



85th

GO FAR BEYOND

**Musashi Seimitsu Industry
Integrated Report 2023**



Having celebrated our 85th anniversary,
we will start a new adventure to
become a 100-year company.

Aiming to make it serve as a tool for engagement with shareholders

This integrated report is designed to communicate our business strategies and other aspects of our value creation in an easy-to-understand manner, and to serve as a tool for engagement with our customers, business partners, shareholders, investors, local and global communities, employees, and anyone else who may work with us in the future.

In particular, for the year 2038, when we will celebrate the 100th anniversary of our founding, we have concretized the future we want to achieve based on a review of past medium-term management plans and the overall picture of our current medium-term management plan.

We would like to utilize the opinions and expectations we gain through communication with our stakeholders in our future business activities.

We would very much appreciate your valuable comments and feedback on this integrated report.





Changing the world with passion and wisdom

Established in 1938, Musashi Seimitsu Industry is a world-leading manufacturer of parts for automobiles and motorcycles with strengths in the development and manufacturing of powertrain and chassis parts. As the automobile industry is in the midst of a great, once-in-a-century change, we aim to be a key device supplier in the EV era, and at the same time, transform ourselves into a corporate group that solves various issues facing society with our passion for technologies and wisdom to create innovation.





Our Commitment

We will be committed to the next generation of mobility, which is environmentally friendly, with our advanced technologies.

Approximately 20% of the world's total CO₂ emissions come from transportation and traffic. The solution to climate change will inevitably involve a transition to next-generation mobility that is environmentally friendly. The internal combustion engine, which has been used to power cars and motorcycles for more than 130 years, is about to be replaced by motors and batteries. We will contribute to next-generation mobility with consideration for the global environment, which is demanded globally, with our advanced technologies.

Core businesses

P28

E-Mobility business

P34

Mobility

E-Mobility business

Industry

AI business

Energy

Energy solution business

Well-being

Plant biotechnology business

We will contribute to solving social issues by creating new businesses.

Expansion of our business portfolio with new businesses is essential for our sustainable growth. We have been operating various businesses since our founding, but there is one thing we have kept unchanged. It is to provide value to society through the use of technologies. In other words, it means contributing to the resolution of issues that society is facing. This idea will remain unchanged forever. We promise that businesses we start will be aimed at helping solve social issues.

Our
Promise



Our History

History of Musashi as a History of Challenges



The magnitude of change is the magnitude of opportunity.

Musashi's entry into the motorcycle market was the catalyst for beginning to take the next leap forward. The company will continue to refine its technologies together with its customers.

Later, Musashi entered the automotive market, but had to survive the cost competition that intensified due to trade liberalization. Although we were outpaced in the cost competition for drive gears, we believed that our integrated production system was advantageous. Therefore, we aggressively introduced state-of-the-art machinery and completed the foundation of an integrated production system while facing unprecedented problems and groping our way through the process. This production line later helped Musashi expand both in Japan and overseas.

Even after growing into a mid-sized company with growth in sales mainly of automotive parts, the company went through several periods when the automotive industry was shaken. However, Musashi has turned these times into opportunities.

It was the oil crisis in 1973 that prompted us to take the first step toward becoming a global company. While cost cutting was required, we thought that overseas expansion was necessary for achieving further growth. Musashi's high quality and passion for quality led to a contract over ball joints with a leading U.S. automaker, which deepened its confidence. At present ball joints are one of Musashi's mainstay products. We later continued to expand into Southeast Asia, as well as Europe, North America, and Latin America.

The enhancement of our overseas bases will improve our ability to recover from economic risks and natural disasters and reinforce the foundation for the next steps. Although we faced a crisis of survival when Lehman Brothers collapsed in 2008, we proceeded with measures to reduce total costs while anticipating new demand in emerging countries.

Go Far Beyond!

The spirit of taking on challenges has been in the DNA of Musashi, and the company has been evolving along with the changing times since its founding.

The social environment is constantly changing, and companies are now expected to not only achieve the growth of their businesses but also to enhance their social value. At the same time, the automotive industry is undergoing a period of transformation, and the growth of the EV market is changing its structure significantly. Now is the time for Musashi to go on an adventure by breaking out of the confines of an auto parts manufacturer.

Foundation period

1938 Entry into the aircraft industry

1947 Entry into the sewing machine industry

1956 Production of parts for motorcycles begins

1961 Establishment of an integrated manufacturing system

Entry into the motorcycle and automotive industries

1963 Company name changed to Musashi Seimitsu Industry.

1967 Entry into the automotive market

Overseas expansion with parts for automobiles

1974 Kyushu Musashi Seimitsu established

An integrated manufacturing system established overseas

1987 Entry into Thailand

1993 Completion of a structure with four regional bases (Japan, U.S.A., U.K., and Thailand)

To the global automotive market

Development of new Musashi brand products

2011 Development of a differential as a global strategic product

Establishment of a globally competitive system and initiatives for new businesses

2016 Acquisition of HAY Holdings

Becoming an essential company that supports society with technologies

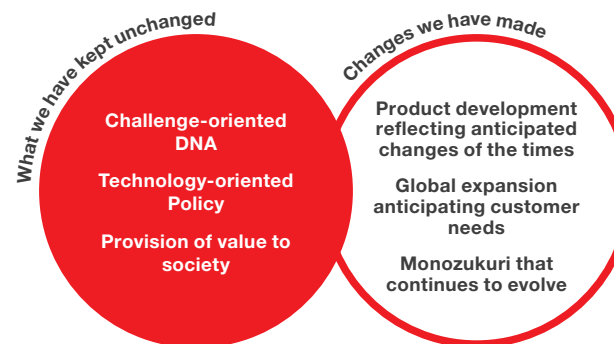
Reading and riding the times

Musashi has been sensitive to the trends of the times since its establishment. Our founder, Yoshiharu Otsuka, founded Otsuka Kikai Seisakusho, the predecessor of Musashi Seimitsu Industry, in April 1938 by becoming independent from Nakajima Aircraft Company that was growing rapidly. Then, the company received orders for critical parts of engines, of which high precision is required, and produced high business performance steadily.

After the war, the company undertook manufacturing of parts for the sewing machine industry, which had grown rapidly due to the shortage of clothing, and contributed to solving issues faced by the industrial world. As a new business that could take advantage of its technology, the company focused on motorcycles, whose demand was growing due to the consumption boom during the period of high economic growth, and this was the beginning of our current mainstay business.

It is not only products that the company has developed in response to the times. Musashi has provided in-house training opportunities for the good of its employees and has been working to raise awareness in accordance with business phases. President Yoshiharu Otsuka established a youth school for young employees, where they could learn social common sense and receive general education in the early years of the company's existence. During Musashi's transition period, he opened a vocational training center to create a mass production system. In addition, around 1970, when the number of employees had begun to increase and the age range had broadened, he began to implement job-class-specific awareness reform of employees, from new recruits to managers, and have them take technical skill tests. This initiative has led to the current training structure that is focused on autonomous and job-class-specific training programs.

Our commitment to manufacturing and exploration of technology has helped us grow



Net sales (target)

350.0 billion yen

	FY 2007	FY 2022	FY 2025	FY 2038
Net sales	161.3 billion yen	301.5 billion yen	Net sales (target)	
Number of operation bases	21 sites in 10 countries	36 sites in 14 countries	350.0 billion yen	GO FAR BEYOND
Employees	9,000	16,316		

■ Net sales (billion yen)



Demise of the aircraft industry



Decline of the sewing machine industry



Trade liberalization (cost competition)



Oil crisis



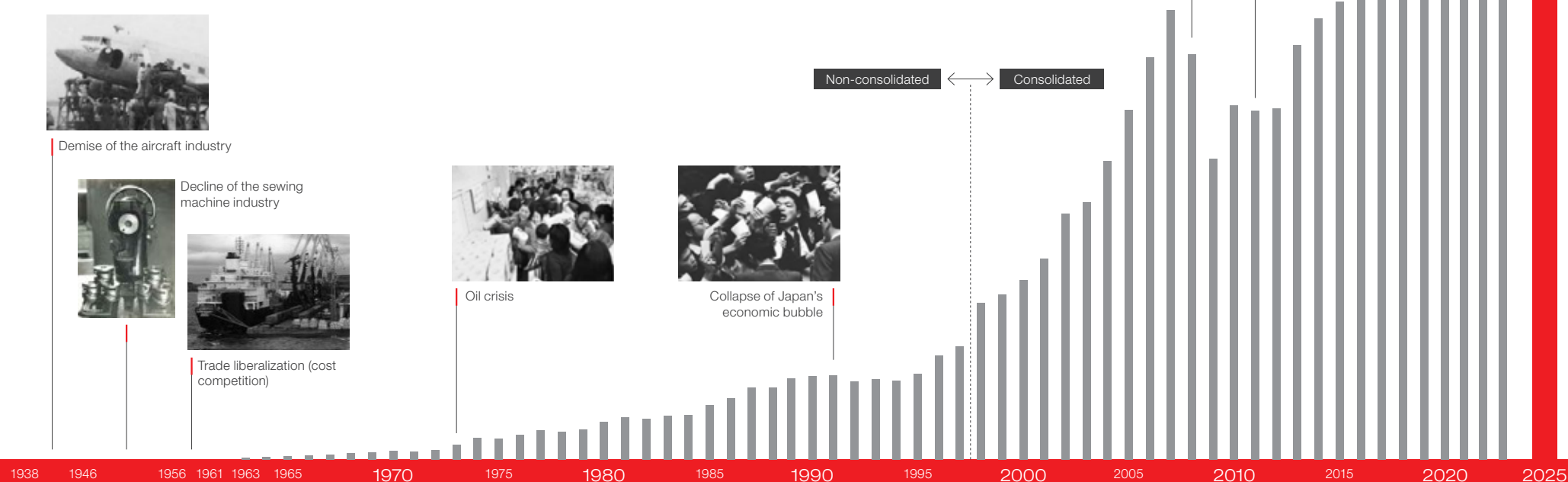
Collapse of Japan's economic bubble



Global financial crisis

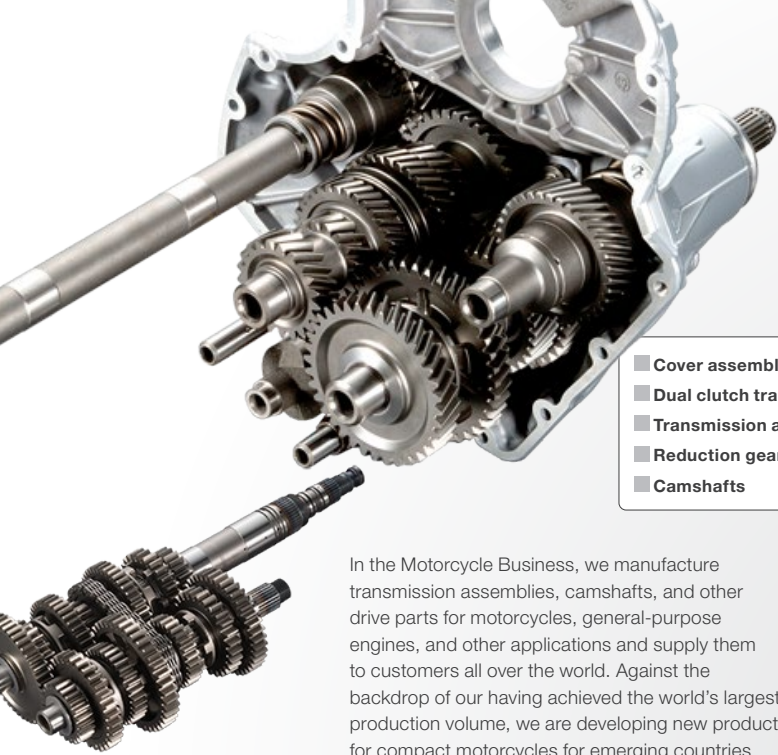


Flooding in Thailand

Fourth industrial revolution
COVID-19 pandemic

Our Products

Gears used for differential assemblies and speed reducers, which are our mainstay products, also play an important role in EVs, so demand for these parts is expected to increase further. In this trend, the technologies and knowledge that we have accumulated over many years as a manufacturer specialized in gears for vehicles are our great advantage in the era of electrification. We also work on the development of reducer units for EVs that combine the differential assembly and reduction gears, aiming for another leap forward based on key devices in the EV era.



- Cover assemblies
- Dual clutch transmissions
- Transmission assemblies
- Reduction gears for scooters
- Camshafts

In the Motorcycle Business, we manufacture transmission assemblies, camshafts, and other drive parts for motorcycles, general-purpose engines, and other applications and supply them to customers all over the world. Against the backdrop of our having achieved the world's largest production volume, we are developing new products for compact motorcycles for emerging countries by taking advantage of our design and processing technologies that we have accumulated to date.

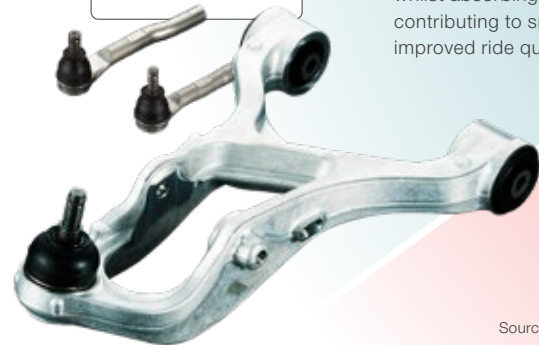
Motorcycle Business
26%

Percentage of sales
by product
FY 2022

L&S Business
9%

The ball joints supplied by our L&S Business are mostly used in the linkages connecting the wheel to the vehicle body. They are important parts impacting the safety of vehicles that require a high degree of reliability. The front ball joints allow the wheels to be steered, whilst absorbing any bumps in the road, contributing to smooth steering and improved ride quality.

- Suspension arm assemblies
- Suspension ball joints
- Steering ball joints



PT Business
65%

We develop and manufacture products including differential assemblies, which receive torque from the engine via the input shaft and allocate it to two output shafts (on the right and left wheels) with an applicable difference in revolutions, transmission gears and planetary assemblies, which convert engine revolutions to optimal driving revolutions and transmit them, and camshafts, which control the timing of the opening and closing of the engine's intake and exhaust valves.



