurance agreement with an insurance company, which covers legal damages and litigation expenses borne by the insured. All candidates are expected to be included as insured parties under the agreement. The Company intends to renew the agreement with the same terms and conditions at the next renewal.

Proposal 4: Election of three (3) Directors Serving as Members of the Audit and Supervisory Committee

Subject to the approval of Proposal 2 “Partial Amendments to the Articles of Incorporation,” the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, the Company proposes the election of three (3) Directors serving as members of the Audit and Supervisory Committee.

This proposal will take effect subject to the coming into force of the amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation.”

The candidates for Directors serving as members of the Audit and Supervisory Committee are as follows:

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1*	Masanori Abe (October 25, 1957)	<p>April 1982 Joined the Company</p> <p>April 2010 General Manager, General Affairs & Personnel Department</p> <p>June 2016 Director, General Manager, General Administration Division; General Manager, General Affairs & Personnel Department, Nippon Daiya Valve Co., Ltd. (seconded)</p> <p>March 2017 Retired from the Company</p> <p>April 2017 Joined Nippon Daiya Valve Co., Ltd. Director, General Manager, General Administration Division; General Manager, General Affairs & Personnel Department</p> <p>June 2020 Retired from Nippon Daiya Valve Co., Ltd.</p> <p>June 2020 Auditor, the Company (to present)</p>	400
<p>[Reason for nomination as candidate for Director]</p> <p>Mr. Masanori Abe has served as a Full-time Auditor of the Company since June 2020. He has provided fair and impartial judgments and valuable suggestions from an objective perspective on the legality of the Directors’ execution of their duties and the appropriateness of accounting audits, and contributed to ensuring the soundness of the Company’s management. Before assuming the office of Auditor, he held positions such as a Director of Nippon Daiya Valve Co., Ltd., a consolidated subsidiary of the Company and General Manager of the General Affairs & Personnel Department of the Company, and has knowledge of the management and businesses of the Company. Thus, the Company has newly nominated him as a Director serving as a member of the Audit and Supervisory Committee.</p>			

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2*	Yuko Shirai (February 11, 1954)	<p>April 1986 Registered as attorney (Tokyo Bar Association)</p> <p>April 1991 Established Wing Law Office (formerly Shin-Yotsuya Law Office) (Partner)</p> <p>April 2004 Director, Kanto Federation of Bar Associations</p> <p>April 2005 Expert Committee Member and Conciliation Committee Member, Tokyo District Court</p> <p>May 2009 Chair, Shinjuku Ward Board of Education</p> <p>April 2010 Auditor, Japan Federation of Bar Associations</p> <p>April 2011 Auditor, Japan Intellectual Property Arbitration Center</p> <p>April 2012 Vice-President, Tokyo Bar Association</p> <p>October 2013 Chair, Shinjuku Ward Board of Education</p> <p>June 2015 Outside Director, the Company (to present)</p> <p>April 2016 Audit Commissioner, Shinjuku Ward, Tokyo (Part-time)</p> <p>April 2019 Chief Audit Commissioner (Part-time) (to present)</p> <p>June 2021 Independent Director, ANEST IWATA Corporation (to present)</p>	2,742
		<p>[Reason for nomination as candidate for Outside Director and expected roles]</p> <p>Ms. Yuko Shirai has monitored and supervised the Company's management from an independent perspective as an Outside Director since June 2015. She has also been active as Chairperson of the Nomination Examination Committee, fulfilling her duties appropriately. She has specialized knowledge and insight as an attorney, mainly relating to corporate legal affairs, as well as an objective perspective overlooking society in general. The Company judges that she will contribute to ensuring transparency and fairness from a perspective different from internal directors, and thus newly nominated her as a Director serving as a member of the Audit and Supervisory Committee.</p>	

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3*	Yoshihiko Nakamura (November 28, 1956)	<p>October 2003 Partner, KPMG AZSA & Co. (currently KPMG AZSA LLC)</p> <p>June 2019 Retired</p> <p>July 2019 Established Certified Public Accountant Yoshihiko Nakamura Accounting Office (to present)</p> <p>June 2020 Outside Director, MITSUBISHI MOTORS CORPORATION (to present)</p> <p>June 2020 Outside Auditor, the Company (to present)</p> <p>[Reason for nomination as candidate for Outside Director and expected roles] Mr. Yoshihiko Nakamura has served as an Outside Auditor of the Company since June 2020. He has provided fair and impartial judgments from an objective perspective on the legality of the Directors' execution of their duties and the appropriateness of accounting audits, and contributed to ensuring the soundness of the Company's management. As a certified public accountant, he has been involved in a number of corporate accounting audits and M&A projects, and has a high level of expertise in corporate accounting and auditing. The Company expects him to provide advice and supervision from a perspective different from internal directors, and thus newly nominated him as a Director serving as a member of the Audit and Supervisory Committee.</p>	200

(Notes)

1. There are no special interests between the candidates and the Company.
2. * indicates a new candidate for Director.
3. Ms. Yuko Shirai and Mr. Yoshihiko Nakamura are candidates for Outside Director, and the Company has registered them as independent directors with the Tokyo Stock Exchange.
4. The Company has entered into agreements with Ms. Yuko Shirai and Mr. Yoshihiko Nakamura to limit their liability pursuant to Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1 of the Companies Act, and the limit for liability under said agreement shall be the minimum amount as stipulated by laws and regulations.
5. Ms. Yuko Shirai is currently an Outside Director of the Company, and her term of office as Outside Director will be seven years at the conclusion of this Annual General Meeting of Shareholders.
6. The term of office of Mr. Yoshihiko Nakamura as Outside Auditor will be two years at the conclusion of this Annual General Meeting of Shareholders.
7. The Company has entered into a directors and officers liability insurance agreement with an insurance company, which covers legal damages and litigation expenses borne by the insured. All candidates are expected to be included as insured parties under the agreement. The Company intends to renew the agreement with the same terms and conditions at the next renewal.

Proposal 5: Election of one (1) Substitute Director Serving as a Member of the Audit and Supervisory Committee

Subject to the approval of Proposal 2 “Partial Amendments to the Articles of Incorporation,” the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, in order to prepare for a shortfall in the number of Directors serving as members of the Audit and Supervisory Committee prescribed by laws and regulations, the Company proposes the election of Ms. Kiyoko Ishiguro as a Substitute Director serving as a member of the Audit and Supervisory Committee.

Furthermore, this resolution for election may be canceled by resolution of the Board of Directors with the consent of the Audit and Supervisory Committee, only before Ms. Kiyoko Ishiguro's assumption of office.

This proposal will take effect subject to the coming into force of the amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation.”

The candidate for Substitute Director Serving as a Member of the Audit and Supervisory Committee is as follows:

Name (Date of birth)	Past experience and significant concurrent positions	Number of shares of the Company held	
Kiyoko Ishiguro (February 21, 1960)	April 1991	-	
	April 1995		Registered as attorney (Tokyo Bar Association) Established Former Noda, Aibara, & Ishiguro Law Office (currently Noda Memorial Law Office) (Partner Attorney)
	May 2014		Member, Retirement Allowance Examination Committee, Cabinet Office (to present)
	January 2015		Member, Human Rights Protection Committee (to present)
	September 2017		Outside Audit & Supervisory Board Member, TORAJI CORPORATION (to present)
	March 2019		Outside Director, TOAGOSEI CO., LTD. (to present)
	April 2021		Chairperson, Pension Examination Committee, Ministry of Internal Affairs and Communications (to present)
	March 2022		Outside Director, NIPPON SEIRO CO., LTD. (to present)

(Notes)

1. There are no special interests between the candidate and the Company.
2. Ms. Kiyoko Ishiguro is a candidate for a substitute Outside Director serving as a member of the Audit and Supervisory Committee, and if she assumes the office, the Company plans to register her as an independent director with the Tokyo Stock Exchange.
3. Ms. Kiyoko Ishiguro possesses a wealth of experience and deep insight as an attorney, and currently serves as an outside director and corporate auditor of other companies. The Company has judged that she can utilize her knowledge to appropriately perform her duties, such as strengthening the effectiveness of supervisory functions of the Board of Directors, by supervising and auditing the Company's overall management from a professional perspective regarding governance and legal affairs, and thus nominated her as a substitute Director serving as a member of the Audit and Supervisory Committee.
4. If Ms. Kiyoko Ishiguro assumes the office of Outside Director serving as a member of the Audit and Supervisory Committee, the Company plans to enter into an agreement with her to limit her liability pursuant to Article 423, Paragraph 1 of the Companies Act, in accordance with Article 427, Paragraph 1 of the Companies Act, and the limit for liability under said agreement shall be the minimum amount as stipulated by laws and regulations.
5. The Company has entered into a directors and officers liability insurance agreement with an insurance company, which covers legal damages and litigation expenses borne by the insured. If Ms. Kiyoko Ishiguro assumes the office of Outside Director serving as a member of the Audit and Supervisory Committee, she will be included as the insured under the agreement.

Proposal 6: Determination of Amounts of Remuneration for Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee)

At the 83rd Annual General Meeting of Shareholders held on June 29, 2006, the amount of remuneration for the Company's Directors was resolved to be "up to 300 million yen per annum," which has been applied to date. However, subject to the approval of Proposal 2 "Partial Amendments to the Articles of Incorporation," the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, the Company proposes to abolish the current scope of remuneration paid to Directors, in accordance with Article 361, Paragraphs 1 and 2 of the Companies Act, and to determine the amount of remuneration for Directors (excluding Directors serving as members of the Audit and Supervisory Committee) after the transition to a company with an Audit and Supervisory Committee, to be "up to 300 million yen per annum (including up to 30 million yen for Outside Directors)" by taking into consideration all circumstances, including economic conditions.

As in the past, remuneration for Directors (excluding Directors serving as members of the Audit and Supervisory Committee) does not include the employee salary portion for Directors who are also employees of the Company.

An overview of the details of the Company's policy for determining remuneration, etc., for individual Directors is as described in the "Decision policy regarding the details of remuneration, etc. for individual Directors" on page 36 of this Notice of Convocation, and the Company does not plan to change this policy as the policy is considered to remain appropriate as a decision policy when this proposal is approved.

The Company considers the amount of remuneration, etc. in this proposal to be necessary and reasonable as a scope of remuneration in line with the policy under which fixed remuneration and performance-linked remuneration will be paid, and therefore considers it appropriate.

If Proposals 2 and 3 are approved and passed as originally proposed, the number of Directors (excluding Directors serving as members of the Audit and Supervisory Committee) will be six (including two Outside Directors).

This proposal will take effect subject to the coming into force of the amendments to the Articles of Incorporation in Proposal 2 "Partial Amendments to the Articles of Incorporation."

Proposal 7: Determination of Amounts of Remuneration for Directors Serving as Members of the Audit and Supervisory Committee

Subject to the approval of Proposal 2 “Partial Amendments to the Articles of Incorporation,” the Company will transition to a company with an Audit and Supervisory Committee. Accordingly, the Company proposes to determine the amount of remuneration for Directors serving as members of the Audit and Supervisory Committee to be “up to 51 million yen per annum” in accordance with Article 361, Paragraphs 1 and 2 of the Companies Act.

The Company considers the amount of remuneration in this proposal appropriate in light of the responsibilities and number of Directors serving as members of the Audit and Supervisory Committee.

If Proposals 2 and 4 are approved as originally proposed, the number of Directors serving as members of the Audit and Supervisory Committee will be three (3).

This proposal will take effect subject to the coming into force of the amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation.”

Proposal 8: Determination of Amounts and Details of Stock Remuneration-Type Stock Options to Directors (excluding Directors Serving as Members of the Audit and Supervisory Committee and Outside Directors)

At the 93rd Annual General Meeting of Shareholders held on June 24, 2016, the amount of remuneration relating to stock acquisition rights as stock remuneration-type stock options to Directors (excluding Outside Directors) of the Company was approved to be allocated within the scope of 60 million yen or less per annum separately from the amount of Director's remuneration, and it has been applied to date. However, subject to the approval of Proposal 2 "Partial Amendments to the Articles of Incorporation," the Company will transition to a company with an Audit and Supervisory Committee.

Accordingly, the Company proposes to allocate stock acquisition rights as stock remuneration-type stock options to Directors (excluding Directors serving as members of the Audit and Supervisory Committee and Outside Directors) within the scope of "60 million yen or less per annum," separately from the amount of up to 300 million yen per annum of remuneration paid to Directors (excluding Directors serving as members of the Audit and Supervisory Committee) as proposed in Proposal 6, in accordance with Article 361, Paragraphs 1 and 2 of the Companies Act, taking into consideration all circumstances, including economic conditions.