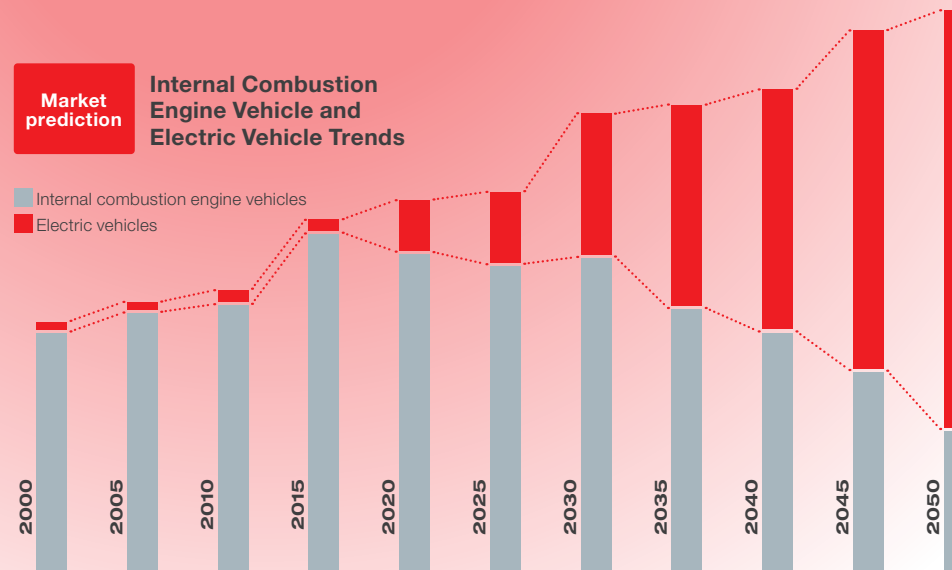
- Differential assemblies
- Planetary assemblies
- Camshafts
- Transmission gears



Market prediction

Internal Combustion Engine Vehicle and Electric Vehicle Trends

- Internal combustion engine vehicles
- Electric vehicles

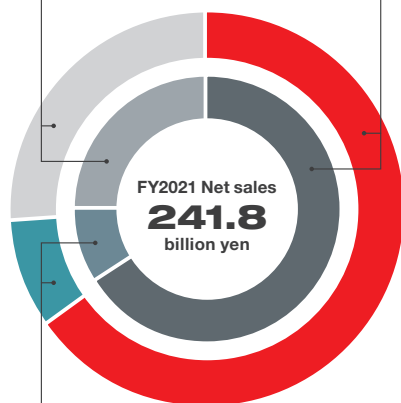


Source: Created by Musashi Seimitsu Industry based on reference materials from the secretariat of the Study Group on Structural Changes in Mobility and Future Directions of Automobile Policies Beyond 2030 (Ministry of Economy, Trade and Industry)

Global Configuration

FY2022 Net sales
301.5
billion yen

Motorcycle Business 25% → **26%** PT Business 66% → **65%**



9% → **9%**
L&S Business

HONDA	Global Customer
50% → 47%	50% → 53%

Japan

FY 2022 Sales

36.2
billion yen

China

FY 2022 Sales

32.2
billion yen

Asia

FY 2022 Sales

71.8
billion yen

Europe

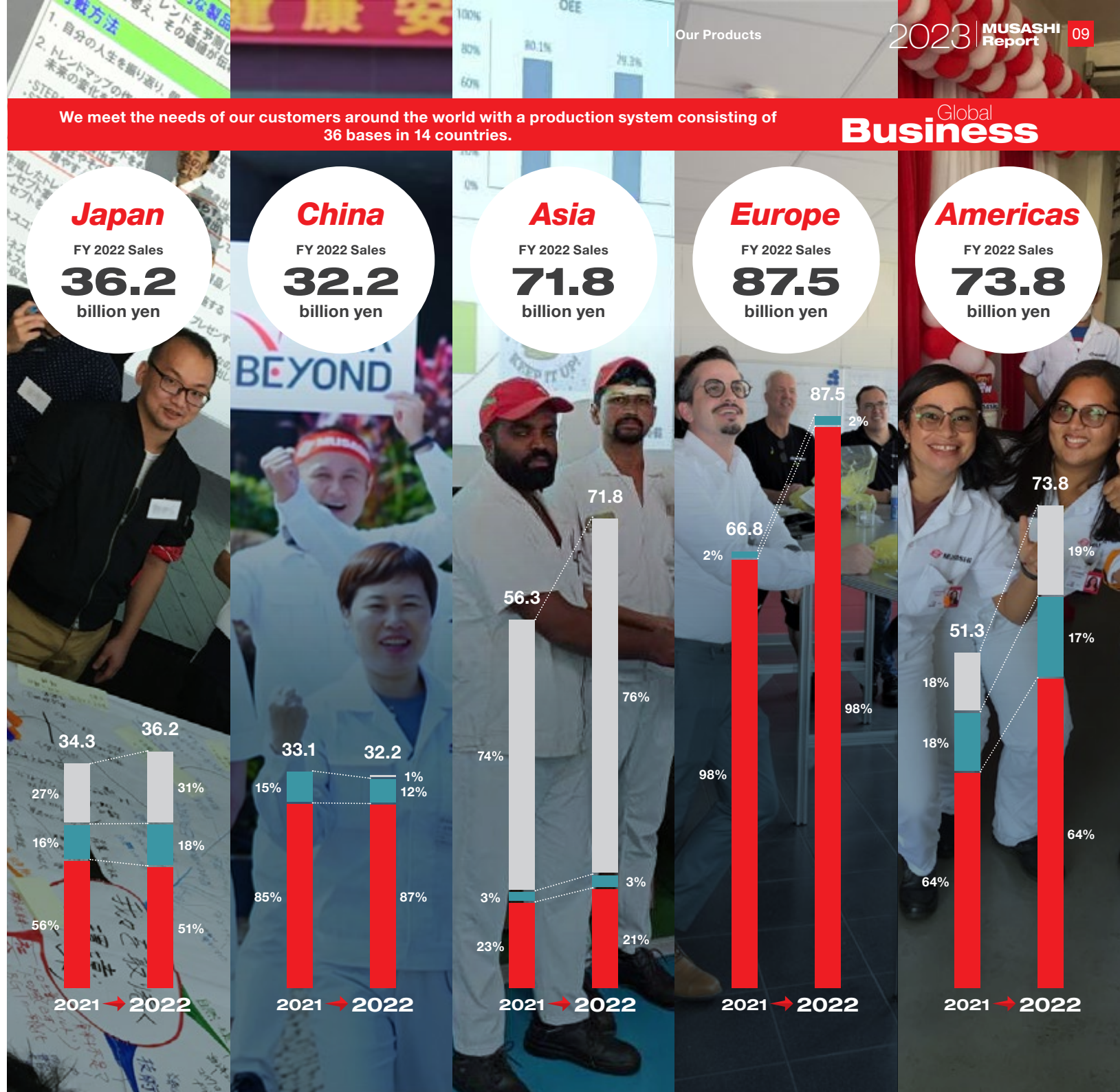
FY 2022 Sales

87.5
billion yen

Americas

FY 2022 Sales

73.8
billion yen



Our Products

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Musashi Philosophy



Musashi Philosophy consists three elements of “Our Origin”, “Our Purpose” and “Our Way.” These three elements together form the Musashi Philosophy and no single element should be considered in isolation from the other two.

Our Purpose

We contribute to enriched **Harmony** between our lives and Earth, using our **Passion** for technology and **Wisdom** for innovation.

Passion Technology

Our passion for monozukuri and the use of technology allows us to overcome new challenges.

Wisdom Innovation

We innovate through the use of our acquired and enhanced “Wisdom.”



Harmony Sustainable

We contribute to a sustainable and enriched world by achieving “Harmony” between our lives and Earth.

Enriched earth Society

We combine our passion, wisdom, and harmony to create an Enriched global society.

Our Origin

The origins of Musashi, passed down from generation to generation

We have seen the rise and fall of many companies throughout history. There are very few groups united by the spirit of Simplicity, Sturdiness and Consistent Sincerity that no longer exist. We must never forget this fact.

Words of Yoshiharu Otsuka, the founder



**Consistent
Sincerity**

**Simple and
Sturdy**

Our Way

The values each of us hold in our hearts

The values each of us hold in our hearts.
Moving into the future with Exploration
and Exploitation of knowledge.

01

Customer first

Recognize all stakeholders as "customers" |
Understand their true needs and expectations

02

Integrity

Act with integrity; do the right thing |
Work with passion

03

Be unique, be creative

Seek originality | Create with ingenuity

04

Try first, learn fast

Challenge yourself | Learn from practice

05

One Musashi

Respect individuality and diversity |
Build the best team by leveraging the strengths of others

06

Leadership and ownership

Act Proactively | Lead the solution

07

Smile and thanks

Remember to smile | Be grateful

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Facing a once-in-a-century transformational period, we have a once-in-a-century opportunity!

President & CEO
Hiroshi Otsuka

We have a great opportunity to leap forward

The automotive industry is undergoing a major upheaval, a phenomenon that is said to happen once every 100 years. The global acceleration toward electric vehicles (EVs) is reshaping the industry's landscape, signalling a significant shift in influence. As manufacturers of automotive parts for internal combustion engines, we can feel the mounting pressure. However, now is the time for us to take a bold leap forward. While some of our existing businesses will diminish with the transition to EVs, the potential for acquiring new business opportunities is substantial and I can see these opportunities being gradually realized.

Examining Japan's history, such as the Meiji Restoration and post-war reconstruction, and considering Musashi's 85-year history, it becomes evident that periods of growth have always occurred when we have been backed into a corner. During such transformational periods, "adversity" consistently coexists with "opportunity." The crucial task at hand is to envision a future that breaks from the present, whilst recognizing both risks and opportunities. What we perceive as risks and seize as opportunities will define the path to our future.



CEO Message

Musashi Philosophy remains the foundation of our business activities

The history of Musashi is a chronicle of challenges. We take pride in being a company that has grown through continuous self-challenge, capitalizing on changes in various aspects of the times. As a culmination of these endeavours, we embrace the Musashi Philosophy as our corporate ethos, serving as the bedrock for all our business activities. Guided by this philosophy, we are excited about the prospect that the 'once-in-a-century transformational period' presents a 'once-in-a-century opportunity,' enabling us to venture beyond our traditional framework into the global arena.

We have been suppliers to the automotive industry for many years, and with the increasing trend toward electric vehicles (EVs), new opportunities are unfolding. This includes the emergence of new manufacturers specializing in EVs. For instance, a growing EV manufacturer in China, currently the world's largest EV market, has selected us as a partner from a number of global suppliers. The reason behind this choice is our high level of technology and quality. These emerging manufacturers face numerous technical challenges, and they have entrusted us to address those challenges. While Japanese automakers initially led the market in China, the preference of Chinese consumers is now shifting significantly toward new EV manufacturers based in China.

The shift toward electric vehicles (EVs) is gaining momentum even among major established automakers, prompting them to establish supply chains for EVs. Opportunities for us are emerging in this evolving landscape. Viewing the changing business environment as a chance for growth, we are actively involved in global sales activities, and we are receiving numerous inquiries, including some from customers who have not engaged with us previously.

The trust placed in us by new EV manufacturers and the recognition we have earned from existing major automakers underscore the high value of our technology and quality. This confidence positions us well to compete on a global scale.

Musashi's future will be determined by our energetic workers

To navigate through a period of significant change, continuous self-challenge is imperative, demanding substantial energy. In essence, the future of the company hinges on the vigour of its workforce. Energy is an internal force, not a response to external demands. Moreover, the extent to which one can empower oneself is contingent upon a profound



Collaboration with African governments and EV startups



With top management of partner companies in Israel

understanding and empathetic connection to the company's philosophy. Consider, for instance, the difference between independently deciding to climb Mt. Fuji, driven by personal aspirations, and climbing the mountain under someone else's directive. The sense of accomplishment, joy, and happiness derived from such an initiative is fundamentally distinct. The same principle applies to businesses. The motivations behind venturing into a particular business and the objectives pursued are critical questions. These answers echo the reasons why we have cherished the Musashi Philosophy since our foundation.

Given Musashi Philosophy embodies our fundamental identity and mindset, our vision becomes a reflection of our aspirations. I envision a company where corporate growth is synonymous with individual development. We have crafted our Musashi 100-Year Vision, 'Go Far Beyond! Break the barriers and go on an adventures!' for 2038, our centennial milestone, recognizing that our growth necessitates a departure from the existing business framework. True growth requires a readiness to embrace new endeavours, unshackled from past successes. Our goal is to forge new societal value by transcending the current confines of 'Musashi, an Auto Parts Manufacturer.' These sentiments are encapsulated in the Musashi 100-Year Vision, shared with all employees. Though we are only midway through realizing these aspirations, the company has undergone considerable transformation compared to three years ago. Across various departments, employees are courageously venturing into uncharted territories to create innovations from scratch. Even in the face of setbacks, my hope is that they persist in their endeavours, accumulating valuable experiences and ultimately achieving success.

Developing AI as a tool for business improvements

The four domains in which we are currently venturing as part of our new business initiatives include e-mobility, energy solutions, industry, and well-being. One particularly dynamic arena where we are seeing exciting prospects for commercialization is e-mobility. While electric vehicles are commonly associated with four-wheelers, the growth of electric vehicles in the two-wheeler segment is anticipated to gain even more momentum. As pioneers in the field, we are striving to spearhead this market transformation.

Presently, we are intensifying our efforts to expand sales, focusing on electric vehicle drive units developed in India, ASEAN countries, and Africa identified as strategic regions. Notably, we have garnered substantial interest from emerging two-wheel electric vehicle startup companies in these regions.

We also recognize significant potential in the AI business within the industry domain. Our AI business is anchored in the philosophy of 'Human Jobs for Human Beings!' Approximately five years ago, we initiated AI research, initially without any immediate plans for commercialization. Our approach was to incorporate AI as a tool into our existing business operations. This aligns with our foundational principles that emphasize the importance of quality tools in producing quality outcomes, and the mantra 'If you don't have good tools, make your own.'

While numerous software companies develop AI for manufacturing, our AI technology has a huge advantage that differentiates us from others. We can deploy AI-driven inspection machines in our manufacturing sites, enabling us to continuously improve the AI

software. We are expanding the application of our inspection tools internally and externally to include EV parts, anticipating a significant surge in demand in the future. Although our AI business started from the ground up, it has undergone multiple iterations through implementation in our plants and is now steadily yielding tangible results.

Leveraging advantage to create new markets

In the realm of energy solutions, we have made significant strides in leveraging business opportunities with hybrid supercapacitors, garnering attention as next-generation storage devices. In North America, we have achieved UL810A certification from UL Solution, an

esteemed international third-party testing and certification organization. This UL certification serves as a catalyst for accelerating our market development in North America.