The details of the stock remuneration-type stock options to be approved in this proposal are the same as those approved at the 93rd Annual General Meeting of Shareholders. The Company aims to issue stock remuneration-type stock options in order to improve Directors' motivation to contribute to the enhancement of the Company's medium- and long-term performance and its corporate value, and to raise their awareness of shareholder-oriented management to a higher level than in the past. Since this purpose needs to be fulfilled even after the transition to a company with an Audit and Supervisory Committee, the Company considers it appropriate to introduce the stock remuneration-type stock options for Directors (excluding Directors serving as members of the Audit and Supervisory Committee and Outside Directors).

The amount of remuneration as stock options is an amount obtained by multiplying the fair value per one unit of stock acquisition right determined on the date of allotment of the stock acquisition right by the number of units of stock acquisition rights to be allocated.

We would like to ask you to leave the timing of provision and distribution to individual Directors (excluding Directors serving as members of the Audit and Supervisory Committee and Outside Directors) to the discretion of the Board of Directors.

If Proposals 2 and 3 are approved as originally proposed, the number of Directors (excluding Directors serving as members of the Audit and Supervisory Committee and Outside Directors) will be four (4).

This proposal will take effect subject to the coming into force of the amendments to the Articles of Incorporation in Proposal 2 "Partial Amendments to the Articles of Incorporation."

Details of the stock acquisition rights are as follows:

The details of the stock acquisition rights

- (1) Total number of stock acquisition rights, and the type and total number of stocks to be acquired
A total of 3,100 units of stock acquisition rights shall be the limit for a single year.
The type of stocks to be acquired:
62,000 shares of common stock of the Company shall be the limit for a single year.
The number of shares to be acquired upon the exercise of one unit of stock acquisition right (the “Number of Shares Granted”) is 20 shares.
If it is appropriate to change the Number of Shares Granted due to merger, company split, gratis allotment, stock split, reverse stock split, etc. conducted by the Company, the Company may adjust the Number of Shares Granted as deemed necessary.
- (2) Payment amount for the stock acquisition right
The payment amount shall be an amount calculated based on the Black-Scholes model on the date of allotment of stock acquisition rights.
The person who receives the allotment of stock acquisition rights shall be provided with monetary remuneration equivalent to the total amount of the payment amount, and he/she shall be made to acquire the stock acquisition rights by offsetting this remuneration claim against the payment obligation of the payment amount for the stock acquisition rights.
- (3) Value of property to be contributed upon the exercise of stock acquisition right
The value of property to be contributed upon the exercise of stock acquisition right shall be the amount of one yen per share of stock issued upon exercise of stock acquisition right multiplied by the Number of Shares Granted.
- (4) Exercise period of stock acquisition right
Within 30 years from the day following the date of allotment of stock acquisition right
- (5) Main conditions for the exercise of stock acquisition right
The holder of the stock acquisition right may exercise his/her right on a lump-sum basis only until the lapse of ten (10) days from the day following the date when he/she lost his/her position as Director and Executive Officer of the Company, within the period stipulated in (4) above.
- (6) Transfer restriction of stock acquisition rights
Acquisition of stock acquisition rights though transfer shall require approval by resolution of the Board of Director of the Company.
- (7) Conditions for acquisition of stock acquisition rights
 - 1) If the holder of stock acquisition rights becomes unable to exercise the stock acquisition rights prior to the exercise of his/her rights, pursuant to the provisions of (5) above or provisions under a stock acquisition rights allotment agreement, the Company may acquire the stock acquisition rights without compensation on the day prescribed by the Board of Directors.
 - 2) If a proposal for approval of a merger agreement under which the Company shall be the dissolved company, absorption-type split agreement or incorporation-type split plan under which the Company shall be split, or share exchange agreement or share transfer plan under which the Company shall be a wholly-owned subsidiary, is approved at a General Meeting of Shareholders of the Company (or, at the Board of Directors if approval of the General Meeting of Shareholders is not required), the Company may acquire, without compensation, the stock acquisition rights not exercised as of the day prescribed by the Board of Directors.
- (8) Other details of stock acquisition rights
Other details relating to items (1) through (7) above and stock acquisition rights shall be determined by the meeting of the Board of Directors in which the terms of subscription to the stock acquisition rights are determined.

(Reference)

The Company will issue stock acquisition rights with the same conditions of the stock acquisition rights as discussed above to Executive Officers of the Company for a certain number of units that the Company deems necessary with the payment amount to be determined based on the fair value of such stock acquisition rights.

(Reference) Diversity of the Board of Directors

If Proposals 3 and 4 as described in this Notice of Convocation are approved as proposed, the skill matrix of the Company's Board of Directors will be as follow.

Name	Independence	■ Male ◆ Female	Skills expected by the Company (knowledge, experience, abilities)						
			Corporate management/ business strategy	Finance / Accounting	Legal affairs / compliance	Industry knowledge / marketing	ESG, sustainability	International	
Directors (excluding Members of the Audit and Supervisory Committee)	Akihiko Sakurai		■	●		●	●	●	●
	Yasumasa Kawana		■	●			●	●	●
	Hirohisa Masuda		■	●		●	●		
	Tomoaki Hasegawa		■	●	●	●			
	Kiyomi Miyata	●	■	●				●	●
	Masanori Kagami	●	■	●				●	●
Directors Serving as Members of the Audit and Supervisory Committee	Masanori Abe		■		●				
	Yuko Shirai	●	◆			●		●	
	Yoshihiko Nakamura	●	■		●				●

Note: The table above does not present all skills possessed by each candidate.

(Appendix)

Business Report

(April 1, 2021 – March 31, 2022)

1. Overview of the Corporate Group

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review, and these standards have been retrospectively applied to the figures used for year-on-year comparisons and analyses.

Following the application of these accounting standards, net sales relating to transactions in which the Company acts as an agent represent the total sales less the cost of goods purchased.

(1) Business Progress and Results

During the fiscal year under review, although the Japanese economy saw signs of a gradual recovery owing to efforts such as the widespread COVID-19 vaccine inoculation, the future outlook remained uncertain due to factors such as the number of infected patients ceasing to fall and the deterioration of the situation in Russia and Ukraine.

In this economic environment, during the fiscal year under review, as a result of increased sales in the Chemicals and Energy Plant Business and the Global Business, the Group recorded net sales of 85,307 million yen (up 18.6% year on year). Operating profit increased 48.2% to 3,824 million yen and ordinary profit increased 33.5% to 3,879 million yen, due mainly to the strong performance of some subsidiaries both in Japan and overseas. On the other hand, profit attributable to owners of parent was 2,246 million yen (down 17.5% year on year).

The results by segment are as follows.

[Power Plant Business]

In the nuclear power generation sector, despite the recording of sales from large business negotiations such as safety countermeasure works in the Kyushu region and in the Tsuruga region where an office was opened in April 2019, sales decreased due to the postponement of periodic repairs and renewal of thermal power generation equipment in the thermal power generation sector. As a result, net sales was 11,363 million yen (down 6.5% year on year) and segment income was 1,192 million yen (down 10.0% year on year).

[Chemicals and Energy Plant Business]

As a result of the strong performance of Shikishimakiki Corporation supported by maintenance work on power generation engines, in addition to the positing of the results of Seika Daiya Engine Co, Ltd., which became a consolidated subsidiary of the Company on October 1 of the previous fiscal year, for the full year in the current fiscal year, in contrast to the three-month results posted in the previous fiscal year, net sales were 22,261 million yen (up 100.5% year on year) and segment income was 745 million yen (up 785.7% year on year). In addition, Seika Daiya Engine Co, Ltd. formed a partnership with Euglena Co., Ltd., known for its biofuels made from oil and other materials derived from euglena, to supply and utilize next-generation biodiesel fuel (SUSTEO) to fishing vessels in October 2021.

[Industrial Machinery Business]

Sales of industrial machinery to domestic textile and engineering companies declined, despite the recording of sales from large business negotiations of new biomass-related equipment to a beverage company. As a result, net sales were 35,191 million yen (down 5.1% year on year). Segment income was 1,143 million yen (down 3.0% year on year) due to expenses incurred in some transactions for China, despite the solid performance of Nippon Daiya Valve Co. Ltd. As part of a new cutting-edge initiative, the Company has begun offering plant and manufacturing equipment inspection services using Terra Drone Corporation’s “UT Drone,” a drone mounted with an ultrasonic testing function. In March 2022 we invested in Terra Drone’s Series B funding and entered into a sole agency agreement with Terra Drone for inspection services using the UT Drone in Japan, with an aim to accelerate the initiative and advance our maintenance and security business at manufacturing sites.

[Global Business]

Net sales increased 42.1% year on year to 16,490 million yen, due to contribution by sales price increases of textile raw materials for China and sales from the large business negotiations of wastewater treatment facilities to petrochemical companies by SEIKA SHANGHAI CO., LTD. Segment income was 733 million yen (compared with a segment loss of 7 million yen in the previous year), mainly due to the strong performance of the Tsurumi (Europe) GmbH Group, which handles submersible pumps for construction works.

Overseas sales of the Group were 17,951 million yen (up 23.2% year on year), and accounted for 21.0% of the total net sales of the Group.

The amount of orders received and net sales of the Group by segment are as follow:

Segment	98 th fiscal year				99 th fiscal year			
	Amount of orders received		Net sales		Amount of orders received		Net sales	
	Amount (in million yen)	Composition (%)	Amount (in million yen)	Composition (%)	Amount (in million yen)	Composition (%)	Amount (in million yen)	Composition (%)
Power Plant	12,490	15.8	12,156	16.9	13,125	15.8	11,363	13.3
Chemicals and Energy Plant	13,566	17.2	11,100	15.4	23,011	27.7	22,261	26.1
Industrial Machinery	39,455	50.1	37,067	51.6	31,730	38.1	35,191	41.3
Global Business	13,330	16.9	11,608	16.1	15,269	18.4	16,490	19.3
Total	78,843	100.0	71,933	100.0	83,137	100.0	85,307	100.0

(Note) The Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the fiscal year under review. The amounts of orders received and net sales for the previous year were retrospectively restated to reflect these accounting standards.

(2) Capital Investments

There are no special matters to be noted.

(3) Financing

Funds required for the fiscal year under review were self-financed or financed through borrowings and were not procured through capital increase or bond issue.

In addition, to efficiently procure necessary funds, the Company has entered into a commitment line agreement of 5.0 billion yen in total with major financial institutions.

The Company has also established an uncommitted overdraft facility totaling 11.1 billion yen.

(4) Issues to Be Addressed

1) Accomplish the Medium-Term Management Plan and clarify the long-term growth strategy

The Medium-Term Management Plan Re-SEIKA 2023, which is currently underway, will conclude in fiscal year 2022. With “evolving into a strong and valuable company through changes and challenges” in mind, we will work to achieve our management targets of operating profit of 3.7 billion yen and profit attributable to owners of the parent of 2.5 billion yen for the fiscal year ending March 31, 2023. At the same time, we have newly formulated our long-term management vision “VIORB 2030,” in the hopes that the current term will be the starting point for a solid long-term growth path, and will begin specific initiatives in fiscal year 2022. The gist of this strategy is to focus on the green environment to drive business activities and make it a driver of growth, based on the concept that the Group has much to contribute to society in the midst of the environmental changes represented by the decarbonization trend.

2) Embody strategies for sustainable growth

VIORB 2030, our strategy for sustainable growth, is positioned as a long-term vision. Therefore, in a practical sense, we believe that it is essential to clarify effective individual strategies and priority measures for each period and phase, and to incorporate them into day-to-day management and business activities based on the strategy. To this end, each department will take the lead in clarifying the individual strategies that should be focused on in fiscal 2022, while also putting into action the major management measures declared in the Long-Term Growth Strategy.

In the latter half of the fiscal year, we will also formulate a Medium-Term Management Plan for the next three years on the basis of the Long-Term Growth Strategy, as well as a more specific single-year business plan for fiscal 2023.

3) Improve the financial base to ensure strategic business investments

We consider business investment to be one of the most important pillars of our long-term growth strategy. In order for this to be effective, we must always have a system in place that allows us to invest funds “where needed,” “in the right amount,” and “in a timely manner.” As a means to make

this a reality, we will introduce and apply various financial measures under a unified financial strategy, such as commitment lines, cash management systems, rational dividend payments to subsidiaries, optimization of cross-shareholdings, and elimination of both bank borrowings and deposits, in order to establish a financial base that can secure strategic business investments.