Hybrid supercapacitors represent cutting-edge battery technology. Whilst our batteries can only store around 1/10th of similar sized lithium-ion batteries, they can instantly produce more than 10 times the output. Their potential applications include scenarios where substantial output is crucial, such as emergency power supplies for elevators during power outages or backup power for data centres expanding globally. Moreover, they are able to synergize effectively with hydrogen, emerging as a key player in the next generation of energy. We are confident in the growth prospects of this field and are keen to leverage our robust technology to carve out a new market presence.

Contributing to Well-being through the power of plants in the East Mikawa region

The soil in the East Mikawa Region of Aichi Prefecture, where our head office is situated, is renowned for its unique properties, proving highly effective in the production of functional plant ingredients, or phytochemicals. Despite being located along the Central Tectonic Line, the longest fault zone in Japan, the East Mikawa Region boasts ancient land surfacing along the fault. The soil, topography, climate, and water conditions are considered exceptionally favourable for plant growth, giving rise to the cultivation of special plants.

Harnessing the potential of plants cultivated in the distinctive soil of our local area, East Mikawa Region, we aim to cultivate the plant bio business under the theme of 'A beautiful and healthy 100 years of life.' In April 2023, we established the MuSASHi Plant Bio Laboratory in collaboration with the Nara Institute of Science and Technology, a nationally recognized university renowned for its bioscience research. The laboratory is dedicated to developing sustainable agricultural methods, by researching and explaining the various factors that enhance plant stress tolerance in the field.

Our objective is to realize healthy and fulfilling lives globally by tapping into the power of plants from the East Mikawa Region area. We are committed to accelerating the commercialization of this venture and contributing to the overall well-being of society.

Technology enriches people

In the multitude of challenges we are undertaking to navigate this period of profound change and realize our long-term vision for the 100th-anniversary celebration, one common thread emerges—

Electric two-wheeler equipped with Musashi's EV drive unit





technology. This encompasses all the technologies we have developed over our 85-year history, spanning not only our new ventures but also our existing core businesses. Our emphasis lies not just in the construction of technology but in understanding the potential it holds for accomplishment.

Since our inception, our history of challenges aligns with the overarching theme of 'using technology to create value that is needed in its time.' Whether in automotive parts, e-mobility, AI, energy solutions, or plant biotechnology, our endeavours are rooted in the philosophy that technology serves to enrich people's lives.

Passing on the founder's thought to the next era

My role, as the custodian of the company founded by my grandfather, is to clearly communicate the founder's principles to the next era. Consequently, I hold great respect for the core tenets of our corporate philosophy. Understanding 'Why did the founder create this company?' and 'What values did he prioritize?' forms the bedrock of our organization. Moreover, it is essential to discern and articulate which aspects will be passed to future generations and which require

modification. This, in essence, is my mission as the founder's successor.

In an internal video he made when the company was 45 years old, the founder talked about the importance of the company's permanence, or what we now call sustainability. Musashi is now in its 85th year, and I believe that it is my destiny to be president at a time when the automobile industry is undergoing this once-in-a-century period of change. I invite you to join us as Musashi moves forward.

Musashi 100th Year Vision

Break the barriers of auto parts supplier

**Become an “essential company”
that support society with our technology**

**GO
FAR
BEYOND**

Break barriers and go on
adventures!

Person

Our own limitations

System

Organizational and
cultural barriers

Business

Conventional and
preconceived ideas

**Break
through**

Create exciting work!

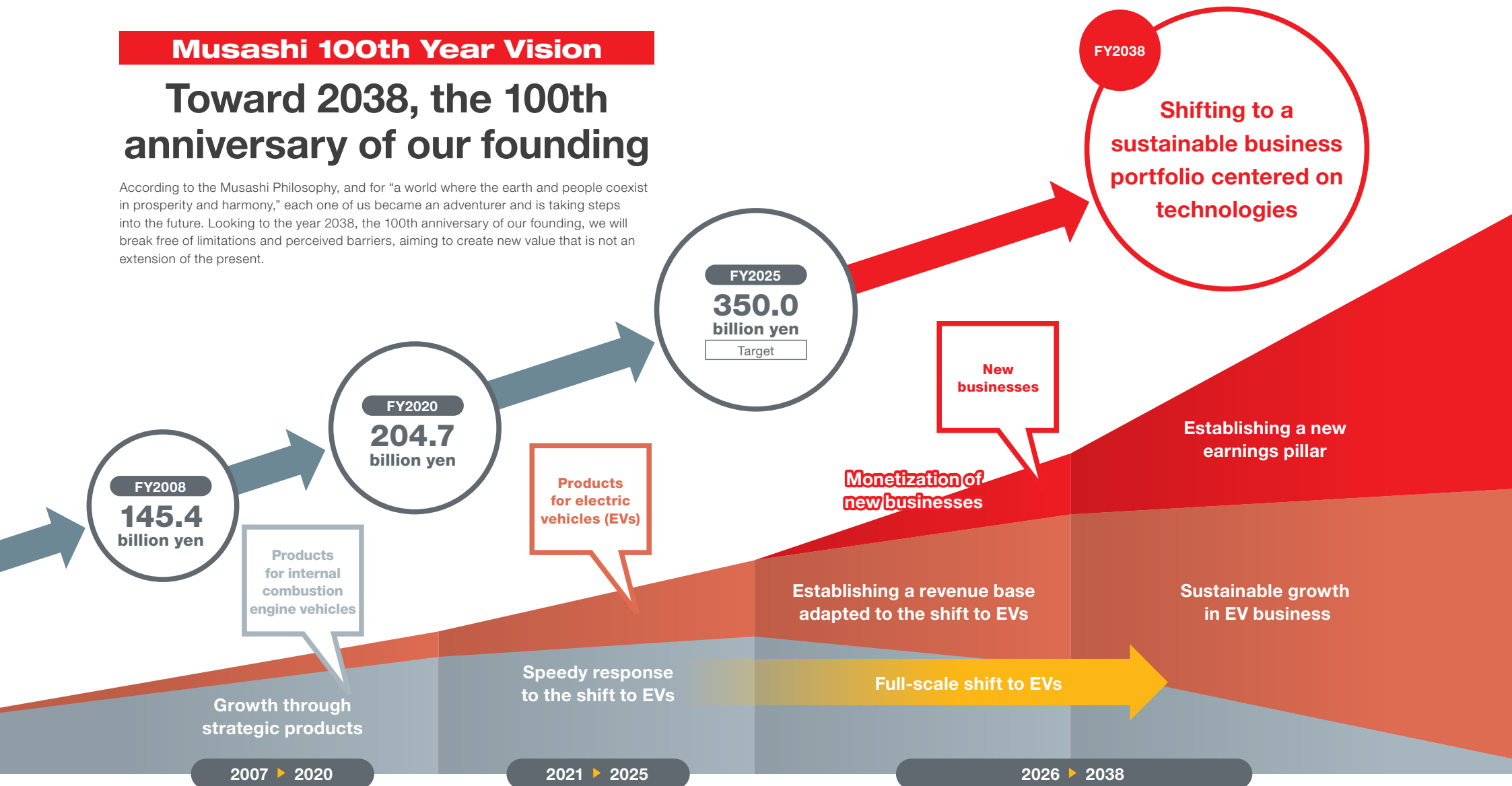
Create continuous revolution!

Astonish the world!

Musashi 100th Year Vision

Toward 2038, the 100th anniversary of our founding

According to the Musashi Philosophy, and for “a world where the earth and people coexist in prosperity and harmony,” each one of us became an adventurer and is taking steps into the future. Looking to the year 2038, the 100th anniversary of our founding, we will break free of limitations and perceived barriers, aiming to create new value that is not an extension of the present.



Focused efforts on building a business foundation befitting a truly global company and creating Musashi brand products that will lead the next generation, under the slogan: Be Unique!

Focusing efforts on strengthening the earnings base through existing businesses, developing and expanding sales of products for EVs, and creating new businesses, with an eye on a full-scale shift to EVs

Creating a future that is not an extension of the present through continued growth in business of products for EVs and monetization of new businesses

Value Creation Process

Our Business

Our Purpose

We contribute to enriched Harmony between our lives and Earth, using our Passion for technology and Wisdom for innovation.

Musashi 100th Year Vision

Go Far Beyond!

Break barriers and go on adventures!

Medium-term policies

People

Embodying the Musashi Philosophy
Taking on challenges to achieve the vision

Structure

Achieving Musashi DX

Business

Establishing strong core businesses
Creating new businesses

Musashi GX

Driving a green strategy

Material issues



Value Chain and Capital
P19

Outcome

Growing sustainably as an essential company that supports society with technologies

- Achieving mobility that is friendly to people and the environment
- Widespread uptake and expansion of mobility services
- Improved environmental performance of internal combustion engines
- Improved energy efficiency
- Promoting the introduction of clean energy
- Promoting carbon neutrality
- Developing a pleasant work environment
- Contributing to the sustainability of local industries
- Contributing to healthy lives

Output

Mobility



Energy

Hybrid supercapacitors

Industry

AI inspection machine

Automated transportation robots

Well-being

Plants in East Mikawa Region x Biotechnology

Our growing strengths

Value for society

Natural capital

- Highly efficient production process with low material and energy losses

- Realization of carbon neutrality
- Reduction of burden on the environment and ecosystems

Social and relation capital

- Firm customer base
- Supply chain

- Stronger collaborative relationships with stakeholders
- Provision of value to local communities

Manufacturing capital

- Global production infrastructure and sales system

- Contributing to solving social issues by providing products and services

Intellectual capital

- Intellectual properties, expertise, and brand

- Creating value through open innovation

Human capital

- Autonomous professional human resources connected via the philosophy

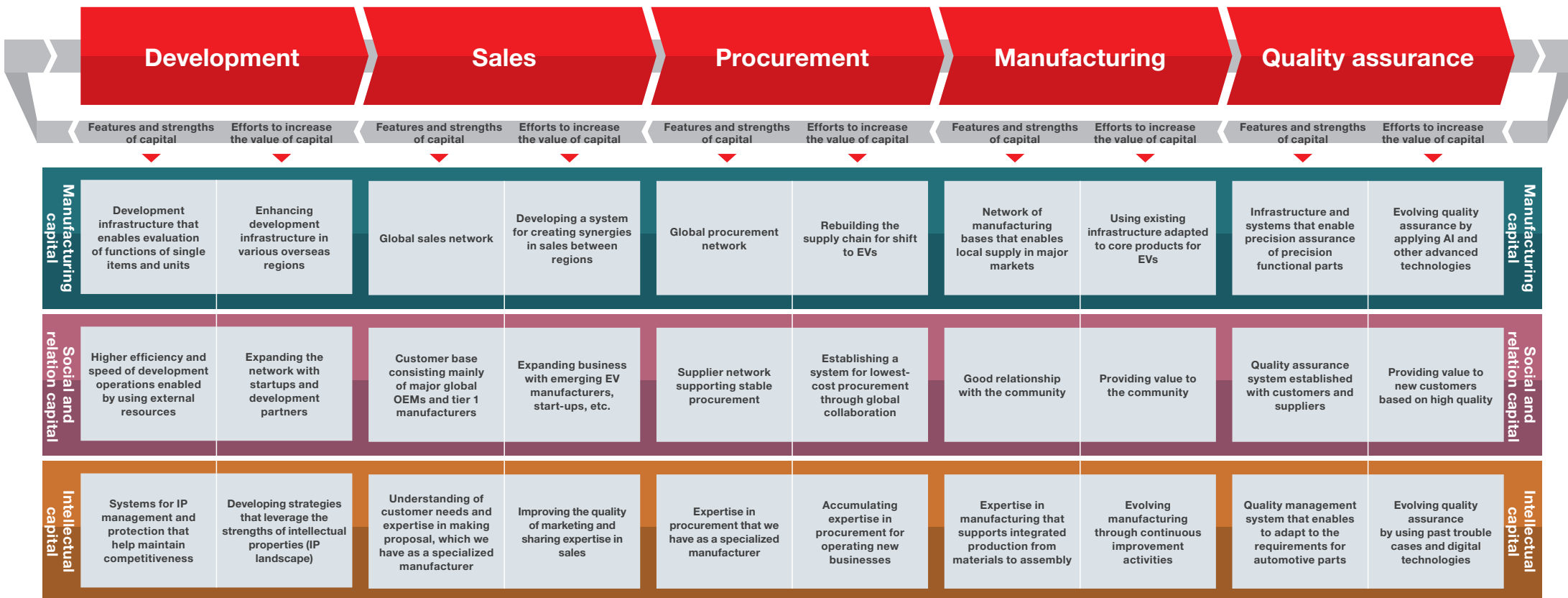
- Respect for the knowledge, skills, and techniques of diverse human resources

Financial capital

- Firm financial base

- Improvement of capital efficiency
- Stable and continuous return of profits

Value Chain and Capital



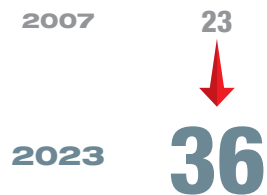
Capital That Is Important for Sustainable Development



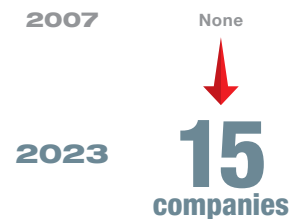


Equipment assets

Number of manufacturing bases



Number of CVC networks



2007
2023

R&D cost

2007
2023

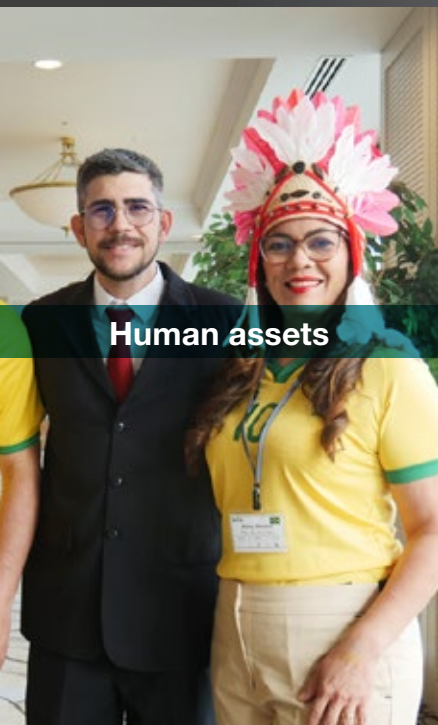
Number of overseas development bases



Technological assets

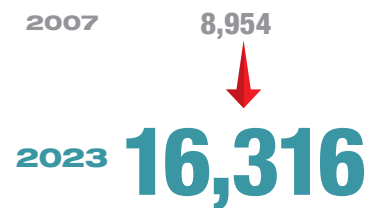
Strengths built up in a long term

In 85 years of history since our founding, we have been building up strengths such as product development capabilities, integrated production system, unique support technologies supporting the system, and global production and sales systems. Toward 2038, when we will celebrate our 100th anniversary, we are further refining these strengths that we have cultivated. In addition, through open innovation made by expanding our network, we are implementing initiatives for embodying the Musashi 100th Year Vision, "Go Far Beyond! Break barriers and go on adventures!"

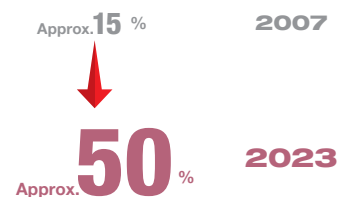
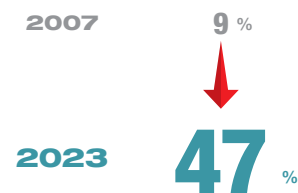


Human assets

Consolidated No. of associates

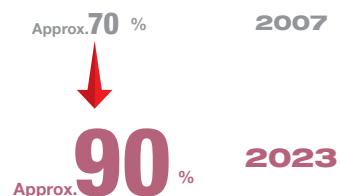


Ratio of heads of bases who are local employees



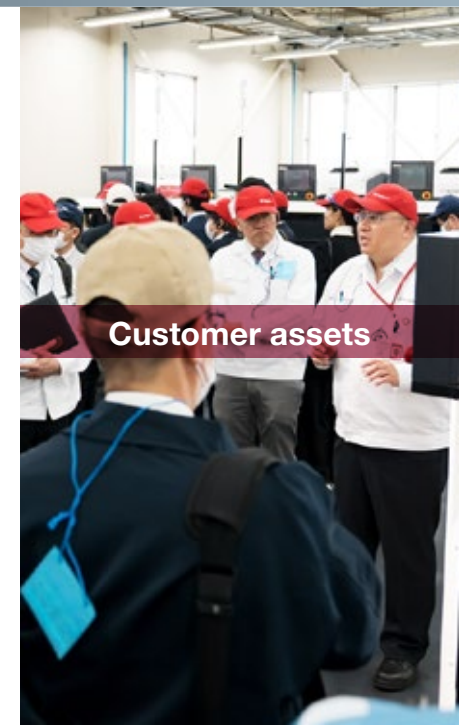
2007
2023

Ratio of products for global customers
(Ratio of sales to customers other than Honda)



2007
2023

Overseas sales ratio



Customer assets

Go Far Beyond!

Let's go on adventure!

Representative Director
Senior Managing Executive Officer
Tracey Sivill

The first half of 2023 has been a very exciting and productive time for Musashi as we continue on course toward our 100-year anniversary driven by 2038 vision "Go Far Beyond". This era of great change in the world demands that we rely on the teachings of our founder and our company philosophy to forge our future. With the spirit of challenge and the strength of technology, Musashi has been preparing for the change, embodying consistent sincerity on a simple and sturdy foundation. The past few years we have been diligently working on the technologies that will create the pillars for our future and results are starting to take shape. The transition to EV globally is progressing fast and we are winning business in this market both in the two-wheel and four-wheel segments. Musashi's AI inspection technology is being recognized by customers and orders are starting. Musashi Energy Solutions is prepared to compete with the Lithium-Ion Capacitor technology in many applications. Musashi's commitment to human health and long happy lives is evident in our East Mikawa Region Plant biotechnology projects. We will remain committed to utilizing our technology for the betterment of both humanity and our planet.

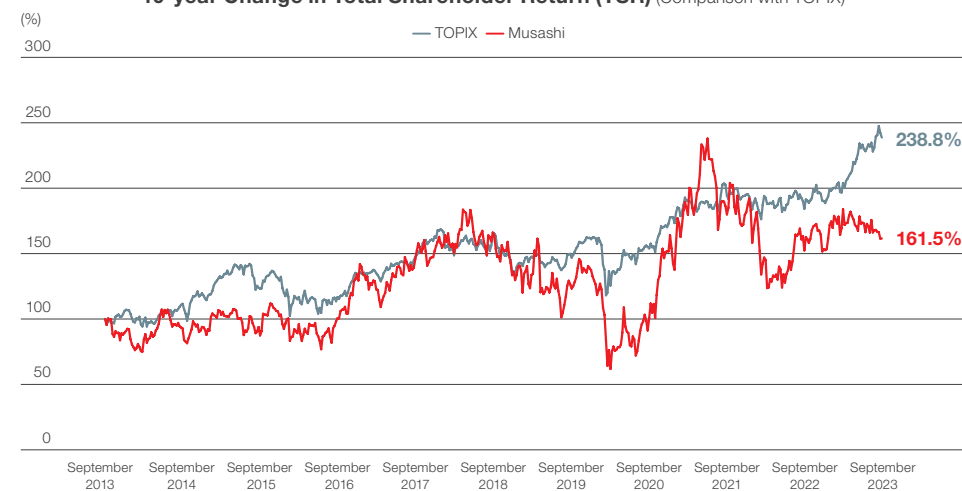
We are very happy to see sales and profits improve in Q2 2023 as customers and supply chains start to stabilize post pandemic. Musashi showed resourcefulness dealing with the challenges posed and improvements made are now translating to the bottom line. During the first half of 2023 we have seen declines in the inflationary pressures felt last year, however the struggle is not completely over and may deteriorate with the conflict in Israel combined with continuing conflict in Ukraine. Musashi did well to manage the impact of inflation so far, we will be monitoring developments in this area. Market conditions are variable given high interest rates in America and Europe also EV transition acceleration in China. The weakening Yen is helping to offset some of these conditions.

Our financial policy remains "Clean Balance Sheet". Inventories are stabilized and we are working on reductions, loan balances are decreasing. Global cash management is an ongoing project along with working capital improvements. KPIs are set in these areas of the BS for clear direction to management. These initiatives will help to fund our pillars for the future.

Transparency is key for all stakeholders, investors and management who must have accurate real-time information. To achieve transparency, we need to create efficient systems that are simple to use, that is the basis for our DX projects. All Musashi companies are now utilizing the SAP, fully integrated ERP software. Our teams are utilizing the data collected to display on dashboards for both financial and gemba. Standardizing the collection and display of information ensures that the KPIs for subsidiaries are reported and reviewed, the same way enabling us to better share global best practices plant to plant. Governance will also benefit through increased transparency of all transactions combined with data mining tools. This project has been very exciting this year and will continue during the 2nd half.

The true strength of Musashi lies in our creative and resilient associates. Our teams globally have risen to the challenge of the 100-year change during the very difficult time of pandemic and post-pandemic. During the last few years our teams have embraced our 2038 vision, developed products for future markets and incorporated DX and GX into their daily work and projects. We are excited to go on an adventure together and seize the opportunities that can only be created in times of extreme change and disruption. Musashi is poised and ready!

10-year Change in Total Shareholder Return (TSR) (Comparison with TOPIX)



* Source: Created by IR Japan

CFO Message

Financial Strategy

At Musashi Group, we position profitability improvement as one of our most important tasks for business. We aim to enhance our corporate value over the long term by increasing the ratio of profit to net sales and capital efficiency (ROA, ROE, and ROIC) through the development of highly competitive products, more efficient production processes, and various measures to ensure financial discipline.

Improving profitability

Among major business management indicators, ROE declined to 2.4% in FY2022 from 5.9% in FY2021, and we recognize that improvement of profitability is a task.

While net sales have been growing steadily, profit attributable to owners of parent for FY2022 decreased 55.1% year on year to 2,436 million yen due to the impact of significant production fluctuations at our customers and the global rise in prices.

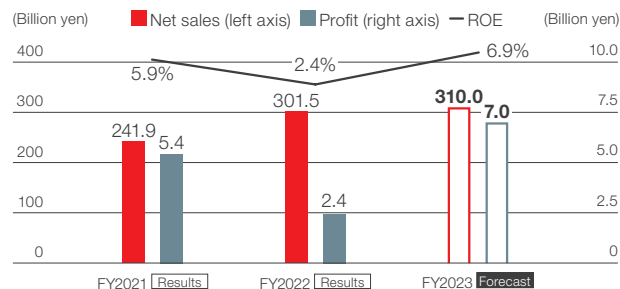
The Group is building a strong earnings structure capable of generating profits even in a challenging business environment. At manufacturing sites, we are focusing on improvement activities and operational efficiency improvement utilizing the latest digital technologies. Specifically, we are working on the standardization of short-cycle management and data-based visualization of our corporate structure.

In addition, to make a further leap forward in the EV era, we are instituting measures for enhancing our ability to make proposals and pursuing technologies in which we excel based on our product and technology development capabilities, and for improving our cost competitiveness through supply chain optimization.

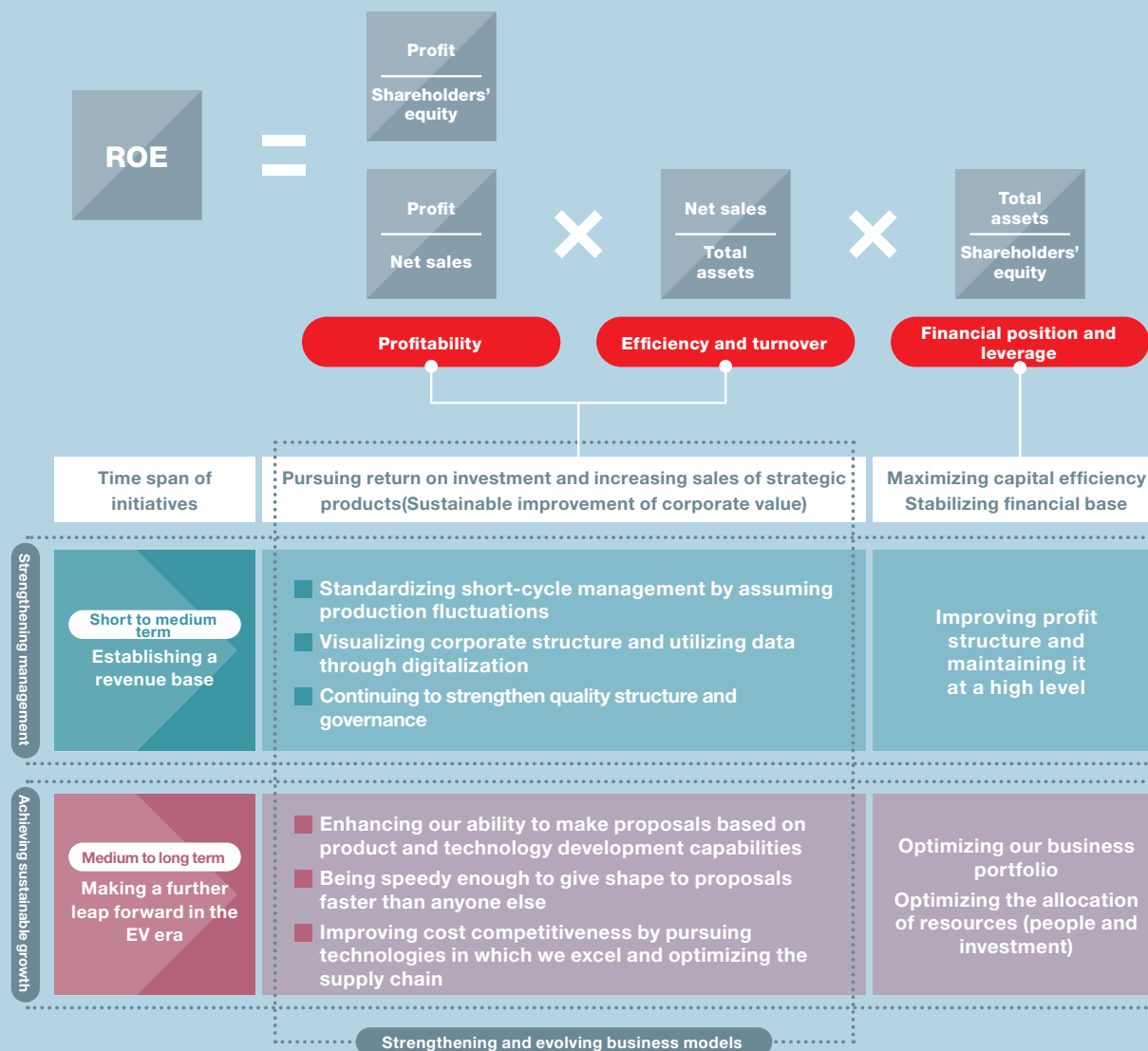
Based on earnings forecast for FY2023 (disclosed on May 12, 2023), it is estimated that ROE will increase to 6.9% as a result of these initiatives.

At Musashi Group, we will be committed to ongoing efforts to enhance our corporate value over the long term and to engaging in sincere dialogue with our shareholders and investors.

Actual values for FY2021 and FY2022 and forecast values for FY2023



Approaches and initiatives related to the enhancement of corporate value



Review of Past Medium-term Management Plans

Long-term vision

2008 ▶ 2020



We create and provide Musashi brand products that are trusted around the world by giving shape to ideas that “Sound interesting!!”

Keyword

[Differentiation]

[Integration]

[Growth]

10th Medium-term Management Plan

FY2008 ▶ FY2010

DIG-Innovation

Innovation of corporate structure
With the comprehensive strength of Musashi as a passionate company

11th Medium-term Management Plan

FY2011 ▶ FY2013

DIG-Global

Making a leap to a truly global company
With the cohesion of Musashi as a passionate company

12th Medium-term Management Plan

FY2014 ▶ FY2016

DIG-Change

Creating a foundation for the future with MS-Innovation
Let's envision the future together, give shape to it, and share the joy!

FY2020*

Take on the challenge to be **No.1!**

Aiming to be a truly global company

*Since we replaced the plan with an annual rolling plan in FY2017, information for the final year of the long-term vision “Be Unique!” is provided here.

Management policy

Based on D [Differentiation],
I [Integration], G [Growth]

Passion [People and Organization]

Creating vibrant people and structure and innovating management structure

Wisdom [Manufacturing]

Innovating the product QCD structure by exploring original manufacturing

Harmony [Area/Environment]

Innovating the corporate structure into one which can help develop the global and local communities

Practicing D [Differentiation],
I [Integration], G [Growth]

Creating unique technologies and Musashi brand products for:

Surprising the world

Realizing a manufacturing framework and system for:

Winning the global competition

Developing professional human resources and strengthening management skills for:

Achieving an international breakthrough

Structure > Business

Increasing products' competitiveness by exploring manufacturing, aiming for the best and strongest business structure in the world

System > Structure

Aiming for optimal global operations by building a system to maximize the Group's comprehensive strength

Smile > People

Aiming to be One Musashi, in which we are connected via the philosophy, with a system that fosters Musashi people around the world and management for having them demonstrate their capabilities.