4) Secure and develop human resources as management resources

The Group considers human resources to be its most important management resource, not only supporting day-to-day business activities, but also as the key to achieving the sustainable growth and corporate value enhancement that we aim for. The Group will steadily implement personnel measures, such as advanced training systems, work style reforms, and personnel system reviews, in order to raise motivation, promote growth, and maximize the total strength of the organization through optimal matching of capabilities and roles. Further, we have begun efforts to actively develop management personnel, and will steadily work on an ongoing basis, recognizing that this is one of the key requirements for corporate sustainability.

5) Enhance group-based consolidated management

The Group is composed of the Company and 19 subsidiaries. Each of these companies recognizes or defines its own strengths and focuses its management resources while also working to demonstrate group-wide collaboration, sharing, and synergies in order to achieve growth and increase the value of the Group as a whole. To this end, we will enhance and sophisticate the consolidated management through the exchange and optimal use of human resources, common and effective investment of funds, and business collaboration and sharing of issues, as well as the sharing of administrative departments to improve productivity and allocate resources to priority areas.

6) Improve and maintain the corporate governance

At the General Meeting of Shareholders to be held in June 2022, the Company expects to adopt a resolution to transition to a company with an Audit and Supervisory Committee. The main purpose of this transition is to strengthen governance by increasing management transparency. The Company will make every effort to ensure that the intended purpose of this institutional design will be realized as quickly as possible and that the Company will operate in a stable manner.

With regard to the status of compliance with the Corporate Governance Code, we aim to achieve a higher level of compliance appropriate for a company listed on the Prime Market.

(5) Trends in Assets and Income

(In million yen, unless otherwise specified.)

Item	96 th fiscal year (FY2018)	97 th fiscal year (FY2019)	98 th fiscal year (FY2020)	99 th fiscal year (FY2021)
Gross sales	—	—	136,273	134,261
Net sales	157,145	140,677	71,933	85,307
Operating profit	2,118	2,809	2,581	3,824
Ordinary profit	2,418	3,122	2,906	3,879
Profit (loss) attributable to owners of parent	1,587	(1,262)	2,721	2,246
Profit (loss) per share (yen)	125.50	(100.73)	221.87	186.85
Net assets	29,066	25,911	29,889	31,101
Net assets per share (yen)	2,246.34	2,058.12	2,365.06	2,516.57
Total assets	85,742	92,668	97,458	104,865

Note: The Company adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. Net sales for the previous year were retrospectively restated to reflect these accounting standards.

Following these accounting standards, net sales relating to transactions in which the Company acts as an agent represent the total sales less the cost of goods purchased. The total sales before the offset are presented as gross sales.

(6) Parent Company and Major Subsidiaries

1) Relations with parent company
Not applicable.

2) Major subsidiaries

Name	Capital	Capital investment ratio	Principal business
Nippon Daiya Valve Co., Ltd.	96 million (JPY)	100%	Manufacture and sale of industrial valves
TAKEMOTO AND COMPANY LIMITED	10 million (JPY)	100%	Sales of secondary metal products and piping equipment
Seika Digital Image CORPORATION	95 million (JPY)	100%	Sales of advanced measuring instruments and software
Shikishimakiki Corporation	96 million (JPY)	100%	Sales and installation of ships, internal combustion engines, fishing equipment, power generation equipment, etc.
Seika Daiya Engine Co., Ltd.	96 million (JPY)	100%	Sales and servicing of marine engines in Japan, and sales of related products
Seika Sangyo GmbH	1,533 thousand (EUR)	100%	Sales of forging machinery for the automotive industry, automotive robots, and industrial equipment related to surface mounting
Tsurumi (Europe) GmbH	550 thousand (EUR)	95%	Sales of submersible pumps
Tsurumi France S.A.S.	375 thousand (EUR)	(95%)	Sales and rental of submersible pumps and wastewater treatment and other environmental equipment
HYDREUTES, S.A.U.	60 thousand (EUR)	(95%)	Sales of submersible pumps and wastewater treatment and other environment-related equipment
Marine Motors & Pumps N.V.	158 thousand (EUR)	(95%)	Sales and rental of submersible pumps
Tsurumi UK Limited	100 (GBP)	(76%)	Holding company of Obart Pumps Limited
Obart Pumps Limited	50 thousand (GBP)	(76%)	Sales of submersible pumps
SEIKA MACHINERY, INC.	1,000 thousand (USD)	100%	Sales of industrial machinery mainly electronics board mounting equipment
SEIKA SHANGHAI CO., LTD.	47,744 thousand (CNY)	100%	Sales of industrial machinery and raw materials for synthetic fiber production
TIANJIN DAIYA VALVE CO., LTD.	16,175 thousand (CNY)	(100%)	Manufacture and sale of industrial valves
Seika Sangyo (Thailand) Co., Ltd.	20,000 thousand (THB)	49%	Sale of industrial machinery, electrical equipment and related materials, and after-sales service for these products
SEIKA SANGYO (VIETNAM) COMPANY LIMITED	64,000 million (VDN)	100%	Sales of industrial machinery, electrical equipment and related materials, and after-sales service for these products

- Notes: 1. Figures in parentheses in the Company's "capital investment ratio" column indicate the indirect investment ratio.
2. Although the percentage of voting rights held by the Company in Seika Sangyo (Thailand) Co., Ltd. does not exceed 50%, the said company is included as a subsidiary because it is effectively controlled by the Company.

3. There are no subsidiaries that fall under the category of a specified wholly owned subsidiary.
4. Obart Pumps (Holdings) Limited changed its name to Tsurumi UK Limited on July 2, 2021.
5. On January 1, 2022, Tsurumi (Europe) GmbH acquired an additional 20% of the shares of Marine Motors & Pumps N.V. As a result, the capital investment ratio of Marine Motors & Pumps N.V. increased from 76% to 95%.

(7) Principal Business

The Group is engaged in the sale, maintenance, and servicing of machinery and equipment in the fields of power, chemicals and energy, and industrial machinery, as well as related equipment and ancillary products, both in Japan and overseas.

The main products and services of each business are as follows:

Segment	Main products and services
Power Plant	Power generation equipment, environmental protection equipment, and related equipment, etc.
Chemicals and Energy Plant	Power generation equipment, environmental protection equipment, and related equipment for general industries, and process manufacturing equipment, etc.
Industrial Machinery	Machinery and equipment for new materials and textiles, food and brewing, publishing and printing, plant engineering, various materials, raw materials (fibrous materials, printed circuit boards, etc.) and advanced measuring instruments, etc.
Global Business	Submersible pumps, wastewater treatment equipment, machinery and equipment for textile and chemical industries, raw materials (fibrous materials) and electronics packaging-related equipment, etc.

(8) Principal Business Locations

1) Principal offices of the Company

Head office: Chiyoda-ku, Tokyo

Branch office: Osaka

Other branches: Nagoya, Hiroshima, Fukuoka, and other major cities in Japan and overseas

2) Principal offices of major subsidiaries

Nippon Daiya Valve Co., Ltd. (Shinagawa-ku, Tokyo)

TAKEMOTO AND COMPANY LIMITED (Kobe, Hyogo Prefecture)

Seika Digital Image CORPORATION (Minato-ku, Tokyo)

Shikishimakiki Corporation (Sapporo, Hokkaido)

Seika Daiya Engine Co., Ltd. (Shinjuku-ku, Tokyo)

Seika Sangyo GmbH (Germany)

Tsurumi (Europe) GmbH (Germany)

Tsurumi France S.A.S. (France)

HYDREUTES, S.A.U. (Spain)

Marine Motors & Pumps N.V. (Belgium)

Tsurumi UK Limited (U.K.)

Obart Pumps Limited (U.K.)

SEIKA MACHINERY, INC. (U.S.A.)

SEIKA SHANGHAI CO., LTD. (China)

TIANJIN DAIYA VALVE CO., LTD. (China)

Seika Sangyo (Thailand) Co., Ltd. (Thailand)

SEIKA SANGYO (VIETNAM) COMPANY LIMITED (Vietnam)

(9) Employees

Department category	Number of employees (persons)	YoY change (persons)
Power Plant	64	+2
Chemicals and Energy Plant	230	+14
Industrial Machinery	345	-6
Global Business	189	+5
Corporate (common)	149	-7
Total	977	+8

- Notes:
1. The number of employees excludes employees seconded from the Group to companies outside the Group but includes employees seconded from companies outside the Group to the Group.
 2. The number of employees in the “Corporate (common)” row is the number of those belonging to administrative departments that cannot be categorized into specific departments.

(10) Main Lenders

Name of lender	Balance of borrowings
MUFG Bank, Ltd.	2,100 million yen

2. Status of Shares

- (1) Total Number of Authorized Shares 37,705,800 shares
- (2) Total Number of Outstanding Shares 11,977,250 shares
(excluding 343,400 treasury shares)
- (3) Number of Shareholders 7,488 persons
(a decrease of 469 from the previous fiscal year-end)

(4) Major Shareholders

Shareholder	Number of shares held (thousand shares)	Equity ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,300	10.85
Hikari Tsushin K.K.	891	7.44
Mitsubishi Heavy Industries, Ltd.	826	6.90
MUFG Bank, Ltd.	400	3.34
Custody Bank of Japan, Ltd. (Trust Account)	356	2.98
Yamaguchi Bank, Ltd.	352	2.95
Nikkiso Co., Ltd.	318	2.66
Mitsubishi Electric Corporation	286	2.39
Tsurumi Manufacturing Co., Ltd.	267	2.23
Sumitomo Mitsui Banking Corporation	234	1.96

- Notes: 1. Quantities of less than one thousand shares are rounded down.
2. The Company holds 343,400 treasury shares, which are excluded from the above list of major shareholders. In addition, equity ownership is calculated excluding treasury shares.

(5) Other Important Matters Concerning Shares

1. At a meeting of the Board of Directors held on March 31, 2021, the Company resolved to repurchase its own shares in accordance with the provisions of Article 156 of the Companies Act as applied mutatis mutandis pursuant to Article 165, Paragraph 3 of the same Act, as follows:

Type of shares to be acquired: Common stock of the Company
Total number of shares to be acquired: 326,800 shares (maximum)
Total cost of shares acquired: 566,511,200 yen (maximum)
Period of acquisition: April 1, 2021 – June 30, 2021

2. At a meeting of the Board of Directors held on March 9, 2022, the Company resolved to cancel its treasury shares in accordance with the provisions of Article 178 of the Companies Act as follows:

Type of shares cancelled: Common stock of the Company
Total number of shares cancelled: 500,000 shares
Date of cancellation: March 31, 2022

3. Company's Stock Acquisition Rights, etc.

(1) Stock Acquisition Rights Held by the Company's Directors (as of March 31, 2022)

Name (date of resolution)	Exercise period	Number of stock acquisition rights and number of holders	Class and number of shares	Issue price (yen)	Amount to be paid in upon exercise
1 st series of stock acquisition rights (June 24, 2016)	From August 10, 2016 to August 9, 2046	916 units 4 persons	18,320 shares of common stock	22,420 per unit	1 yen per share
2 nd series of stock acquisition rights (June 27, 2017)	From July 15, 2017 to July 14, 2047	634 units 4 persons	12,680 shares of common stock	38,420 per unit	1 yen per share
3 rd series of stock acquisition rights (June 26, 2018)	From July 14, 2018 to July 13, 2048	557 units 4 persons	11,140 shares of common stock	42,000 per unit	1 yen per share
4 th series of stock acquisition rights (June 25, 2019)	From July 13, 2019 to July 12, 2049	1,246 units 4 persons	24,920 shares of common stock	24,180 per unit	1 yen per share
5 th series of stock acquisition rights (June 24, 2020)	From July 23, 2020 to July 22, 2050	1,242 units 4 persons	24,840 shares of common stock	21,880 per unit	1 yen per share
6 th series of stock acquisition rights (June 24, 2021)	From July 17, 2021 to July 16, 2051	948 units 5 persons	18,960 shares of common stock	30,820 per unit	1 yen per share

- Notes: 1. Stock acquisition rights are granted to Directors (excluding Outside Directors) as stock remuneration-type stock options.
2. Stock acquisition rights may be exercised only for a period of 10 days from the day immediately following the day on which the position of Director or Executive Officer of the Company was forfeited, and on a lump-sum basis.

(2) Stock Acquisition Rights Allotted to the Company's Executive Officers Who Are Not Directors during the Fiscal Year under Review

Name (date of resolution)	Exercise period	Number of stock acquisition rights and number of holders	Class and number of shares	Issue price (yen)	Amount to be paid in upon exercise
6 th series of stock acquisition rights (June 24, 2021)	From July 17, 2021 to July 16, 2051	951 units 9 persons	19,020 shares of common stock	30,820 per unit	1 yen per share

- Notes: 1. Stock acquisition rights are granted to Executive Officers who are not Directors as stock remuneration-type stock options.
2. Stock acquisition rights may be exercised only for a period of 10 days from the day immediately following the day on which the position of Director or Executive Officer of the Company was forfeited, and on a lump-sum basis.