Structure > Innovation

Embodying No.1 products, quality, and workplace

System > Standardization

Building No.1 global operations

Smile > One Musashi

Demonstrating No.1 comprehensive strength

Priority measures

- 1 Establishing a foundation for growth in global markets
- 2 Realizing a culture of outstanding quality that is trusted by customers
- 3 Enhancing advanced on-site, technological, and developmental capabilities to create the future
- 4 Creating a lively, excited, and passionate group of professionals
- 5 Making proactive efforts to preserve the global environment and contribute to local communities

- 1 Accelerating the development of world-leading technologies and products and strengthening customer proposal capabilities
- 2 Strengthening global operations functions to maximize the Group's comprehensive strength
- 3 Establishing Musashi World Quality that generates trust of customers around the world
- 4 Building an environmentally friendly, world's most powerful manufacturing site
- 5 Developing professionals who are passionate and inspire those around them, and strengthening management skills for demonstrating comprehensive strength

Core strategic themes

- 1 Creating the next-generation Musashi brand
- 2 Building a global platform
- 3 Building a foundation for utilizing global human resources

Global strategic themes

- 1 Rebuilding the motorcycle business
- 2 Rebuilding the automobile business
- 3 Integrating and evolving M-FLO and M-QCD

Embodying No. 1 products, quality, and workplace

- 1 Realizing integrated synergy and strengthening the front-end
- 2 Pursuing customer-oriented, high-quality, lowest-cost manufacturing
- 3 Creating new businesses applying cutting-edge technologies

Building No.1 global operations

- 1 Expanding and establishing a global platform for the fastest and most appropriate management
- 2 Achieving high process efficiency and a lean management structure
- 3 Evolving into M-FLO 2.0, where speed is a winning strategy

Demonstrating No. 1 comprehensive strength

- 1 Evolving head office functions and strengthening regional operations
- 2 Developing human resources and a corporate culture filled with willingness to take on new challenges
- 3 Enhancing sustainability initiatives to earn society's trust

Consolidated targets and results

Targets

Consolidated sales **200.0 billion yen**

Operating profit **20.0 billion yen**

Results

Consolidated sales **127.0 billion yen**

Operating profit **12.7 billion yen**

Evaluation and tasks for the next medium-term management plan

▶ Restoring profitability through efforts to build a lean and muscular corporate structure amid the rapid deterioration of the business environment triggered by the Lehman Brothers' collapse

▶ Amid accelerating changes in the market structure and technological trends, issues remained in the implementation of priority measures overall.

Targets

Consolidated sales **160.0 billion yen**

Operating profit **10% 16.0 billion yen**

Results

Consolidated sales **148.8 billion yen**

Operating profit **8.5 billion yen**

▶ Earnings were severely impacted by the production cutbacks caused by the Great East Japan Earthquake and factory damage from the flooding in Thailand. The performance began to recover in the final fiscal year, but the medium-term targets were not achieved.

▶ Earning power declined, especially in the motorcycle business. Against a backdrop of global market expansion and an increasingly competitive environment, issues remained in the establishment of business foundation in areas such as product development, human resource development, and profit structure.

Targets

Consolidated sales **180.0 billion yen**

Operating profit **10% 18.0 billion yen**

Results

Consolidated sales **180.5 billion yen**

Operating profit **11.1 billion yen**

▶ In the motorcycle business, progress was made in efforts to maintain the manufacturing structure at a high level through benchmarking activities.

▶ Orders for differential assemblies, a strategic product, increased.

▶ With the acquisition of the HAY Group in Europe, progress was made in the efforts to reinforce the business foundation, which are made in preparation for electrification.

▶ Integration of the HAY Group in Europe has reinforced the customer base and production and sales systems mainly in Europe and China.

▶ Orders for differential assemblies, a strategic product, remained strong worldwide, and there was an increase in inquiries for next-generation components such as high-precision gears, for which demand is expected to increase due to the shift to EVs.

▶ Efforts to create new businesses were accelerated. Progress was made in the development and commercialization of automatic exterior inspection equipment using AI (deep learning), among other initiatives.

▶ While the impact of production stoppages and cutbacks reflecting the spread of COVID-19 became apparent, we focused our efforts on building a structure that can generate profits even in a severe business environment, with thorough cost control.

Review of the Most Recent Medium-term Management Plan

In April 2021, we established the Musashi 100th Year Vision, a new long-term vision for the year 2038, when we will celebrate 100th anniversary of our founding. In the midst of a great, once-in-a-century change, we are working to transform people, systems, and businesses and achieve a green transformation in response to the accelerating changes in the business environment as typified by the electrification.

Long-term vision

2021 ▶▶▶

Becoming an Essential Company that Supports Society with Technologies

GO FAR BEYOND

Break barriers and go on adventures!

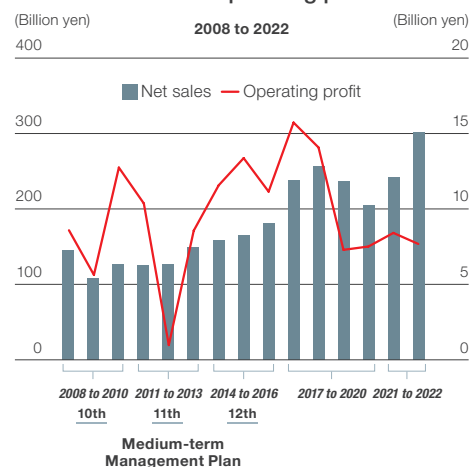
Medium-term policies

Priority issues / Direction of initiatives

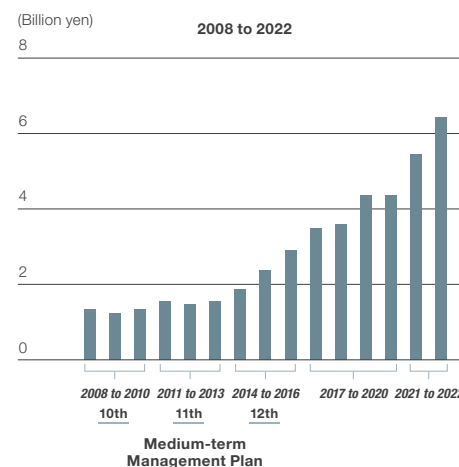
Evaluation and tasks for the next medium-term management plan

FY2021	People Embodying the Musashi Philosophy and taking on challenges to achieve the vision Structure Achieving Musashi DX Business Establishing strong core businesses and creating new businesses Musashi GX Pursuing a green strategy	People ▶ Instilling and practicing the philosophy and the vision ▶ Developing highly skilled professional human resources ▶ Developing autonomous human resources who create value with new workstyles ▶ Contributing to sustainability Structure ▶ Establishing competitive advantage and totally optimizing business processes ▶ Creating new value and utilizing data Business ▶ Expanding core businesses and improving profitability ▶ Stable quality ▶ Lowest-cost manufacturing ▶ Preparation of new technologies and products ▶ Creating new businesses	Qualitative evaluation ■ Struggled to cope with production fluctuations amid ongoing supply chain disruptions, which resulted mainly from the impact of COVID-19 and semiconductor shortages. ■ Progress was made in the preparation of products and technologies for the era of electrification, including the development of gearboxes for EVs. ■ In the new business areas, an open innovation network with startups, universities, and local communities has expanded. Tasks for the next fiscal year ■ Improving adaptability to changes, implementing electrification strategies, and achieving results in new business areas
FY2022		Improving adaptability to changes ▶ Increasing flexibility for responding to rapid production changes ▶ Optimizing the supply chain ▶ Building a strong quality structure Implementing electrification strategy ▶ Sales capabilities: For customers around the world ▶ Manufacturing capabilities: Thoroughly strengthening manufacturing and purchasing capabilities ▶ Capability of creating products: Creating inspiring products Creating output from new businesses ▶ Increasing sales ▶ Leading seeds of new businesses to bear fruits	Qualitative evaluation ■ Evolution of manufacturing sites was achieved through digitalization. ■ There was an increase in inquiries for products for electric vehicles, including differential assemblies, reduction gears, and ball joints. ■ Global CO₂ emissions were visualized to achieve carbon neutrality. ■ In new business areas, sales of AI inspection machines increased. Tasks for the next fiscal year ■ Building a revenue base that is resilient to changes and responding more quickly to the accelerating shift to EVs

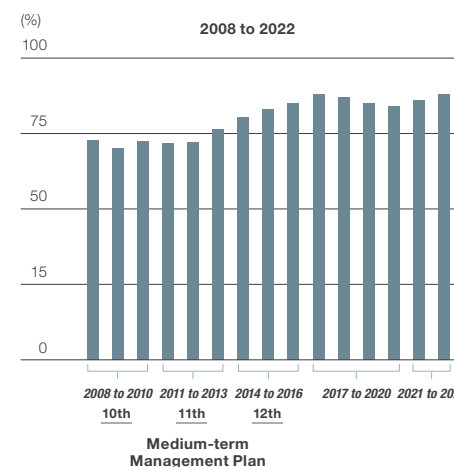
Net sales/Operating profit



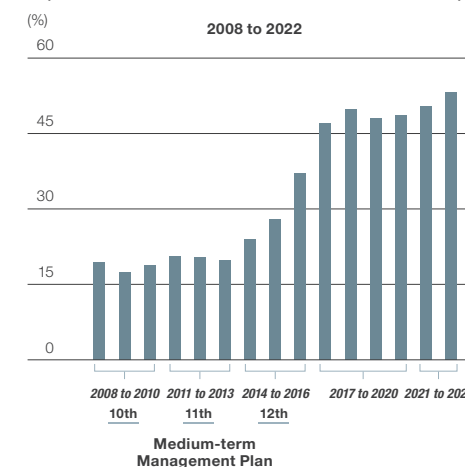
R&D cost



Overseas sales ratio



Ratio of products for global customers (Ratio of sales to customers other than Honda)



Vision for Realization

Growth Strategy



Business Environment Analysis

Medium- to Long-term Perspective

Environmental regulations are being tightened around the world. In the automotive industry, the trend toward electrification of mobility to achieve carbon neutrality will further accelerate, and the future trend toward EVs is expected to be decisive.

In fact, the number of EVs in the world is increasing at an accelerating pace, and especially in China and Europe, which are leading the way in EVs, the ratio of EVs in new car sales is increasing significantly. The market for new products for EVs, such as reduction gears and drive units, is expected to increase dramatically. The pinch of reduced demand for existing components for gasoline-powered vehicles is at

the same time a great opportunity to create new business for EVs. Based on the assumption that this change will accelerate, we will link the expanding EV products to the next stage of growth.

In addition, as the world changes, companies must not only pursue economic profit, but also provide value to society. We view the sustainability of our business activities and the sustainability of society as one and the same. We believe that achieving sustainability through our business activities is one of the essential issues for us, and we will continue to create a story of value creation through dialogue with the world.

Our
Strategy

Business Environment Analysis

Automobile

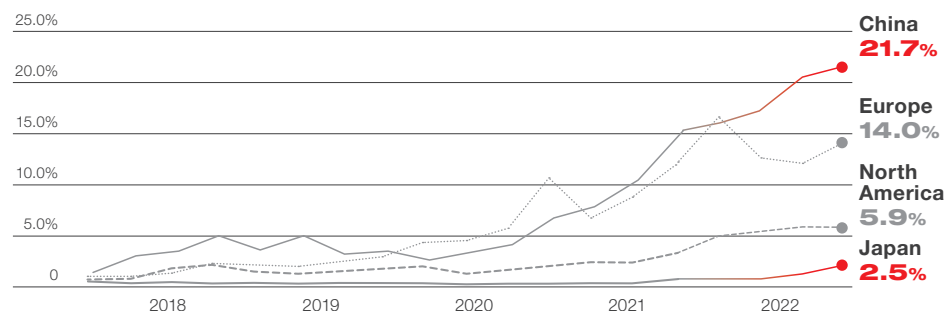


For 4-wheeled vehicles, we supply high-quality, low-cost powertrain components and linkage and suspension components that contribute to smooth operability and ride comfort.

In the area of powertrain components, we pursue ideal gear tooth geometry, improve manufacturing efficiency through integrated production, and optimize transmission functions by increasing development speed through the use of digital technology. We provide products that contribute to compactness, light weight, high strength and quietness, which are increasingly needed in the EV era.

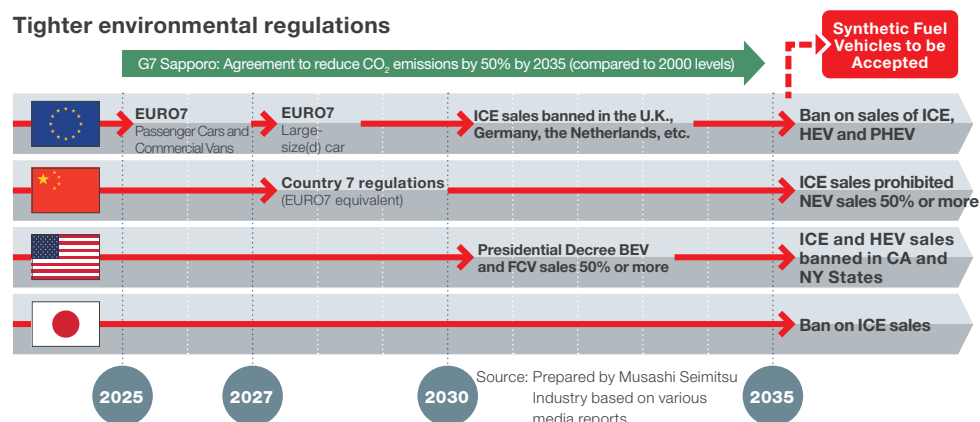
Ball joints for linkage and suspension are mainly used for parts connecting tires and vehicle bodies, and are important safety parts that require high reliability. Our ball joints are designed using high-precision simulations to reduce size and weight, contributing to improved ride comfort and fuel efficiency by reducing vehicle weight.