The Company implemented a consolidation of shares at a ratio of one share for every five shares of its common stock with an effective date of October 1, 2017, and the number of shares for the purpose of stock acquisition rights have been adjusted accordingly.

4. Company Officers

(1) Names, etc. of Directors and Auditors.

Position	Name	Responsibilities and significant concurrent positions
Representative Director	Akihiko Sakurai	President and CEO Chairman of the Board of Directors Member of the Remuneration Examination Committee
Director	Masanori Takahashi	Managing Executive Officer General Manager, Business Control Division Chemical and Energy Plant Region
Director	Yasumasa Kawana	Managing Executive Officer General Manager, Corporate Planning Division General Manager, Subsidiary and Affiliate Business Strategy Division
Director	Tomoaki Hasegawa	Senior Executive Officer General Manager, General Administration Division Member of the Remuneration Examination Committee
Director	Hajime Goto	Executive Officer Assistant to the President
Outside Director	Yuko Shirai	Chairperson of the Nomination Examination Committee Member of the Remuneration Examination Committee Independent Director, ANEST IWATA Corporation
Outside Director	Takahisa Fukao	Member of the Nomination Examination Committee Member of the Remuneration Examination Committee
Outside Director	Kiyomi Miyata	Chairperson of the Remuneration Examination Committee Member of the Nomination Examination Committee
Full-time Auditor	Masashi Takahashi	Chairman of the Board of Auditors
Full-time Auditor	Masanori Abe	
Outside Auditor	Yasutaka Keno	Member of the Nomination Examination Committee Partner, King & Wood Mallesons Law Offices (Foreign Law Joint Enterprise)
Outside Auditor	Yoshihiko Nakamura	Member of the Remuneration Examination Committee Yoshihiko Nakamura, Certified Public Accountant, Accounting Office Outside Director, MITSUBISHI MOTORS CORPORATION

- Notes:
1. Outside Director Ms. Yuko Shirai and Outside Auditor Mr. Yasutaka Keno are qualified attorneys.
 2. Outside Auditor Mr. Yoshihiko Nakamura is a certified public accountant and has considerable knowledge of finance and accounting.
 3. The Company has registered Outside Directors Ms. Yuko Shirai, Mr. Takahisa Fukao and Mr. Kiyomi Miyata, and Outside Auditors Mr. Yasutaka Keno and Mr. Yoshihiko Nakamura as Independent Officers with the Tokyo Stock Exchange.
 4. The following personnel changes were made as of April 1, 2022.

Position	Name	Responsibilities and significant concurrent positions after changes
Director	Yasumasa Kawana	Senior Managing Executive Officer In charge of planning
Director	Tomoaki Hasegawa	Senior Executive Officer In charge of administration
Director	Masanori Takahashi	Assistant to the President
Director	Hajime Goto	Assistant to the President

(2) Summary of Agreements on Limitation of Liability

The Company has entered into an agreement with its Outside Directors and Outside Auditors to limit their liability pursuant to Article 423, Paragraph 1 of the Companies Act, and the limit for liability under said agreement shall be the minimum amount as stipulated by laws and regulations.

(3) Outline of the Directors and Officers Liability Insurance Agreement

The Company has entered into a directors and officers liability insurance (D&O Insurance) agreement with an insurance company under Article 430-3, Paragraph 1 of the Companies Act. This insurance agreement covers damages and litigation costs to be borne by the insured persons in the event of claims for damages as a result of actions taken by the insured in the course of execution of their duties. However, the insurance does not cover damage arising from the insured's criminal acts, or acts committed with the knowledge that they violate laws and regulations.

The scope of the insured under such insurance agreement includes Directors, Auditors, executive officers, significant employees, and other persons of the Company, as well as officers of named subsidiaries, and the insured do not bear the premiums.

(4) Remuneration, etc. of Directors and Auditors

1) Decision policy regarding the details of remuneration, etc. for individual Directors

Remuneration, etc. for Directors of the Company consists of basic remuneration (fixed remuneration) based on internal regulations, as well as (with the exception of Outside Directors) bonuses linked to short-term performance, and (with the exclusion of Outside Directors) stock remuneration-type stock options linked to medium- to long-term performance. In order to conduct the management conscious of expanding Group revenue, bonuses are calculated by multiplying consolidated operating profit and consolidated profit before income taxes, without consideration for the amount of size-based corporate taxes, by a calculation rate based on the achievement of the numerical targets for consolidated operating profit under the Medium-Term Management Plan and a factor depending on rank for payment.

Under the decision policy described above, remuneration, etc. for Directors of the Company is paid based on regulations resolved by the Board of Directors after extensive discussions, and within the limit approved by resolution of the General Meeting of Shareholders.

Remuneration, etc. for Directors for the fiscal year under review is therefore deemed to be in accordance with the decision policy described above.

In order to reinforce fairness, transparency and accountability, the Company has established the Remuneration Examination Committee as a voluntary body under the Board of Directors. A majority of the members of the Remuneration Examination Committee are Independent Officers (Outside Directors and Outside Auditors).

Remuneration, etc. for individual Directors is decided by the Board of Directors after deliberation and recommendations by the Remuneration Examination Committee.

2) Resolutions of the General Meeting of Shareholders regarding remuneration, etc. for Directors and Auditors

Remuneration for Directors of the Company was limited to a maximum of 300 million yen per annum by resolution of the General Meeting of Shareholders held on June 29, 2006. At the time, seven (7) Directors were subject to this resolution, but the limit of 300 million yen per annum was calculated on the premise of a maximum of eleven (11) Directors, which is the maximum number allowed under the Company's Articles of Incorporation.

Remuneration in the form of stock remuneration-type stock options was limited to a maximum of 60 million yen per annum by resolution of the General Meeting of Shareholders held on June 24, 2016. At the time, four (4) Directors (excluding Outside Directors) were subject to this resolution, but the limit of 60 million yen per annum was calculated on the premise of a maximum of eleven (11) Directors, which is the maximum number allowed under the Company's Articles of Incorporation, reduced by the number of Outside Directors.

Remuneration for Auditors of the Company was limited to a maximum of 51 million yen per annum by resolution of the General Meeting of Shareholders held on June 24, 2016. At the time, four (4) Auditors were subject to this resolution, and the limit of 51 million yen per annum was calculated on the premise of a maximum of four (4) Auditors, which is the maximum number allowed under the Company's Articles of Incorporation.

Individual amounts are determined through discussion between Auditors.

3) Total amounts of remuneration, etc. for Directors and Auditors

Office	Total remuneration (in million yen)	Total remuneration by type (in million yen)			Number of eligible recipients
		Fixed remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (of whom, Outside Directors)	276 (25)	167 (25)	79 (-)	29 (-)	9 (3)
Auditors (of whom, Outside Auditors)	51 (10)	51 (10)	-	-	4 (2)

- Notes:
1. Bonuses are paid to Directors (excluding Outside Directors) as performance-linked remuneration. In order to conduct the management conscious of expanding Group revenue, bonuses are calculated by multiplying consolidated operating profit and consolidated profit before income taxes, without consideration for the amount of size-based corporate taxes, by a calculation rate based on the achievement of the numerical targets for consolidated operating profit under the Medium-Term Management Plan and a factor depending on rank for payment.
 2. Stock remuneration-type stock options are granted as non-monetary remuneration to Directors (excluding Outside Directors).
Details of the stock remuneration-type stock options and their granting are presented in 3. Company's Stock Acquisition Rights, etc.

(5) Outside Directors and Outside Auditors

1) Significant concurrent positions and relationship with the Company

Category	Name	Significant concurrent positions
Director	Yuko Shirai	Independent Director, ANEST IWATA Corporation
Auditor	Yasutaka Keno	Partner, King & Wood Mallesons Law Offices (Foreign Law Joint Enterprise)
Auditor	Yoshihiko Nakamura	Yoshihiko Nakamura, Certified Public Accountant, Accounting Office Outside Director, MITSUBISHI MOTORS CORPORATION

Note: The Company has business transactions with MITSUBISHI MOTORS CORPORATION, where Auditor Yoshihiko Nakamura holds a significant concurrent position.
There are no special relationships between the Company and any other companies where the Director and Auditors hold significant concurrent positions.

2) Main Activities

Category	Name	Main activities
Director	Yuko Shirai	<p>Ms. Yuko Shirai attended all of the meetings of the Board of Directors held during the fiscal year under review, and provided advice not only from her professional perspective as an attorney but also from an objective perspective overlooking society in general, to ensure the transparency and fairness of the decisions made by the Board of Directors.</p> <p>She also serves as the Chairperson of the Nomination Examination Committee, which examines the selection process and evaluation of candidates for Representative Directors and Directors and reports the results to the Board of Directors, and as a member of the Remuneration Examination Committee, which provides opinions and recommendations on the assessment of bonuses for Directors and on the review of the executive remuneration system.</p> <p>During the fiscal year under review, the Nomination Examination Committee met six times and the Remuneration Examination Committee met six times, and Ms. Yuko Shirai attended all of these meetings.</p>
Director	Takahisa Fukao	<p>Mr. Takahisa Fukao attended all of the meetings of the Board of Directors held during the fiscal year under review, and used his extensive experience to provide practical advice on matters ranging from overall management to issues related to individual businesses, and contribute to enhancing the Company's corporate value.</p> <p>He also serves as a member of the Nomination Examination Committee, which examines the selection process and evaluation of candidates for Representative Directors and Directors and reports the results to the Board of Directors, and as a member of the Remuneration Examination Committee, which provides opinions and recommendations on the assessment of bonuses for Directors and on the review of the executive remuneration system.</p> <p>During the fiscal year under review, the Nomination Examination Committee met six times and the Remuneration Examination Committee met six times, and Mr. Takahisa Fukao attended all of these meetings.</p>

Category	Name	Main activities
Director	Kiyomi Miyata	<p>Mr. Kiyomi Miyata attended all of the meetings of the Board of Directors held during the fiscal year under review, expressing accurate views and provide useful opinions on matters ranging from overall management to sales-related issues, based on his extensive experience and insight as a business manager, and contributing to enhancing the Company's corporate value.</p> <p>He also serves as Chairperson of the Remuneration Examination Committee, which provides opinions and recommendations on the assessment of bonuses for Directors and on the review of the executive remuneration system, and as a member of the Nomination Examination Committee, which examines the selection process and evaluation of candidates for Representative Directors and Directors and reports the results to the Board of Directors.</p> <p>During the fiscal year under review, the Nomination Examination Committee met six times and the Remuneration Examination Committee met six times, and Mr. Kiyomi Miyata attended all of these meetings.</p>
Auditor	Yasutaka Keno	<p>Mr. Yasutaka Keno attended all of the meetings of the Board of Directors and meetings of the Board of Auditors held during the fiscal year under review, and made comments from his professional perspective as an attorney, to ensure the legality and validity of the decisions made by the Board of Directors as an Auditor.</p> <p>He also serves as a member of the Nomination Examination Committee, which examines the selection process and evaluation of candidates for Representative Directors and Directors and reports the results to the Board of Directors, and as a member of the Remuneration Examination Committee, which provides opinions and recommendations on the assessment of bonuses for Directors and on the review of the executive remuneration system.</p> <p>During the fiscal year under review, the Nomination Examination Committee met six times, and Mr. Yasutaka Keno attended all of these meetings.</p>
Auditor	Yoshihiko Nakamura	<p>Mr. Yoshihiko Nakamura attended all of the meetings of the Board of Directors and meetings of the Board of Auditors held during the fiscal year under review, and made comments from his professional perspective as a certified public accountant, to ensure the legality and validity of the decisions made by the Board of Directors as an Auditor.</p> <p>He also serves as a member of the Nomination Examination Committee, which provides opinions and recommendations on the assessment of bonuses for Directors and on the review of the executive remuneration system.</p> <p>During the fiscal year under review, the Remuneration Examination Committee met six times, and Mr. Yoshihiko Nakamura attended all of these meetings.</p>

5. Accounting Auditor

(1) Accounting Auditor's Name
Meiko Audit Corporation

(2) Summary of Agreement on Limitation of Liability
The Company has entered into an agreement with the Accounting Auditor to limit said firm's liability pursuant to Article 423, Paragraph 1 of the Companies Act, and the limit for liability under said agreement shall be the minimum amount as stipulated by laws and regulations.

(3) Accounting Auditor's Compensation, etc.

1) Amount of compensation, etc. for the fiscal year under review	51 million yen
2) Total amount of cash and other property benefits payable by the Company and its subsidiaries to the Accounting Auditor	51 million yen

Notes: 1. The Board of Auditors, based on the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, confirmed the details of the audit, the status of execution of duties, and changes in audit compensation of the Accounting Auditor, and examined the appropriateness of the audit time by item and the amount of compensation for the fiscal year under review. As a result, the Board of Auditors has given its consent to the Accounting Auditor's compensation, etc. as prescribed in Article 399, Paragraph 1 of the Companies Act.

2. In the audit contract between the Company and the Accounting Auditor, it is not possible to make a reasonable differentiation between audit compensation based on the Companies Act and that based on the Financial Instruments and Exchange Act. Therefore, the aggregate amount is shown in 1) above.

(4) Accounting Auditor's Compensation, etc.

Company name	Name of auditing firm, etc.
Seika Sangyo GmbH	PricewaterhouseCoopers
Tsurumi (Europe) GmbH	PricewaterhouseCoopers
Tsurumi France S.A.S.	Christian Davoult
HYDREUTES, S.A.U.	Iberica de Auditores S.L.
Marine Motors & Pumps N.V.	HLB Dodemont-Van Impe & Co BV CVBA
Tsurumi UK Limited	Kreston Reeves LLP
Obart Pumps Limited	Kreston Reeves LLP
SEIKA MACHINERY, INC.	Century CPA & Co.
SEIKA SHANGHAI CO., LTD.	Shu Lun Pan CPAs LLP
Seika Sangyo (Thailand) Co., Ltd.	Professional Auditing Service Co., Ltd.

(5) Policy on Determination of Dismissal or Non-reappointment of Accounting Auditor
When the Accounting Auditor falls under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act, the Board of Auditors shall dismiss the Accounting Auditor subject to the consent of all Auditors.

In this case, the Auditor selected by the Board of Auditors shall report the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders to be held after the dismissal.

In addition to the above, when it is recognized that there is a problem with the Accounting Auditor's execution of duties or that it is deemed reasonable to change the Accounting Auditor, the Board of Auditors shall decide the content of a proposal for dismissal or non-reappointment of the Accounting Auditor, and the Board of Directors shall, based on that decision, submit the said proposal to the General Meeting of Shareholders.

6. Systems for Ensuring the Appropriateness of Business Operations

In order to ensure compliance with laws, regulations and the Articles of Incorporation, and to enhance corporate value through proper and efficient execution of business, under its corporate philosophy, “Contribute to Society Through the Expansion of Business,” the Company has established the following systems to ensure proper business operations by the corporate group (hereinafter the “Group”) comprising the Company and its subsidiaries, as stipulated in the Companies Act and the Regulation for the Enforcement of the Companies Act.

- (1) Systems to ensure that the execution of duties by Directors, Executive Officers and employees complies with laws, regulations and the Articles of Incorporation
 - i) Systems related to compliance
 - The Company shall establish a Compliance Manual and related regulations as a code of conduct for Directors, Executive Officers and employees, and the President and other Directors and Executive Officers shall take the lead in practicing this code of conduct, while also establishing a Compliance Managing Office under the direct control of the President, and striving to enhance awareness and understanding among employees.
 - The Company shall establish an Export Control Committee under the direct control of the President and Export Control Regulations, and appropriately implement security export controls.
 - The Company shall construct an internal reporting system, to ensure early detection of any compliance violation by a Director, Executive Officer or employee. The Company shall also establish and appropriately operate Internal Reporting System Regulations, to ensure that whistleblowers are not treated disadvantageously.
 - ii) Systems related to internal audit
 - The Company shall establish an Internal Audit Division under the direct control of the President, and Internal Controls and Audit Regulations, and conduct internal audits to evaluate the appropriateness of internal controls and their operation within the Group.
 - iii) Systems related to the elimination of antisocial forces
 - The Company shall stipulate in its Compliance Manual that it shall confront antisocial activities or forces and have no relationship with them. Should it be contacted by such groups, the Company shall respond systematically in cooperation with attorneys, the police, and other pertinent parties.
 - iv) Systems related to ensuring proper financial reporting
 - The Company shall establish a Basic Policy on Financial Reporting, and construct systems to ensure proper financial reporting in accordance with the requirements of the Financial Instruments and Exchange Act and other relevant laws and regulations.
- (2) System for the storage and management of information related to the execution of duties by Directors
 - i) System for the storage and management of information
 - The Company record in documentary or electronic form, and shall appropriately store and manage information related to the execution of duties by Directors in accordance with the Regulations of the Board of Directors, the Corporate Management Meeting Regulations and the Document Management Regulations, and make them available for inspection by Directors and Auditors at all times.
- (3) Regulations and other systems for managing the risk of loss
 - i) Establishment of duties and authority
 - The Company shall establish Regulations of the Board of Directors, Corporate Management Meeting Regulations and Regulations on Various Sales Requests, etc. clarify the duties and necessary authority of Directors, Executive Officers and employees, and appropriately manage the risk associated with the execution of these duties.
 - ii) Risk management systems in each division
 - The Company shall establish an Organization Table, and construct systems to enable risk to be managed in accordance with the duties and responsibilities of each division.
 - iii) Information security systems
 - The Company shall establish a Basic Policy on Information Security concerning its information

assets, and construct systems to handle these assets correctly and safely.

iv) Company-wide risk management systems

- Company-wide risks and individual risks that affects the entire Company shall be comprehensively managed by the Corporate Management Meeting, including risk countermeasures and subsequent evaluation, etc.

v) Auditing and monitoring systems

- The Internal Audit Division, under the direct control of the President, shall provide advice and recommendations to improve management systems for company-wide risks and individual risks, through auditing and monitoring.

(4) Systems to ensure the efficient execution of duties by Directors

i) Board of Directors

- In accordance with the Regulations of the Board of Directors, a meeting of the Board of Directors shall be held once a month, in principle, and extraordinary meetings shall be held as necessary.

ii) Corporate Management Meeting

- In order to expedite the decision-making, the Company shall establish a Corporate Management Meeting, which shall be held at least twice a month in principle, to deliberate and make decisions on matters determined by the Board of Directors.

iii) Executive Officer System

- The Company shall promote efficient management by strengthening the decision-making and supervisory functions of the Board of Directors through the use of the Executive Officer System and the delegation of Directors' authority for business execution to Executive Officers.

(5) Systems to ensure the appropriateness of operations in the Group

i) Systems for reporting to the Company on the execution of duties by Directors of subsidiaries

- The Company shall establish Regulations for the Support and Operation of Subsidiaries and Affiliates, designating the responsibilities and authority of each subsidiary, to achieve smoother Group operation and promote business.

- The Company shall require the supervisor in charge of each subsidiary to report to the Company on matters related to the execution of business, based on the Regulations for the Support and Operation of Subsidiaries.

ii) Regulations for managing the risk of loss at subsidiaries

- The Company shall require subsidiaries to construct risk management systems based on their individual businesses forms, management environments, etc.

iii) Systems to ensure that the duties of Directors of subsidiaries are efficiently executed

- The Company shall establish a Subsidiary and Affiliate Business Strategy Division for the purpose of supporting corporate management by the Directors of its subsidiaries. The Company shall designate through regulations the scope of authority that it retains over the execution of business by subsidiaries.

iv) Systems to ensure that the execution of duties by Directors and employees of subsidiaries complies with laws, regulations and the Articles of Incorporation

- The Company shall establish compliance systems at each subsidiary, based on each country's laws and regulations, etc., and endeavor to ensure thorough compliance across the Group.

- In addition to dispatching its Directors and Auditors to oversee compliance, the Company shall construct systems to report to the Company promptly and appropriately on any issues that might arise.

(6) Matters concerning the system for employees to assist the duties of Auditors and the ensuring of independence of, and the effectiveness of instructions to, such employees

i) Assisting employees and their independence

- When requested by Auditors to assign employees to assist in their duties, the Company shall assign employees for this purpose, and the said employees shall follow the instructions of the Auditors.

ii) Personnel decisions regarding assisting employees

- The Company shall obtain the consent of the Board of Auditors for the appointment of employees to assist the Auditors in their duties.
- (7) System for reporting to Auditors, expenses incurred in the execution of duties by Auditors, and other systems to ensure that audits by Auditors are conducted effectively
- i) Reporting systems
 - The Company shall secure systems so that, in the event that any Director, Executive Officer, employee or supervisor in charge of a subsidiary discovers any matter that may cause serious loss to the Company, or any compliance violation or improper act, the matter shall be reported to the Auditors.
 - ii) Audit expenses
 - Auditors shall have the ability to arrange and process advance payment and refund of expenses incurred in the execution of their duties.
 - iii) Other systems to ensure effective execution of duties by Auditors
 - The Company shall develop systems to enable Auditors to attend meetings of the Board of Directors and other important meetings to gain an understanding of the management decision-making process and the status of business execution.
 - Auditors may, as necessary, request access to documents concerning important matters, etc., and request explanations from Directors, Executive Officers and employees.
 - The Company shall endeavor to secure and strengthen an effective auditing system for the Auditors so that they can regularly exchange opinions with the President and Outside Directors, and regularly receive audit reports and cooperation from the Accounting Auditor and the Internal Audit Division.

7. Summary of the status of operation of the system to ensure the appropriateness of operations

The status of the development and operation of the Group's internal control system during the fiscal year under review is as described below. The Board of Directors of the Company makes efforts to develop and supervise an effective system.

In addition, the Company has established a system to ensure the appropriateness of operations of its subsidiaries by having them inquire in advance or report important matters of each company to the Company in accordance with the Regulations for the Support and Operation of Subsidiaries and Affiliates.

1) Status of operations related to compliance

The Company's Compliance Managing Office conducted awareness building activities, mainly through education, to raise the compliance awareness of individuals and organizations belonging to the Group. The Internal Audit Division of the Company audited the status of compliance-related operations of the Group as appropriate, and provided guidance on any areas for improvement. In addition, the Company's Export Control Committee conducted appropriate security export control through prior examination of export projects based on laws and regulations, as well as internal education and audits for each of the Company's business departments.

As for the internal reporting system of the Group, in addition to the internal reporting contact point, we have established an external reporting contact point at an external law firm independent of the management team to ensure independence, and the system is operating appropriately.

2) Status of execution of duties by Directors and Executive Officers

The Company's Board of Directors comprises eight Directors, including three Outside Directors. During the fiscal year under review, the Board of Directors held 16 meetings attended by four Auditors, including two Outside Auditors, make decisions on important matters and supervised the execution of business by Directors and Executive Officers

In addition, based on the results of the evaluation of the effectiveness of the Board of Directors, we held the "Meeting of Directors and Auditors" for intensive deliberations to further enhance the effectiveness of the Board of Directors, and continued to deepen discussions on the direction of management strategy.

The Nomination Examination Committee and the Remuneration Examination Committee, which the Company established as advisory bodies to the Board of Directors, assessed and deliberated on matters including the selection process and evaluation details of candidates for positions of Representative Director and Director, and revisions to and assessment of systems relating to the executive remuneration. The results of these deliberations were reported to the Board of Directors.

In addition, the Corporate Management Meeting, participated by Directors and Executive Officers appointed by the Board of Directors, was held 22 times, mainly engaging in discussions on growth strategy and other aspects of the Group, and contributed to the promotion of business management.

3) Status of administration and promotion of business of Group companies

The Company's Subsidiary and Affiliate Administration Department played a central role in administrating and promoting the business of subsidiaries and affiliates in Japan and overseas. In addition, in accordance with the Regulations for the Support and Operation of Subsidiaries and Affiliates, the Company required subsidiaries to report periodically on their operating results and financial position, and to inquire in advance important matters of the subsidiaries, which were implemented after deliberation and approval by the Company.

4) Status of internal control audits

As the management and supervision of subsidiaries in the Group is becoming increasingly important, the Company's Internal Audit Division conducted internal audits of all Company locations and major subsidiaries in Japan and overseas.

During the fiscal year under review, we focused on auditing the status of compliance and adherence to internal rules related to the work environment and sales management.

The results of the audits were compiled by the General Manager of the Internal Audit Division and reported to the President, who in turn reported them to the Board of Directors of the Company, which deliberated on the effectiveness of internal controls.

Regarding the misconduct by a former employee of the Company's consolidated subsidiary, the entire Group has made concerted efforts to reestablish a system to prevent recurrence. Based on the

investigation report and recommendations from the Investigation Committee, which includes outside experts, the Company implemented measures to prevent recurrence, which were approved by the Board of Directors, and conducted monitoring audits on the status of maintenance and operation of such measures.