EV Sales Ratio in Major Countries and Regions



Source: Agency for Natural Resources and Energy website: https://www.enecho.meti.go.jp/about/special/johoteikyo/xev_2022now.html

Tighter environmental regulations

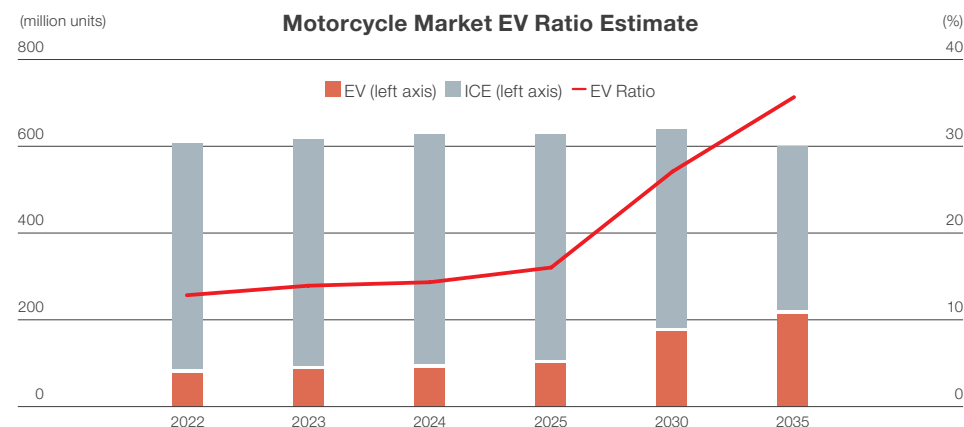


Motorcycle



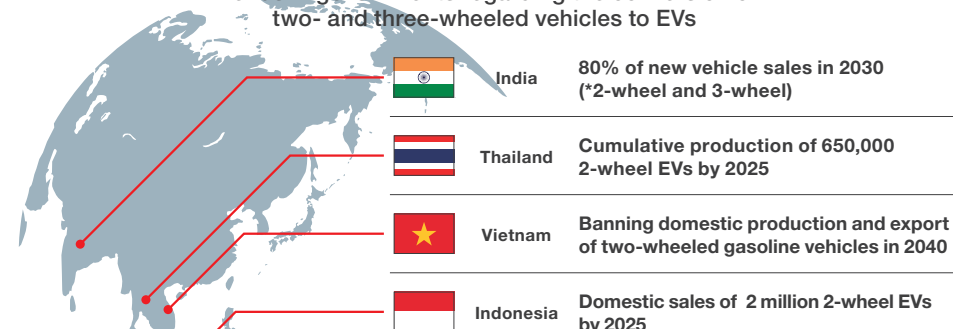
For motorcycles, we manufacture transmission assemblies, camshafts, and other drivetrain components and supply them to customers worldwide. Backed by the world's No. 1 production volume, we are promoting the development of new products for small motorcycles for emerging countries by utilizing our accumulated design and processing technologies. For large premium models, we are applying the technological expertise we have cultivated in Japan to our overseas bases to meet the needs of our customers around the world.

We have also strengthened our noise and vibration analysis and evaluation systems, and are promoting environmental measures, including the realization of a carbon-neutral society. Furthermore, we are strengthening the development of new products such as EV drive units to support the shift to EVs for two-wheeled vehicles.



Source: Yano Research Institute Ltd.

Trends in governments regarding the conversion of two- and three-wheeled vehicles to EVs



Source: Prepared by Musashi Seimitsu Industry based on various media reports.

Overall Growth Strategy

In order to realize Musashi's 100-year vision "Go Far Beyond! Break barriers and go on adventures!" we are aiming for further growth through two pillars: deepening our core businesses and creating new businesses. As the shift to EVs continues at an accelerating pace in the automotive industry, we will contribute to the realization of a sustainable and prosperous global society by further refining the manufacturing skills we have cultivated to adapt to the expanding market for EV-oriented products and creating new businesses that can contribute to solving social issues.



Musashi 100th Year Vision

**GO
FAR
BEYOND**

**Break barriers and go
on adventures!**

CORE BUSINESS

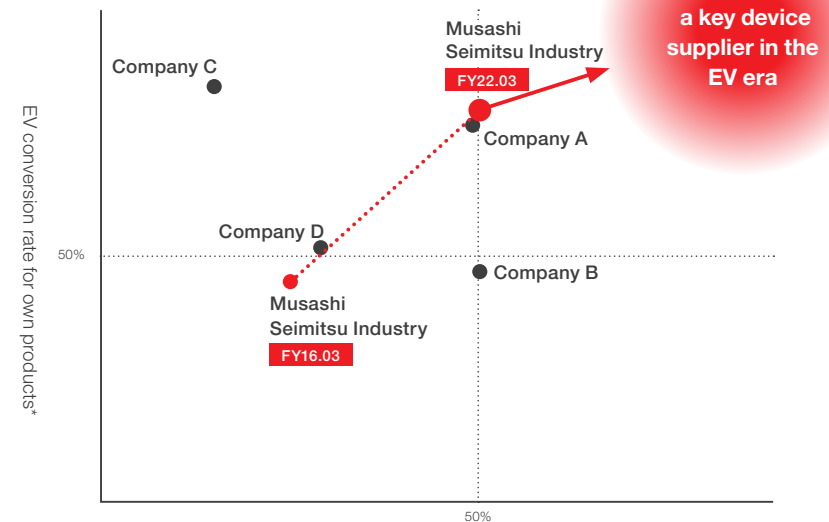
Growth Strategies

Become a key device supplier in the EV era!

The expansion of the EV market has intensified global development competition, and in the midst of this competition, the trend of outsourcing by automobile manufacturers is also expanding. The increase in the number of new manufacturers entering the market, the increase in new developments, and the shortening of development cycles are creating new opportunities for our company to enter the market. Gears used in differential assemblies and reduction gears, our core products, play an important role in EVs, and we expect further demand growth in the future.

In this context, the technology and knowledge we have accumulated over the years as a specialized manufacturer of gears for mobility are our major advantage in the age of electrification. Furthermore, we are working on the development of reduction gear units for EVs that combine differential assemblies and reduction gears, aiming to make further strides with key devices for the EV era.

Our Position and Direction



Sales ratio of out-of-series sales

*Percentage of in-house products that can be converted to EVs

Source: Value Create estimates and preparation based on company data

1

2

3

The EV Era “Proposal Capability”

PT Business



In the PT business, we develop, manufacture, and sell differential assemblies, one of our core products. Our strength lies in the gear design and development, production technology, and on-site manufacturing technology that we have cultivated over the years. In addition, due to the characteristics of motors that generate high torque instantaneously and regeneration mechanisms, the gears used to drive EVs must be both strong and compact/lightweight.

We are increasing our competitiveness in response to the needs of the EV era by pursuing “optimization of transmission function” as our core technology. We have drawn up and are further promoting a growth strategy to use the changes in the EV era as an opportunity for further growth through the integration of various technologies.

L&S Business



The ball joints supplied by our L&S business are mostly used in the linkages connecting the wheel to the vehicle body. They are important parts impacting the safety of vehicles that require a high degree of reliability.

We have succeeded in developing compact, lightweight ball joints using high-precision simulation to help define the optimal shape. We have also established an internal system that enables the integration of processes through evaluation. Thus, we provide customers with ball joints optimized to the individual vehicle, thereby contributing to increased ride quality and fuel efficiency through reduced vehicle weight. We have also made high-efficiency manufacturing possible through the development of a series of products in a range of sizes which permits low-cost, ball joints to be supplied globally.

For electrification, our strength lies in our technology to freely control the characteristics of ball joints through the process from design development to mass production. We are able to contribute to the needs for improved handling stability and ride comfort, and meet the expectations of our customers.

Motorcycle Business



In the motorcycle business, backed by the world's No.1 production volume of transmissions, we leverage our accumulated design and production technologies to deliver high-quality, low-cost products to customers in the major motorcycle markets represented by Asia and South America.

In the area of large premium models, we are aggressively expanding our technological capabilities cultivated in Japan, our mother factory, to our overseas bases and promoting local procurement to meet the needs of our customers around the world.

In the area of product development, we have strengthened our analysis and evaluation system for noise and vibration, and have also been promoting environmental measures to realize a carbon-neutral society. We are taking on the challenge of developing new markets by developing EV drive units for two-wheeled vehicles on the strength of our transmission technology, in which we have the world's No.1 market share.

Risk

Decrease in parts for internal combustion engine vehicles

Opportunity

Expand orders for EV components and increase added value



“Speed” Adapted to EV Development Cycle

Development capability

With the shift to electric vehicles, the development period for automobiles has been significantly shortened, and suppliers are now required to develop products faster than ever before. In order to build a speedy R&D system for our own products, we are actively introducing advanced development testing equipment to create a system that allows us to consistently complete everything from product design to functional assurance in-house.

Our basic design and application analysis, which makes full use of our proprietary 3D design technology for differential gears and CAE analysis technology, have been highly evaluated by our customers as a technology that concretely realizes compact, lightweight, high strength, and low friction products. In the motorcycle business, we are working on the development of EV drive units including motors and power control units, as well as on the development of on-site tuning for cost reduction.

Evolution of Manufacturing through DX

We are committed to the evolution of manufacturing through DX (Digital Transformation).

We are actively introducing AI and digital tools not only in the manufacturing process, but also in manufacturing management and quality assurance processes to improve manufacturing efficiency and quality. At the production site, we are improving production efficiency by introducing digital signage and tablet terminals, and going paperless, and at the same time, we are building an operation management system developed in-house.

We are also developing educational programs to utilize evolving digital tools, and are working to develop human resources who can lead the way in creating results. **P52**

Risk

Lost order opportunities

Opportunity

Differentiation from other companies/order advantage



Realization of High “Cost Competitiveness”

Pursuit of specialty technologies

With the advance of electrification, the number of components that make up a vehicle is decreasing and the requirements for components are changing. In addition, the need to lower the cost of vehicles is becoming even stronger as we move toward the full-scale spread of EVs, and the competitive environment for the parts and components we produce is becoming more and more severe every day.

In this intensely competitive environment, we have defined strategic products such as differential assemblies, reduction gears, and unit products that are expected to grow further in the EV era, and we are working on R&D and manufacturing evolution to enhance our product competitiveness.

We aim to realize overwhelming cost competitiveness to win in the age of electrification by further refining the advanced technologies and know-how that support the integrated production system we have built up over the years, and by proactively introducing and integrating advanced technologies such as AI.

Behind the daily evolution of our more than 85-year history of manufacturing is a culture of improvement that we have cultivated over the years. We will overcome the pinch of changes in the business environment and achieve sustainable growth in the future by thoroughly refining our specialty technologies with flexible ideas that are not bound by existing ways of doing things, and by sharing the results of these efforts on a global scale.

Supply chain optimization

We are working to build a supply chain suited to the business structure of the electrification era. For existing strategic products, we are continuously working to optimize materials and specifications in order to deliver better products more quickly and at lower cost to our customers around the world. We are also working to further reduce costs by leveraging our global procurement network, which is one of our strengths, and selecting the most appropriate suppliers.

In the two-wheel EV drive unit business, which we aim to expand in the future, it is essential to establish a procurement network, production system, and quality assurance system capable of providing a stable supply of unit products at low cost.

In addition to differential assemblies and reduction gears, which are our specialty, we also need to handle a wide variety of components, including motors, controllers, and other electronic parts.

In order to achieve a high level of cost competitiveness in this new business, in developing the two-wheel EV drive unit business, we will establish a new supply chain, including joint ventures with Toyota Tsusho and Delta Electronics to utilize their mutual networks, and partnerships with start-up companies such as BNC in India and ARC Ride in Kenya.

Risk

Deterioration in component earnings due to changes in the cost structure of automobiles

Opportunity

Strengthen earnings base by expanding sales of strategic products and increasing value-added products



Quality

Quality policy

Identify the needs of customers around the world correctly, build a forward-thinking corporate culture, and provide world-leading products from the perspectives of quality, cost, delivery, morale, safety, and the environment, aiming to build a sustainable society.

Creating trust and prosperity through quality

We have established a quality policy based on the Musashi Philosophy and a quality management system based on the requirements of IATF 16949, and all employees participate in quality assurance activities and constitutional improvements from the launch of new models to mass production management. In addition, we are working to achieve quality assurance through the use of data and technology.

In order to build a system that “monitors whether the process is in a statistically stable state and issues warnings when there are abnormalities,” we have been working on the concept since 2016 and have implemented a system to monitor product status based on equipment data and digitalization of product workmanship from FY2022.

We aim to evolve to a system that foresees and predicts defective products before they occur by analyzing and utilizing a variety of data, rather than making decisions based on inspections, people, and results.

Improvement culture and quality training

Quality Training

We systematically provide quality education to our employees according to their internal qualifications and the nature of their work. We conduct training related to quality management system, quality control, and circles to strengthen human resource development. In addition, as part of our efforts to raise awareness of quality compliance, we conduct an annual action survey with case studies.

Main quality-related training conducted

IATF-compliant education

Understanding of standards,
Internal auditor training,
understanding of core tools

Circle Education

TQM training, manager training,
leader training

Quality Control Education

J Course (Junior Course)
F Course (Foreman Course)

Quality training for new employees

Quality basics, practical training for
measuring instruments

MM Circles (QC activities)

Through small group activities, 542 circles (4,112 members) in our group learn the process of business improvement as a team and continuously improve “workplace environment” and “business operations.”

Since 2004, we have been holding the “MM Circle World Convention” by circles selected from each of our offices around the world. In the COVID-19 pandemic, the MM Circle World Convention was held continuously in an online format, and in FY2023, it was held in a new hybrid format, with the competition held in Japan and distributed online. Judges are selected from each location, making it a well-established global event.

In addition, from 2019, we are promoting “Circle Reform” activities with the aim of revitalizing circles. We have been implementing various measures using employee satisfaction and motivation as indicators, with our ideal image as “a bright and pleasant workplace” where all Musashi employees are actively engaged and “feel individual/team growth”. We will continue to present the results of improvements and share mutual communication and improvement know-how.



Best Circle in 2022 (Germany)



Indian Representative Circle

NEW BUSINESS

Growth Strategies

Contributing to the realization of a sustainable and prosperous global society

The history of Musashi, in other words, is a history of challenges. The culmination of this history is our corporate philosophy called the “Musashi Philosophy,” and all of our business activities are based on this philosophy. The world faces challenges such as environmental destruction, poverty, food insecurity, political and economic instability, and an aging society. As stated in “Our Purpose,” our business activities do not pursue only the expansion of scale or profit. To protect the earth and enrich people’s lives, we will actively adopt the most advanced “technologies” available in the world based on our “passion” for manufacturing, and will utilize the “wisdom” that we have inherited and enhanced to create new products and services. We aim to be a corporate group that contributes to the realization of a sustainable and prosperous global society in which the earth, nature, society, and people are in harmony.





Widespread use of e-mobility for clean blue skies

Original two-wheel EV drive unit to the world

We have developed an original EV drive unit by applying the technology and know-how we have cultivated in the field of two-wheel transmissions to two-wheel EVs. We are expanding global sales in India, Africa, and the ASEAN region as strategic regions to supply units not only to existing customers but also to startups aiming to popularize two-wheel EVs in emerging markets.