5) Status of execution of duties by Auditors

In accordance with the Companies Act and the audit plan, the Company's Auditors audited the execution of duties by the Directors by attending meetings of the Board of Directors and other important meetings, inspecting documents related to important matters, auditing the operations of the Company and its major subsidiaries, and periodically meeting with the Representative Director.

In addition, the Company's Auditors worked in close cooperation with the Outside Directors, the Accounting Auditor, and the Internal Audit Division by regularly exchanging opinions and sharing information.

Note: Fractions less than the indicated unit are rounded down in the amounts and the number of shares presented in this business report.

1 【Consolidated Financial Statements, etc.】

(1) 【Consolidated Financial Statements】

1) 【Consolidated Balance Sheet】

(In million yen)

	Current fiscal year (As of March 31, 2022)
(Assets)	104,865
Current assets	89,746
Cash and deposits	17,334
Notes and accounts receivable - trade, and contract assets	36,029
Investments in leases	109
Securities	157
Merchandise and finished goods	5,362
Work in process	457
Raw materials and supplies	1,188
Advance payments to suppliers	28,551
Other	687
Allowance for doubtful accounts	(132)
Non-current assets	15,119
Property, plant and equipment	2,743
Buildings and structures	839
Machinery, equipment and vehicles	225
Tools, furniture and fixtures	289
Fixed assets for rent, net	669
Leased assets	110
Land	609
Intangible assets	793
Goodwill	346
Right to use facilities	117
Software	321
Other	7
Investments and other assets	11,582
Investment securities	10,439
Long-term loans receivable	36
Deferred tax assets	582
Other	544
Allowance for doubtful accounts	(20)
Total assets	104,865

(In million yen)

	Current fiscal year (As of March 31, 2022)
(Liabilities)	73,764
Current liabilities	70,409
Notes and accounts payable - trade	31,602
Short-term borrowings	5,506
Lease liabilities	39
Accounts payable - other	1,645
Income taxes payable	660
Advances received	29,354
Provision for bonuses	650
Provision for bonuses for directors	79
Other	871
Non-current liabilities	3,354
Long-term borrowings	27
Lease liabilities	79
Retirement benefit liability	2,572
Provision for retirement benefits for directors	22
Deferred tax liabilities	249
Other	403
(Net Assets)	31,101
Shareholders' equity	26,994
Share capital	6,728
Capital surplus	2,097
Retained earnings	18,734
Treasury shares	(564)
Accumulated other comprehensive income	3,111
Valuation difference on available-for-sale securities	2,813
Foreign currency translation adjustment	296
Remeasurements of defined benefit plans	1
Share acquisition rights	282
Non-controlling interests	713
Total liabilities and net assets	104,865

2) 【Consolidated Statement of Income】

(In million yen)

	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	85,307
Cost of sales	67,280
Gross profit	18,026
Selling, general and administrative expenses	14,202
Operating profit	3,824
Non-operating income	
Interest and dividend income	278
Gain on sale of securities	7
Foreign exchange gains	67
Other	107
Total non-operating income	460
Non-operating expenses	
Interest expenses	62
Loss on sale of notes receivable - trade	20
Share of loss of entities accounted for using equity method	265
Other	57
Total non-operating expenses	405
Ordinary profit	3,879
Extraordinary income	
Gain on sale of investment securities	3
Gain on sale of non-current assets	166
Total extraordinary income	170
Profit before income taxes	4,050
Income taxes - current	1,300
Income taxes - deferred	416
Total income taxes	1,717
Net profit	2,333
Profit attributable to non-controlling interests	86
Profit attributable to owners of parent	2,246

3) 【Consolidated Statement of Changes in Equity】

Current fiscal year (From April 1, 2021 to March 31, 2022)

(In million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,728	2,097	17,907	(844)	25,888
Changes during period					
Dividends of surplus			(606)		(606)
Profit attributable to owners of parent			2,246		2,246
Purchase of treasury shares				(568)	(568)
Disposal of treasury shares			(0)	0	0
Cancellation of treasury shares			(809)	809	—
Exercise of share acquisition rights			(4)	38	34
Net changes in items other than shareholders' equity					
Total changes during period	—	—	826	279	1,105
Balance at end of period	6,728	2,097	18,734	(564)	26,994

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	3,206	(78)	(7)	3,120	258	621	29,889
Changes during period							
Dividends of surplus							(606)
Profit attributable to owners of parent							2,246
Purchase of treasury shares							(568)
Disposal of treasury shares							0
Cancellation of treasury shares							—
Exercise of share acquisition rights							34
Net changes in items other than shareholders' equity	(392)	374	8	(9)	24	91	106
Total changes during period	(392)	374	8	(9)	24	91	1,212
Balance at end of period	2,813	296	1	3,111	282	713	31,101

Notes to the Consolidated Financial Statements

1. Notes, etc., to the Basis for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

- | | | | |
|----|-------------------------------------|----|--|
| 1) | Number of consolidated subsidiaries | 16 | |
| | Names of consolidated subsidiaries | | Nippon Daiya Valve Co., Ltd., TAKEMOTO AND COMPANY LIMITED., Seika Digital Image CORPORATION, Shikishimakiki Corporation, Seika Daiya Engine Co., Ltd., Seika Sangyo GmbH, Tsurumi (Europe) GmbH, Tsurumi France S.A.S., HYDREUTES, S.A.U., Marine Motors & Pumps N.V., Tsurumi UK Limited, Obart Pumps Limited, SEIKA MACHINERY, INC., Seika Shanghai Co., Ltd., TIANJIN DAIYA VALVE CO., LTD., Seika Sangyo (Thailand) Co., Ltd. |
- Obart Pumps (Holdings) Limited changed its name to Tsurumi UK Limited on July 2, 2021.

- | | | | |
|----|---|--|--|
| 2) | Names, etc., of principal non-consolidated subsidiaries | | |
| | Principal non-consolidated subsidiaries | | Tozai Jitsugyo Co., Ltd., SEIKA SANGYO (VIETNAM) COMPANY LIMITED |
| | Reason for exclusion from the scope of consolidation | | As the total assets, net sales, profit or loss, and retained earnings, etc., of the non-consolidated subsidiaries that have been excluded from the scope of consolidation are small in scale and they have no significant effect on the consolidated financial statements as a whole, they have been excluded from the scope of consolidation. |

(2) Application of the equity method

- | | | | |
|----|---|---|--|
| 1) | Number of non-consolidated subsidiaries to which the equity method is applied | 1 | |
| | Company name | | Tozai Jitsugyo Co., Ltd. |
| 2) | Number of affiliates to which the equity method is applied | 3 | |
| | Company names | | S-Tec Co., Ltd., Ten Feet Wright Inc., Meinan Kyodo Energy |
| 3) | Non-consolidated subsidiaries and affiliates to which the equity method is not applied | | |
| | Company name | | SEIKA SANGYO (VIETNAM) COMPANY LIMITED, JAPAN EJECTOR ENGINEERING CO., LTD. and others |
| | Reason for not applying the equity method | | As the effect of the non-consolidated subsidiaries and affiliates to which the equity method is not applied on consolidated net income or loss and retained earnings, etc., is insignificant, and they have no significant effect on the consolidated financial statements as a whole, they have been excluded from the scope of application of the equity method. |
| 4) | Of the equity-method affiliates, with regard to companies with closing dates that differ from the consolidated closing date, financial statements regarding the fiscal years of each company are adopted. | | |

(3) Fiscal years of consolidated subsidiaries

- 1) Of the consolidated subsidiaries, companies with closing dates that differ from the consolidated closing date are as follows.

Name of consolidated subsidiary	Closing date
Shikishimakiki Corporation	December 31
Seika Daiya Engine Co., Ltd.	December 31
Seika Sangyo GmbH	December 31
Tsurumi (Europe) GmbH	December 31
Tsurumi France S.A.S.	December 31
HYDREUTES, S.A.U.	December 31
Marine Motors & Pumps N.V.	December 31
Tsurumi UK Limited	December 31
Obart Pumps Limited	December 31
SEIKA MACHINERY, INC.	December 31
Seika Shanghai Co., Ltd.	December 31
TIANJIN DAIYA VALVE CO., LTD.	December 31
Seika Sangyo (Thailand) Co., Ltd.	December 31

For the preparation of consolidated financial statements, as the differences with the consolidated closing date do not exceed three months, the financial statements of these consolidated subsidiaries are used.

- 2) Necessary adjustments are made for significant discrepancies arising during transactions with consolidated subsidiaries due to differences in closing dates.

(4) Accounting policies

- 1) Evaluation standards and evaluation methods for significant assets

A. Securities

i. Securities - trading

Market value method

Additionally, the cost of sales is calculated based on the moving average method.

ii. Held-to-maturity bonds

Amortized cost method (straight-line method)

iii. Available-for-sale securities

a Securities other than shares, etc. that do not have a market price

Market value method

Additionally, valuation differences are treated entirely as a component of net assets, and cost of sales is calculated based on the moving average method.

b Shares, etc. that do not have a market price

Cost method based on the moving average method

Additionally, regarding investments in investment business partnerships, etc., valuations are made based on the corresponding amount of assets held in the partnership.

B. Derivatives

Market value method

C. Inventories

Cost method based on the first-in, first-out method (calculations for balance sheet amounts are made after write-downs on book value based on declines in profitability)

However, overseas consolidated subsidiaries primarily utilize the lower of cost or market value method on an individual basis, and domestic consolidated subsidiaries primarily utilize the cost method on a weighted-average basis (calculations for balance sheet amounts are made after write-downs on book value based on declines in profitability).

- 2) Method of depreciation and amortization for significant depreciable assets
 - A. Property, plant, and equipment (excluding leased assets)

Declining-balance method

However, of rental assets, those based on lease agreements (uniform rental fee revenue), and buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), as well as facilities attached to buildings and structures acquired on or after April 1, 2016, and some consolidated subsidiaries utilize the straight-line method.
 - B. Intangible assets (excluding leased assets)

Straight line method

Additionally, regarding software for internal use, the straight line method is used over the internal useful life (five years).
 - C. Leased assets

Regarding finance lease transactions without transfer of ownership, the lease term is considered as the useful life, and the straight line method is adopted with residual value as zero.
- 3) Recording standards for significant allowances
 - A. Allowance for doubtful accounts

To prepare for losses resulting from irrecoverable receivables, ordinary receivables are accounted for based on the historical write-off rate, and for specified receivables such as doubtful accounts, the estimated amount of irrecoverable debt based on recoverability are recorded individually.
 - B. Provision for bonuses

To prepare for payment of employee bonuses and bonuses for non-Director executive officers, the estimated amount of payment to be borne during the consolidated fiscal year under review is recorded.
 - C. Provision for bonuses for directors

To prepare for the payment of Directors' bonuses, the estimated amount of payment is recorded.
 - D. Provision for retirement benefits for directors

To prepare for the payment of retirement benefits to Directors at some of the consolidated subsidiaries, the estimated amount of payment based on internal regulations as of the end of the consolidated fiscal year under review is recorded.
- 4) Amortization method and amortization period for goodwill

Amortization is made in the straight line method over a period of five years.
- 5) Other significant matters for the preparation of consolidated financial statements
 - A. Accounting treatment for consumption taxes that are outside the scope of elimination, etc.

Consumption taxes and local consumption taxes that are outside the scope of elimination are processed as expenses for the consolidated fiscal year under review.
 - B. Recording standards for revenue and expenses
 - i. Details of main performance obligations in principal businesses and the timing at which the Company recognizes revenue

The Group is engaged in the sale, maintenance, and servicing of machinery and equipment in the fields of power, chemicals and energy, and industrial machinery, as well as related equipment and ancillary products, both in Japan and overseas.

In the businesses in which the Company engages in the sale of products, the Company is obligated to deliver the ordered products under the contract with a customer, and typically satisfies the performance obligations when the products are delivered to the customer. Accordingly, revenue from sales of products is recognized when such products are delivered

to the customer. For transactions involving the provision of services, revenue is recognized at the completion of the service delivery when the Company satisfies the performance obligations under the contract with the customer.

In addition, revenue from sales of products in which the Group acts as an agent is recognized at the net amount of the amount received.

Furthermore, revenue is measured at the amount of consideration promised with the customer under the contract less discounts, rebates, and returns.

ii. Recording standards regarding revenue for finance lease transactions

Revenue is recorded by the method of reporting net sales and cost of sales at the time of receiving lease fees.

C. Method of account treatment for retirement benefits

To prepare for payment of retirement expenses of employees, retirement benefit liability is recorded based on the estimated amounts as of the end of the consolidated fiscal year under review after elimination of the amount of pension assets from retirement benefit obligations. Actuarial differences are recorded as one-time expenses during the following consolidated fiscal year. Unrecognized actuarial differences and unrecognized past service costs are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under net assets net of tax.

Additionally, in calculation of retirement benefit obligations, concerning the attribution of estimated retirement benefit expenses to the period until the end of the consolidated fiscal year under review, the benefit formula standard is used.

Furthermore, domestic consolidated subsidiaries adopt the simplified method.

2. Notes on changes in accounting policies

(1) Accounting standards for revenue recognition

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised goods or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Accordingly, net sales relating to transactions in which the Company acts as an agent, which were previously recognized at gross amount, have been recognized as revenue at net amount less the cost of goods purchased that reflects the determination of the agent’s role (principal or agent) in providing goods or services to the customer.

These changes in accounting policies are applied retrospectively.

As a result, compared with the figures presented in accordance with the previous treatment, net sales and cost of sales decreased by ¥48,953 million in the fiscal year under the review, but no impact was observed on operating profit, ordinary profit, and profit attributable to owners of parent. There is also no impact on the balance of retained earnings at the beginning of the fiscal year under review.

Furthermore, “notes and accounts receivable – trade,” which was presented under “current assets” in the consolidated balance sheet of the previous fiscal year, has been included in “notes and accounts receivable - trade, and contract assets” from the fiscal year under review, following the adoption of the Accounting Standard for Revenue Recognition and other standards.

(2) Accounting standards for fair value measurement

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies by these standards in accordance with the transitional treatment provided in Paragraph 19 of the Accounting Standard for Fair Value Measurement and

Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the consolidated financial statements.

3. Notes on accounting estimates

Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statement for the consolidated fiscal year under review:
¥582 million

(2) Other information

Deferred tax assets are recognized for unused tax losses carried forward and future deductible temporary differences, to the extent that it is probable that future taxable income will be available. In the judgement of the probability of taxable income, the Company reasonably estimates the timing and amount of taxable income that may be available in the future and calculates the amount accordingly.

These estimates are subject to the influence of uncertain future economic situation and operating status of the Company. If the actual timing when the taxable income becomes available and the amount thereof differ from the estimates, the amount to be recognized in the consolidated financial statements in and after the following consolidated fiscal year may be significantly affected. In addition, changes in effective tax rates due to revisions of the taxation system may also significantly affect the amount to be recognized in the consolidated financial statements in and after the following consolidated fiscal year.

4. Notes to the consolidated balance sheet

(1) Assets pledged as collateral

Land	¥237 million
Buildings and structures	¥104 million
Investment securities	¥1,476 million
<hr/>	
Total	¥1,818 million

(Debts related to the above)

Short-term borrowings	¥2,106 million
Long-term borrowings	¥27 million

Payment guarantees, etc.

(2) Total accumulated depreciation of property, plant, and equipment ¥4,543 million

(3) Balance of discounts to notes receivable and trade notes receivable transferred by endorsement

Balance of discounts to notes receivable (export notes receivable)	¥1,761 million
Trade notes receivable transferred by endorsement	¥21 million

5. Notes to the consolidated statement of changes in equity

(1) Type and total number of issued shares as of March 31, 2022

Common shares 12,320,650 shares

(2) Dividends from surplus

1) Amount of dividends paid

A. The following was resolved at the Annual General Shareholders' Meeting on June 24, 2021.

Type of shares Common shares

Total amount of dividends ¥307 million

Dividends per share ¥25

Record date March 31, 2021

Effective date June 25, 2021

B. The following was resolved at the Board of Directors meeting on November 5, 2021.

Type of shares Common shares

Total amount of dividends ¥299 million

Dividends per share ¥25

Record date September 30, 2021

Effective date December 3, 2021

2) Of dividends with a record date in the consolidated fiscal year under review, those with an effective date in the following consolidated fiscal year

The following is planned to be resolved at the Annual General Shareholders' Meeting on June 28, 2022.

Type of shares Common shares

Total amount of dividends ¥479 million

Source of dividends Retained earnings

Dividends per share ¥40

Record date March 31, 2022

Effective date June 29, 2022

(3) The type and number of shares subject to subscription rights to shares issued by the Company as of March 31, 2022

Common shares 205,020 shares

6. Notes on financial instruments

(1) Status of financial instruments

For funds required for the performance of business, the Group conducts procurement primarily via indirect financing from bank borrowings.

Additionally, derivative transactions are used to avoid foreign exchange fluctuation risk on foreign currency-denominated debts and credits based on actual demand, and are not for speculative purposes.

Customer credit risk regarding notes and accounts receivable – trade and contract assets are managed by appropriately ascertaining the status of key transaction partners and managing balances and due dates on a per-partner basis, with the intent of early discovery and reduction of recoverability concerns resulting from deterioration, etc., in financial conditions.

Additionally, although foreign currency-denominated sales receivables are subject to foreign exchange fluctuation risk, hedging is made in principle via utilization of forward exchange contracts. Securities and investment securities are primarily shares, and investment trusts, and are held for the purposes of strengthening relationships with transaction partners, stabilizing capital, and trading. The market values of the above are ascertained on an ongoing basis.

The use of borrowings is for operating funds.

The Company prepares for liquidity risk by striving to ascertain the capital status of the overall Group on an ongoing basis, and via methods such as adjustment of long-term and short-term procurement balances in consideration of the market environment.

(2) Market value, etc., of financial instruments

Amounts recorded on the consolidated balance sheet as of March 31, 2022, market values, and differences are as follows. “Cash and deposits,” “notes and accounts receivable – trade, and contract assets,” “notes and accounts payable – trade,” and “short-term borrowings” are omitted because the settlement periods are short and the market values are essentially equal to the book values.

(In million yen)

	Amount recorded on the consolidated balance sheet	Market value	Difference
(1) Securities and investment securities (Note 1)	7,932	7,932	-
(2) Long-term borrowings	27	30	(2)
(3) Derivative transactions (Note 2)	(9)	(9)	-

(Note 1) Unlisted securities (amount recorded on the consolidated balance sheet: ¥2,256 million) and investments (¥406 million) do not have market values, and these are not included in (1) Securities and investment securities above.

(Note 2) Derivative transactions are scheduled transactions such as forward exchange contracts, and debts and credits accrued from derivative transactions are presented on a net basis, whereas net debts in total are indicated in parentheses.

(Note 3) Market value information by level within the market value hierarchy

The market value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure market value.

Level 1 market value: Market value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 market value: Market value measured using observable inputs other than Level 1 inputs.

Level 3 market value: Market value measured using unobservable inputs.

If multiple inputs are used that are significant to the market value measurement, the market value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Assets

(1) Securities and investment securities

The market value of listed shares is measured using quoted prices. As listed shares are traded in active markets, their market value is classified as Level 1.

Liabilities

(2) Long-term borrowings

The market value of long-term borrowings is calculated by discounting the estimated interest rate from the total amount of principal and interest categorized by certain period of time, assuming similar new borrowings, and is classified as Level 2.

Derivative transactions

(3) Derivative transactions

The market value of derivative transactions is measured using prices presented by counterparty financial institutions, and is classified as Level 2.

7. Notes on real estate for rent, etc.

(1) Status of real estate for rent, etc.

In Ageo City, Saitama Prefecture and in other regions, the Company holds land and buildings, etc., for rent. Rent income for the consolidated fiscal year under review was ¥26 million (rent revenue is recorded in non-operating income, and rent expenses are recorded in non-operating expenses).

(2) Market value of real estate for rent, etc.

Amount recorded on the consolidated balance sheet ¥581 million

Market value ¥393 million

Additionally, the amounts recorded on the consolidated balance sheet are amounts with accumulated depreciation and impairment loss eliminated from the cost of acquisition, and market values as of the end of the consolidated fiscal year under review are primarily amounts calculated by the Company based on assessed values of non-current assets for property tax purposes.

8. Notes on per share information

(1) Net assets per share	¥2,516.57
(2) Net profit per share	¥186.85

9. Notes on revenue recognition

(1) Disaggregation of revenue from contracts with customers

(In million yen)

	Power Plant	Chemicals and Energy Plant	Industrial Machinery	Global Business	Total
Revenue from contracts with customers	11,363	22,261	35,191	16,490	85,307
Net sales to external customers	11,363	22,261	35,191	16,490	85,307

(2) Useful information in understanding revenue

The useful information in understanding revenue is as described in “1. Notes, etc., to the Basis for Preparation of Consolidated Financial Statements; (4) Accounting policies; 5) Other significant matters for the preparation of consolidated financial statements; B. Recording standards for revenue and expenses.”

(3) Information in understanding revenue amounts for the current fiscal year and subsequent fiscal years
Balance of contract assets and contract liabilities, etc.

(In million yen)

	Current fiscal year	
	Balance at beginning of year	Balance at end of year
Obligations from contracts with customers	36,159	36,029
Contract assets	-	-
Contract liabilities	22,091	29,644

Obligations from contracts with customers are recorded as “notes and accounts receivable - trade, and contract assets” on the consolidated balance sheet.

Contract liabilities primarily represent consideration received from customers prior to delivery of products or provision of services, and are included in “advances received” and “other” under current liabilities on the consolidated balance sheet. Additionally, during the fiscal year ended March 31, 2022, the Company recognized revenue of ¥5,705 million that was included in the contract liabilities balance at the beginning of the fiscal year.

10. Other notes

(1) Amounts recorded on the consolidated financial statements

Displayed with amounts rounded down to the nearest display unit.

(2) Accounting treatment for notes matured on the final day of the fiscal year

Notes matured on the final day of the fiscal year are settled on their clearing days. As the final day of the fiscal year under review of certain consolidated subsidiaries with closing dates that differ from the consolidated closing date fell on a holiday for financial institutions, the following notes matured as of the same date have been included in the balance.

Notes receivable	¥142 million
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Notes payable	¥167 million
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(3) Impact of the spread of COVID-19 on accounting estimates

While some construction projects have been postponed or cancelled due to the spread of COVID-19, its impact on the Group's business performance is currently limited to a certain extent. Accordingly, the Company has made accounting estimates related to the recoverability of deferred tax assets and other items based on the assumption that there will continue to be no significant impact in and after the following consolidated fiscal year.

However, as the impact of the spread of COVID-19 involves numerous uncertainties, it may affect the Company's financial position and business performance in the future.

2 【Non-Consolidated Financial Statements, etc.】

(1) 【Non-Consolidated Financial Statements】

1) 【Non-Consolidated Balance Sheet】

(In million yen)

	Current fiscal year (As of March 31, 2022)
(Assets)	86,740
Current assets	71,042
Cash and deposits	10,247
Notes receivable – trade	3,365
Accounts receivable - trade	27,186
Investments in leases	109
Securities	157
Merchandise	1,386
Advance payments to suppliers	28,196
Other	398
Allowance for doubtful accounts	(5)
Non-current assets	15,698
Property, plant and equipment	884
Buildings	112
Tools, furniture and fixtures	56
Fixed assets for rent, net	581
Leased assets	48
Land	78
Other	7
Intangible assets	179
Right to use facilities	117
Software	57
Other	4
Investments and other assets	14,634
Investment securities	8,199
Shares of subsidiaries and associates	5,593
Investments in capital of subsidiaries and associates	444
Long-term loans receivable	29
Other	387
Allowance for doubtful accounts	(19)
Total assets	86,740

(In million yen)

	Current fiscal year (As of March 31, 2022)
(Liabilities)	64,592
Current liabilities	62,453
Notes payable - trade	4,845
Accounts payable - trade	21,466
Short-term borrowings	5,500
Lease liabilities	20
Accounts payable - other	753
Income taxes payable	253
Advances received	28,822
Provision for bonuses	361
Provision for bonuses for directors	79
Other	351
Non-current liabilities	2,139
Lease liabilities	32
Provision for retirement benefits	1,964
Deferred tax liabilities	104
Other	37
(Net assets)	22,147
Shareholders' equity	19,077
Share capital	6,728
Capital surplus	2,096
Legal capital surplus	2,096
Retained earnings	10,808
Other retained earnings	10,808
General reserve	6,600
Retained earnings brought forward	4,208
Treasury shares	(555)
Valuation and translation adjustments	2,787
Valuation difference on available-for-sale securities	2,787
Share acquisition rights	282
Total liabilities and net assets	86,740

2) 【Non-Consolidated Statement of Income】

(In million yen)