In the e-mobility business, we are not only supplying EV drive units, but are also looking into providing services by utilizing data obtained from hardware such as vehicle bodies and units. As the market leader in motorcycles, Musashi will lead the spread of e-mobility and contribute to the realization of an affluent global society in which people and the environment are in harmony, including carbon neutrality.



STROM prototype vehicle equipped with Musashi EV drive unit

Collaboration with two-wheel EV startups in emerging countries

In our e-mobility business, we have been collaborating with two-wheel EV startup companies in emerging countries.

Among these, we are engaged in a strategic collaboration with Kenya's ARC Ride (headquartered in Nairobi, Kenya) to promote new e-mobility in the East African region. In addition to collaboration in the field of two-wheel and three-wheel EV hardware, the two companies have formed a partnership aimed at developing business software that utilizes data extracted from vehicles, as well as businesses that make use of this software.

In addition, an agreement has been reached with STROM (Thailand) Company Limited (headquartered in Bangkok, Thailand), which is engaged in the development, manufacture, and sale of two-wheel EVs in Thailand, with the aim of manufacturing and selling two-wheel EVs equipped with Musashi's EV drive unit. By combining Musashi's EV drive unit, which integrates a compact and lightweight reduction unit and a motor with excellent torque characteristics, with STROM's vehicles, a new solution for electrification will be offered to the market.



Collaboration with Vietnamese EV startup EVGO



| Work that is more personable for people

Providing innovative automation solutions with AI and field strength

In the AI Solution business, we provide automation solutions for areas such as visual inspection of product appearance and transfer between production lines, which until now have often relied on human sensitivity and labor, by utilizing state-of-the-art AI technology.

In addition to our hardware technology, which is our forte, we are now able to provide one-stop services from software to hardware through verification tests conducted at our own production sites. In fiscal 2022, Musashi AI North America, Inc. was established in North America.

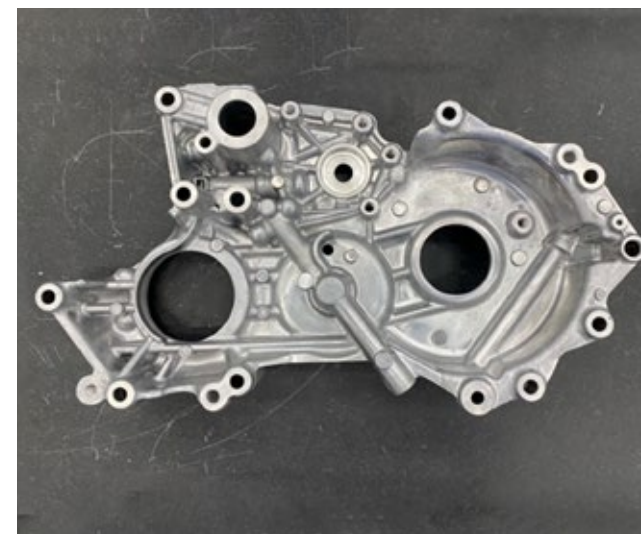
Under the philosophy of “more humanized work for human beings,” we will continue to provide a wide range of technologies to manufacturing sites around the world toward the realization of Industry 4.0.

AI visual inspection system expand range of parts to be inspected

Musashi AI Ltd. develops and sells AI visual inspection systems, which can be installed on production lines in as little as one to three months. We are also working on researching original algorithms and expanding the scope of AI visual inspection to include large parts and parts with complex shapes applicable to EVs. Starting with its implementation in Toyota Motor Corporation's transmission parts production line, sales outside the company have been expanding, and the number of installations in Japan has increased to 19 companies and 56 cases (as of April 2023).



AI visual inspection system (standard specification) from Musashi AI Ltd.



Example of a part to be inspected by the AI visual inspection system (aluminum die-cast case)



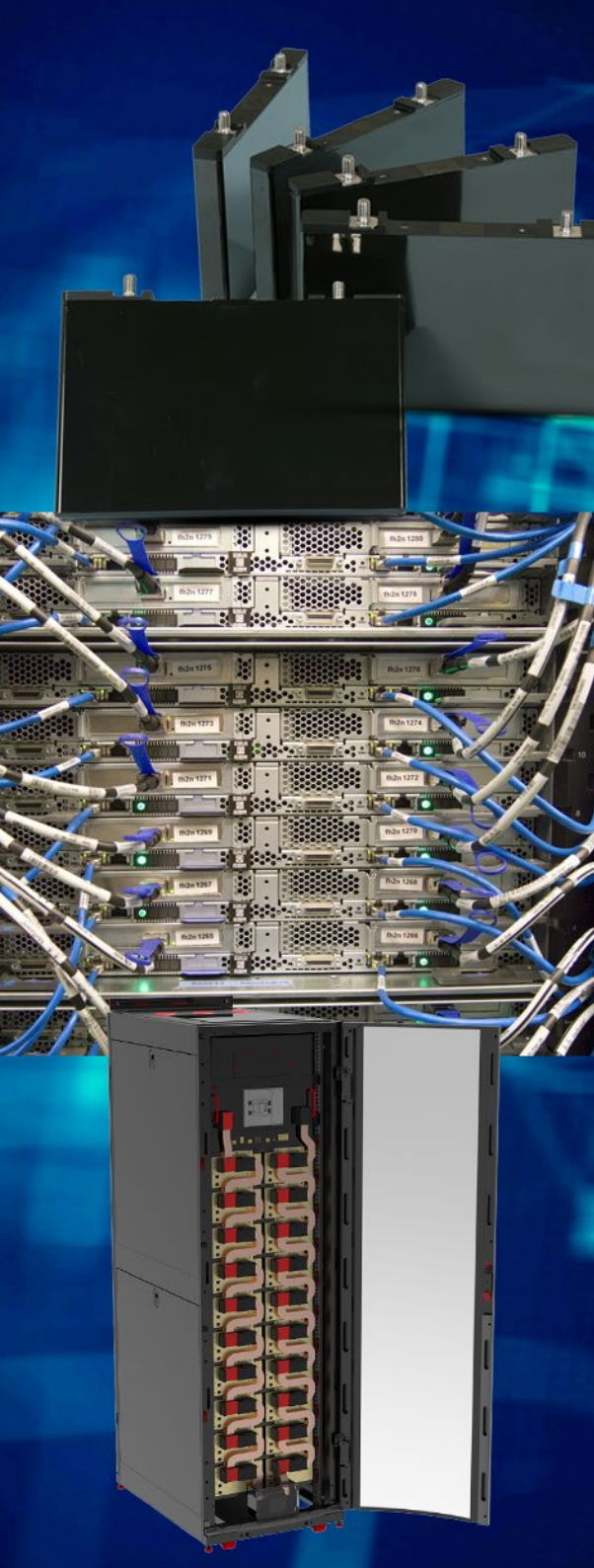
Sustainable energy devices for the world

Promoting green energy through technology

In the energy solution business, we are developing a business that utilizes "hybrid supercapacitors," which are next-generation energy storage devices. Hybrid supercapacitors have many advantages, such as high power and short time charge/discharge capability, excellent high-temperature durability, and high safety. Utilizing these characteristics, we offer proposals to promote the efficient use and greening of energy in a wide range of areas, including mobility, logistics, renewable energy, and backup power sources. With Toyohashi City in Aichi Prefecture, we are working to build and operate a regional microgrid to realize a self-help and mutual-help community through the supply of electricity in times of disaster.

LIC adopted for Toyota Energy Solutions' fuel cell generator

Hybrid supercapacitors from Musashi Energy Solutions Co., Ltd. a subsidiary of Our company, are increasingly being used in fuel cell generators due to their high output performance. As an example, hybrid supercapacitors have been adopted in the stationary fuel cell generators (FC generators) of Toyota Energy Solutions Inc. Fuel cell generators require instantaneous response to output fluctuations, especially during stand-alone operation. By installing Musashi Energy Solutions' hybrid supercapacitors with high input-output characteristics, the FC generator can instantly output 50 kW during stand-alone operation, thereby improving the performance of the FC generator.



Regional microgrid model



Toyota Energy Solutions' fuel cell generator

Well-Being

Plant biotechnology business

A beautiful and healthy life in the age of 100 years

Unlocking the potential of plants through biotechnology

The soil in the East Mikawa region of Aichi Prefecture, where our company is headquartered, is said to be a special soil with very effective and rare characteristics in the production of plant functional components (phytochemicals), even from a global perspective. In the plant biotechnology business, we are working to create new businesses with the mission of contributing to people's health and the development of a global society rich in nature in the 100-year life era by utilizing the power of plants grown in the special soil of the East Mikawa region and biotechnology. We are working on creating. At the triathlon race "Ironman 70.3 Higashi Mikawa Japan in Atsumi Peninsula" held in June 2023, we produced and distributed an energy drink that is expected to help recover from fatigue and maintain concentration during the race. Based on these results, we will accelerate our business activities toward the service launch.



Rich soil in the East Mikawa region of Aichi Prefecture

Collaboration with Nara Institute of Science and Technology

In 2021, we concluded a comprehensive collaboration agreement with Nara Institute of Science and Technology (NAIST), a national university corporation, and have started joint research.

Furthermore, in April 2023, we established the MuSASHi Plant Biotechnology Laboratory in collaboration with Nara Institute of Science and Technology. The laboratory aims to develop sustainable agricultural methods by demonstrating the effects of new factors that enhance plant stress tolerance in the field. The laboratory also participates and conducts joint research with Nara Institute of Science and Technology in the Fermentation Science Laboratory, which promotes research that contributes to the fermentation production of useful substances. These laboratories aim to contribute to people's health by researching and developing functional components of plants grown in the soil unique to the East Mikawa region of Aichi Prefecture and their formulations.



Energy drinks distributed at the Ironman race

Two-wheel EV Full-scale development in the Indian market

Our company, Delta Electronics, Inc. (Delta) and Toyota Tsusho Corporation (Toyota Tsusho) have agreed to establish a new joint venture company, Musashi Delta e-Axle India Private Limited, for the purpose of manufacturing and selling EV drive units for two-wheeled vehicles in the Indian market. The joint venture will be responsible for the mass production of EV drive units for the Indian market as well as for taking orders from a wide range of customers.

Musashi Delta e-Axle India Private Limited

Leading the way in promoting Two-wheel EVs worldwide



Leading manufacturer of
electronic equipment



Cutting-edge R&D and
manufacturing capabilities



Global Logistics Network

Background and purpose of establishing a joint venture

As countries around the world announce their commitment to carbon neutrality by 2050, reducing emissions of CO₂ and other greenhouse gases has become an indispensable issue. In particular, in emerging countries where two-wheeled vehicles are indispensable for people's daily lives, environmental problems caused by vehicle exhaust and global warming due to CO₂ emissions have become serious issues, and expectations for the spread of new e-mobility as a clean and comfortable means of transportation are increasing.

In the Indian market, the world's largest two-wheeler market, the government has set a goal of converting 80% of two-wheelers to EVs by 2030. Under the government's initiative, the shift to EVs for two-wheeled vehicles is accelerating ahead of that for four-wheeled vehicles, and local production needs for two-wheeled EVs are also increasing.

Against this backdrop, this joint venture will manufacture and sell EV drive units jointly developed by Musashi and Delta. Furthermore, the joint venture will expand its EV drive unit lineup to meet market needs and engage in further manufacturing and sales, aiming to become the world's top unit manufacturer in terms of market share.

Through the supply of EV drive units, we will lead the spread of two-wheel EVs in the Indian market and around the world, and contribute to the realization of carbon neutrality.

Features of the joint venture

EV drive units are mainly composed of gearboxes and motors. The joint venture will develop, manufacture, and sell high-performance drive units that are compact, lightweight, and quiet, all of which are required for EVs, as an integrated system, thereby providing high added value, including quality assurance. Furthermore, the joint venture will be able to conduct research and development quickly and flexibly in anticipation of market and technological changes, and efficiently procures and sells products by leveraging the respective business bases of Musashi, Delta, and Toyota Tsusho.

Positioning of motorcycles in the Indian market

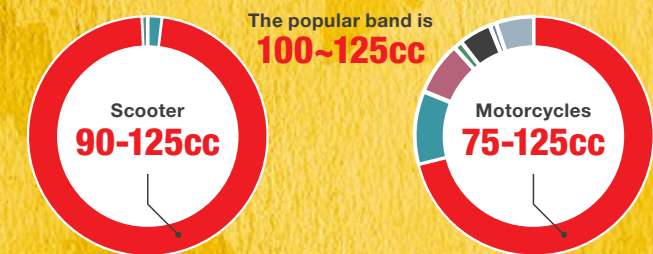
In India and other emerging countries, two-wheeled vehicles are an indispensable means of transportation in the daily lives of ordinary people, and it is not unusual for several people to ride together on a single motorcycle or scooter. In the motorcycle market, the 100cc to 150cc class, generally referred to as commuter size, is the main battleground.

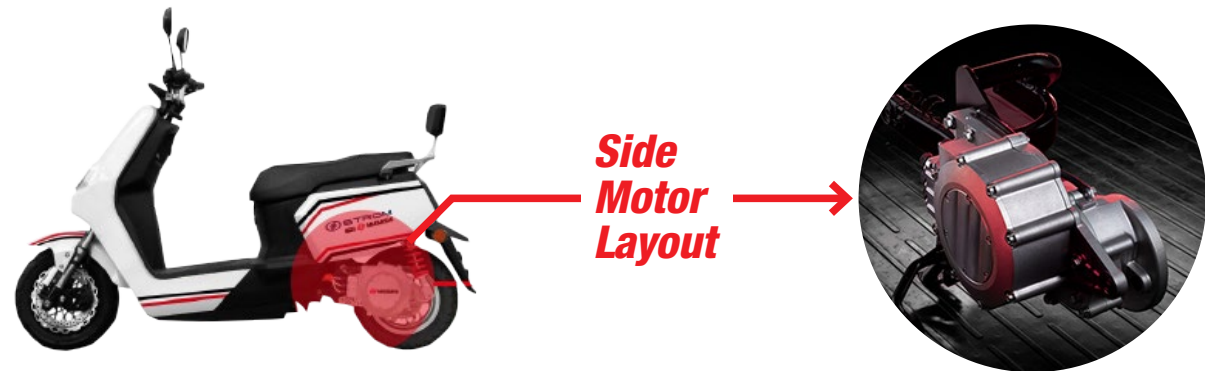
The EV drive unit developed by Musashi, with its core strength in gear processing technology, achieves acceleration and top speed performance equivalent or superior to that of 125cc gasoline-powered vehicles, the largest market segment in the Indian market. In addition, the transmission efficiency and quietness that contribute to higher electric power costs are also differentiating factors of the unit.