	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	57,802
Cost of sales	49,848
Gross profit	7,953
Selling, general and administrative expenses	6,710
Operating profit	1,243
Non-operating income	
Interest and dividend income	2,211
Foreign exchange gains	88
Gain on sale of securities	7
Other	70
Total non-operating income	2,378
Non-operating expenses	
Interest expenses	50
Loss on sale of notes receivable - trade	20
Other	12
Total non-operating expenses	83
Ordinary profit	3,538
Extraordinary income	
Gain on sale of non-current assets	156
Gain on sale of investment securities	2
Total extraordinary income	159
Extraordinary losses	
Loss on valuation of shares of subsidiaries and associates	511
Total extraordinary losses	511
Profit before income taxes	3,186
Income taxes - current	382
Income taxes - deferred	303
Total income taxes	685
Net Profit	2,500

3) 【Non-Consolidated Statement of Changes in Equity】

Current fiscal year (From April 1, 2021 to March 31, 2022)

(In million yen)

	Shareholders' equity					
	Share capital	Capital surplus		Retained earnings		
		Legal capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
				General reserve	Retained earnings brought forward	
Balance at beginning of period	6,728	2,096	2,096	6,600	3,127	9,727
Changes during period						
Dividends of surplus					(606)	(606)
Net Profit					2,500	2,500
Purchase of treasury shares						
Disposal of treasury shares					(0)	(0)
Cancellation of treasury shares					(809)	(809)
Exercise of share acquisition rights					(4)	(4)
Net changes in items other than shareholders' equity						
Total changes during period	—	—	—	—	1,080	1,080
Balance at end of period	6,728	2,096	2,096	6,600	4,208	10,808

	Shareholders' equity		Valuation and translation adjustments	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at beginning of period	(835)	17,717	3,196	258	21,172
Changes during period					
Dividends of surplus		(606)			(606)
Net Profit		2,500			2,500
Purchase of treasury shares	(568)	(568)			(568)
Disposal of treasury shares	0	0			0
Cancellation of treasury shares	809	—			—
Exercise of share acquisition rights	38	34			34
Net changes in items other than shareholders' equity			(409)	24	(384)
Total changes during period	279	1,360	(409)	24	975
Balance at end of period	(555)	19,077	2,787	282	22,147

Notes to the Non-consolidated Financial Statements

I. Notes to significant accounting policies

(1) Evaluation standards and evaluation methods for securities

1) Securities - trading

Market value method

Additionally, the cost of sales is calculated based on the moving average method.

2) Held-to-maturity bonds

Amortized cost method (straight-line method)

3) Shares of subsidiaries and associates

Cost method based on the moving average method

4) Available-for-sale securities

i. Securities other than shares, etc. that do not have a market price

Market value method

Additionally, valuation differences are treated entirely as a component of net assets, and cost of sales is calculated based on the moving average method.

ii. Shares, etc. that do not have a market price

Cost method based on the moving average method

Additionally, regarding investments in investment business partnerships, etc., valuations are made based on the corresponding amount of assets held in the partnership.

(2) Evaluation standards and evaluation methods for derivatives

Market value method

(3) Evaluation standards and evaluation methods for inventories

Cost method based on the first-in, first-out method (calculations for balance sheet amounts are made after write-downs on book value based on declines in profitability)

(4) Method of depreciation and amortization for non-current assets

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

Declining-balance method. However,

i. Low value depreciable assets acquired at a cost of ¥100 thousand or more and less than ¥200 thousand are evenly depreciated over three years.

ii. Of rental assets, those based on lease agreements (uniform rental fee revenue), and buildings acquired on or after April 1, 1998 (excluding facilities attached to buildings), as well as facilities attached to buildings and structures acquired on or after April 1, 2016 utilize the straight-line method.

2) Intangible assets (excluding leased assets)

Straight line method. Additionally, regarding software for internal use, the straight line method is used over the internal useful life (five years).

3) Leased assets

Regarding finance lease transactions without transfer of ownership, the lease term is considered as the useful life, and the straight line method is adopted with residual value as zero.

(5) Recording standards for allowances

1) Allowance for doubtful accounts

To prepare for losses resulting from irrecoverable receivables, ordinary receivables are accounted for based on the historical write-off rate, and for specified receivables such as doubtful accounts, the estimated amount of irrecoverable debt based on recoverability are recorded individually.

2) Provision for bonuses

To prepare for payment of employee bonuses and bonuses for non-Director executive officers, the estimated amount of payment to be borne during the fiscal year under review is recorded.

- 3) Provision for bonuses for directors
To prepare for the payment of Directors' bonuses, the estimated amount of payment is recorded.
 - 4) Provision for retirement benefits
To prepare for the payment of retirement expenses of employees, provision for retirement benefits is recorded based on the estimated amounts of retirement benefit obligations and pension assets as of the end of the fiscal year under review.
In calculation of retirement benefit obligations, concerning the attribution of estimated retirement benefit expenses to the period until the end of the fiscal year under review, the benefit formula standard is used.
Actuarial differences are recorded as one-time expenses during the following fiscal year.
- (6) Other significant matters forming the basis of preparation of non-consolidated financial statements
- 1) Accounting treatment for consumption taxes that are outside the scope of elimination, etc.
Consumption taxes and local consumption taxes that are outside the scope of elimination are processed as expenses for the fiscal year under review.
 - 2) Recording methods of revenue and expenses
 - i. Details of main performance obligations in principal businesses and the timing at which the Company recognizes revenue
The Company is engaged in the sale, maintenance, and servicing of machinery and equipment in the fields of power, chemicals and energy, and industrial machinery, as well as related equipment and ancillary products, both in Japan and overseas.
In the businesses in which the Company engages in the sale of products, the Company is obligated to deliver the ordered products under the contract with a customer, and typically satisfies the performance obligations when the products are delivered to the customer. Accordingly, revenue from sales of products is recognized when such products are delivered to the customer. For transactions involving the provision of services, revenue is recognized at the completion of the service delivery when the Company satisfies the performance obligations under the contract with the customer.
In addition, revenue from sales of products in which the Company acts as an agent is recognized at the net amount of the amount received.
Furthermore, revenue is measured at the amount of consideration promised with the customer under the contract less discounts, rebates, and returns.
 - ii. Recording standards regarding revenue for finance lease
Revenue is recorded by the method of reporting net sales and cost of sales at the time of receiving lease fees.
 - 3) Accounting treatment for retirement benefits
The method of accounting for unrecognized actuarial differences related to retirement benefits differs from the accounting methods in the consolidated financial statements.

2. Notes on changes in accounting policies

(1) Accounting standards for revenue recognition

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised goods or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Accordingly, net sales relating to transactions in which the Company acts as an agent, which were previously recognized at gross amount, have been recognized as revenue at net amount less the cost of goods purchased that reflects the determination of the agent's role (principal or agent) in providing

goods or services to the customer.

These changes in accounting policies are applied retrospectively.

As a result, compared with the figures presented in accordance with the previous treatment, net sales and cost of sales decreased by ¥48,953 million in the fiscal year under the review, but no impact was observed on operating profit, ordinary profit, and net profit. There is also no impact on the balance of retained earnings at the beginning of the fiscal year under review.

(2) Accounting standards for fair value measurement

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies by these standards in accordance with the transitional treatment provided in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the non-consolidated financial statements.

3. Notes on accounting estimates

Recoverability of deferred tax assets

(1) Amount recorded in the non-consolidated financial statement for the fiscal year under review:

Deferred tax liabilities: ¥104 million

The amount of deferred tax assets before offsetting with deferred tax liabilities was ¥1,171 million.

(2) Other information

Deferred tax assets are recognized for unused tax losses carried forward and future deductible temporary differences, to the extent that it is probable that future taxable income will be available.

In the judgement of the probability of taxable income, the Company reasonably estimates the timing and amount of taxable income that may be available in the future and calculates the amount accordingly. These estimates are subject to the influence of uncertain future economic situation and operating status of the Company. If the actual timing when the taxable income becomes available and the amount thereof differ from the estimates, the amount to be recognized in the non-consolidated financial statements in and after the following fiscal year may be significantly affected. In addition, changes in effective tax rates due to revisions of the taxation system may also significantly affect the amount to be recognized in the non-consolidated financial statements in and after the following fiscal year.

4. Notes to the non-consolidated balance sheet

(1) Assets pledged as collateral

Investment securities	¥1,476 million
<hr/>	
Total	¥1,476 million

(Debts related to the above)

Short-term borrowings ¥2,100 million

Payment guarantees, etc.

(2) Total accumulated depreciation of property, plant, and equipment ¥553 million

(3) Guarantee obligations

Guarantees for transactions with financial institutions, etc., of subsidiaries and associates

Seika Shanghai Co., Ltd. ¥624 million

SEIKA MACHINERY, INC. ¥122 million

Seika Digital Image CORPORATION ¥30 million

(4) Monetary claims and obligations of subsidiaries and associates

Short-term monetary claims ¥2,130 million

Short-term monetary obligations ¥469 million

Long-term monetary obligations ¥0 million

(5) Balance of discounts to notes receivable (export notes receivable) ¥1,761 million

5. Notes to the non-consolidated statement of income

(1) Transaction amounts with subsidiaries and associates

1) Net sales	¥5,797 million
2) Amount of purchase	¥1,464 million
3) Transaction amounts other than business transactions	
Dividend income	¥1,952 million
Other	¥441 million

(2) Loss on valuation of shares of subsidiaries and associates

Due to deterioration of the financial condition of Meinan Kyodo Energy, the real value of the shares of the associate held by the Company decreased significantly, and the Company recorded a loss on valuation of shares of subsidiaries and associates of ¥511 million.

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

Type and total number of treasury shares as of March 31, 2022

Common shares	343,400 shares
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7. Notes on tax effect accounting

Breakdown of major components of deferred tax assets and deferred tax liabilities

Deferred tax assets

Tax loss carried forward	¥287 million
Provision for retirement benefits	¥601 million
Loss on valuation of shares of subsidiaries and associates	¥263 million
Impairment losses	¥121 million
Provision for bonuses	¥110 million
Share-based payment expenses	¥86 million
Loss on valuation of golf club membership	¥59 million
Loss on valuation of investment securities	¥57 million
Accrued business taxes	¥36 million
Allowance for doubtful accounts	¥7 million
Other	¥76 million

Deferred tax assets - Subtotal	¥1,709 million
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Valuation allowance	¥(537) million
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Deferred tax assets – Total	¥1,171 million
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Deferred tax liabilities

Valuation difference on available-for-sale securities	¥1,228 million
Accrued dividends receivable	¥47 million
Other	—

Deferred tax liabilities – Total	¥1,276 million
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Net deferred tax liabilities	¥104 million
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8. Notes on revenue recognition

(1) Disaggregation of revenue from contracts with customers

(In million yen)

	Power Plant	Chemicals and Energy Plant	Industrial Machinery	Global Business	Total
Revenue from contracts with customers	11,407	10,317	30,295	5,782	57,802
Net sales to external customers	11,407	10,317	30,295	5,782	57,802

(2) Useful information in understanding revenue

The useful information in understanding revenue is as described in “1. Notes to significant accounting policies; (6) Other significant matters forming the basis of preparation of non-consolidated financial statements; 2) Recording methods of revenue and expenses.”

(3) Information in understanding revenue amounts for the current fiscal year and subsequent fiscal years

Balance of contract assets and contract liabilities, etc.

(In million yen)

	Current fiscal year	
	Balance at beginning of year	Balance at end of year
Obligations from contracts with customers	31,568	30,552
Contract assets	-	-
Contract liabilities	20,737	29,112

Obligations from contracts with customers are recorded as “notes receivable – trade” and “accounts receivable – trade” on the non-consolidated balance sheet.

Contract liabilities primarily represent consideration received from customers prior to delivery of products or provision of services, and are included in “advances received” and “other” under current liabilities on the non-consolidated balance sheet. Additionally, during the fiscal year ended March 31, 2022, the Company recognized revenue of ¥4,348 million that was included in the contract liabilities balance at the beginning of the fiscal year.

9. Notes on per share information

(1) Net assets per share	¥1,825.53
(2) Net profit per share	¥207.76

10. Other notes

(1) Amounts recorded on the non-consolidated financial statements

Displayed with amounts rounded down to the nearest display unit.

(2) Impact of the spread of COVID-19 on accounting estimates

While some construction projects have been postponed or cancelled due to the spread of COVID-19, its impact on the Company’s business performance is currently limited to a certain extent. Accordingly, the Company has made accounting estimates related to the recoverability of deferred tax assets and other items based on the assumption that there will continue to be no significant impact in and after the following fiscal year.

However, as the impact of the spread of COVID-19 involves numerous uncertainties, it may affect the Company’s financial position and business performance in the future.