Two-wheeled vehicle sales EV conversion ratio



India Share of Motorcycles by Displacement





Providing solutions that match the expansion of the EV market

There are three issues in the electrification of motorcycles: mileage, sound, and cost. Of these, weight and transmission efficiency play a major role in the mileage, and gear precision plays a major role in the noise. In this product, the motor and gearbox have been integrated to achieve a lightweight and compact design. Furthermore, high transmission efficiency and low noise are achieved by combining Musashi's advanced gear machining know-how. As for cost, the design allows the product to be applied to vehicles with different tire sizes by simply changing the gears and arms without changing the motor or inverter, thus reducing development costs.

Product Strengths



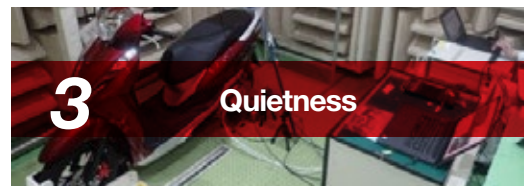
1 Dynamic performance

Maximum speed 70km—80km/h
Hill climbing ability exceeding that of
125cc class gasoline vehicles
* Approx. 17 degrees (when traveling at 25km/h)



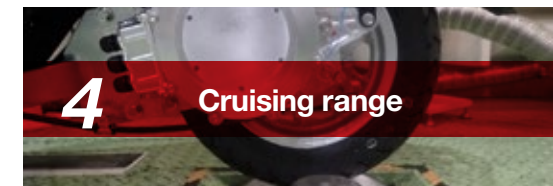
2 Lightweight and compact

Integrated motor and drive unit
for light weight and compact size



3 Quietness

Quietness by utilizing Musashi's accumulated
know-how in gear design and manufacturing



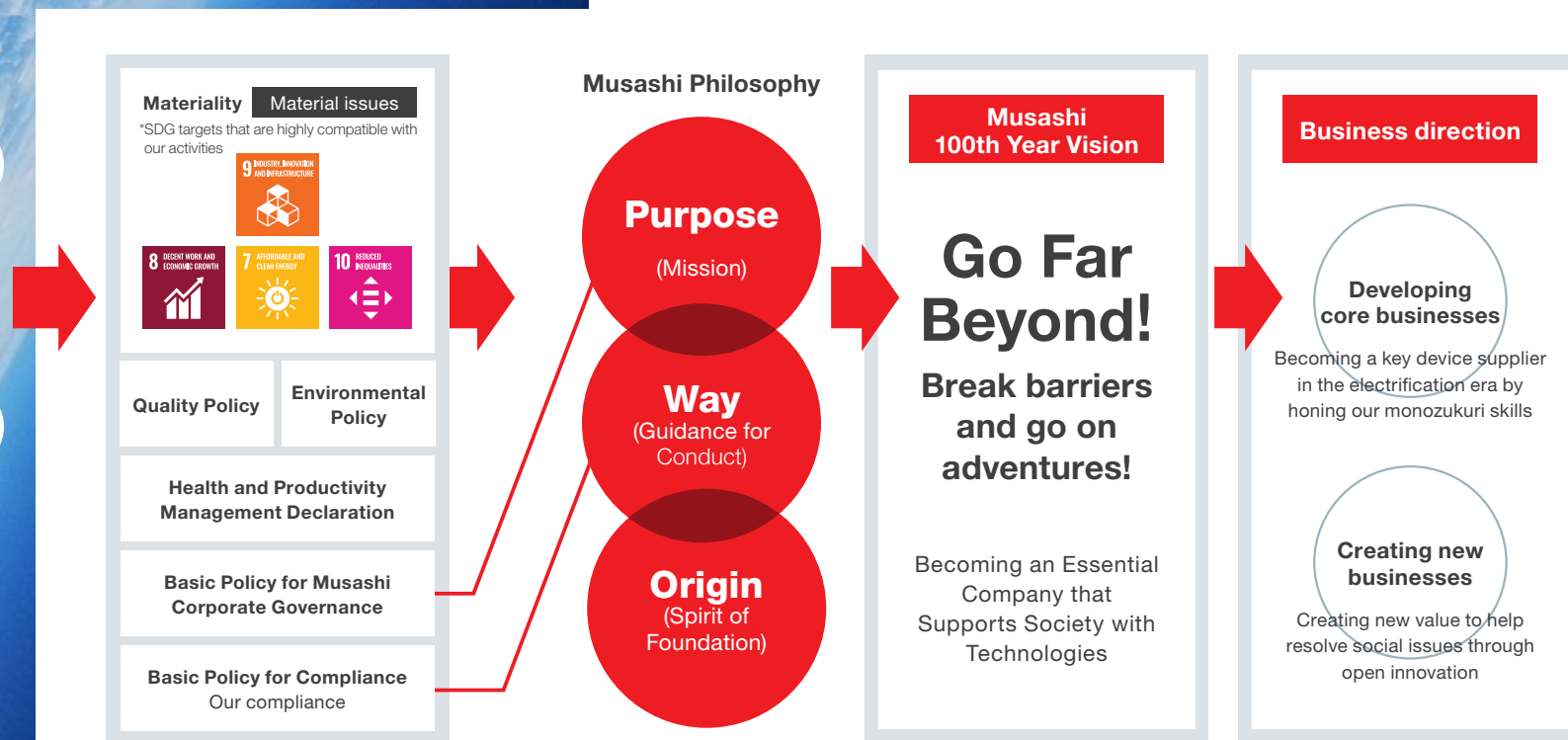
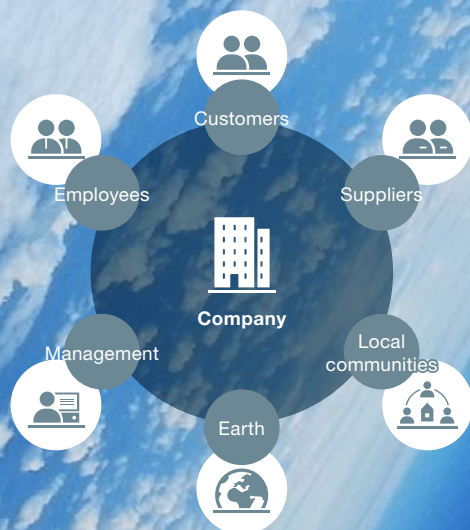
4 Cruising range

Highly efficient motors and gear reducers with
optimized tooth geometry extend cruising range



Musashi Sustainability

We are working toward
the complete realization of
a sustainable global society



Musashi
Sustainability

Contributing to sustainable growth and the realization of a sustainable society through the expansion of business centering on the Musashi Philosophy

The Musashi Philosophy is a common set of values for all employees working for Musashi. It has taken root as the foundation of corporate activities and individual actions.

We have set Our Purpose with the mission of contributing to sustainable growth and the realization of a sustainable society through our business activities. We have set the Musashi 100th Year Vision, "Go Far Beyond!" as the slogan for achieving this.

By disrupting the existing frameworks, we aim to become an essential company that is needed by society.

To expand our business, we have specified key issues that we should work to improve after considering expectations, requirements, and the social issues that we have identified through communication with stakeholders in light of Our Vision and Our Purpose.

We work to address these key issues by creating new value through the development of core businesses and the creation of new businesses.

This means that contributing to the resolution of social issues through our business activities themselves is our approach to sustainability.

Musashi's Materiality to Achieve Our Purpose/Vision

Materiality identification

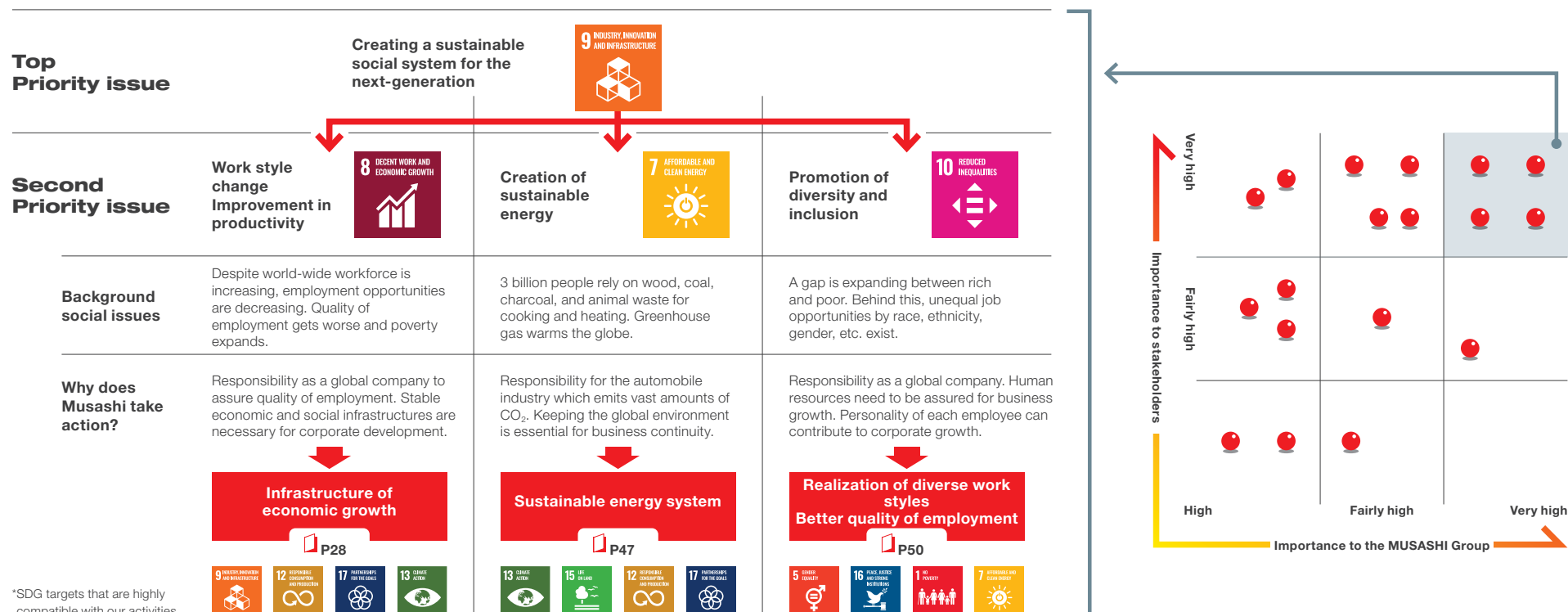
We review materiality from time to time in response to changes in the business and social environment.

Based on the "Musashi Philosophy," we analyze what Musashi can do, which areas we should focus on, and what responsibilities we should fulfill as a company, and identify material issues in management. The identification of materiality is conducted in terms of both Musashi's value proposition for solving social issues and what the company should focus on to fulfill its social responsibilities, and incorporates international guidelines and standards such as the SDGs and SASB (ESG disclosure standards), as well as opinions obtained through dialogues with stakeholders.

By selecting priority themes based on the expectations and demands of society and taking into consideration the characteristics of our business, including the value chain, we will deepen common understanding with our stakeholders and effectively promote sustainability initiatives.

Materiality

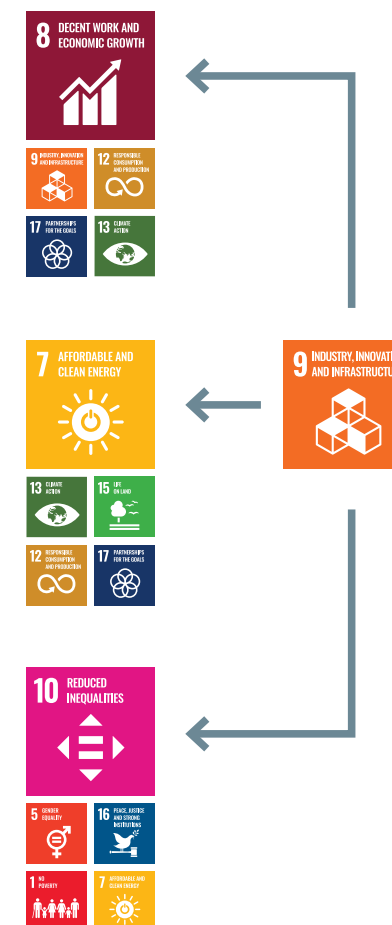
Materiality Identification Process



*SDG targets that are highly compatible with our activities

Materiality to solve social issues and strengthen management foundation through business

Key issue	Musashi's Initiatives	SDG themes that are sustainability ideas
Climate change & Energy management	Musashi GX (promotion of green strategy) We aim to achieve carbon neutrality in our business activities ^{*1} (Green Operation 100) by 2038, the 100th anniversary of our founding, and in the entire value chain by 2050. We will formulate and implement green strategies for all of our business activities to convert energy conservation, increased use of renewable energy, and other initiatives into value.	P44-49
Promotion of electrification	Establish strong core businesses and create new businesses We will work to expand our core businesses and improve profitability by seizing the opportunities presented by electrification, pursuing optimal manufacturing from the perspective of QCD+E (Quality, Cost, Delivery + Environment), as well as preparing new technologies for the future and creating new businesses through open innovation. We aim to grow as a key device supplier in the age of electrification by strengthening the competitiveness and expanding the lineup of products for electrified vehicles by leveraging our specialty technologies, as well as by continuously enhancing the earning power of existing products. In the area of new businesses, we are working to create businesses that can contribute to solving social issues.	P25-32 P33-37 P38-39
Efficient use of resources		
Supply chain management		
Quality and safety of products and services	Building a Robust Quality System By establishing a system to evaluate and guarantee product quality throughout the process from development to mass production, we maintain a production and supply system that our customers can rely on.	P32
Highly efficient business processes / data utilization	Musashi DX Realization We will make business processes more efficient by standardizing, automating, and optimizing operations through the use of digital technology, and we will also take on the challenge of creating new value through the utilization of data accumulated in digitalized processes. We are building a corporate culture based on digital technology, which will serve as the foundation for growth in the new era.	P52
Human Resource development	Embodying the Musashi Philosophy, challenging vision To put the 100-year vision of Musashi into practice on a global scale, we aim to develop highly skilled professional human resources who will lead the future and autonomous human resources who will create value through new ways of working. With regard to the Musashi Philosophy, which is the cornerstone of all our activities, we are creating an environment and corporate culture in which each individual can enhance his/her abilities, demonstrate his/her capabilities, and play an active role by concretizing the expected behaviors by job level, developing educational programs to put them into practice, and introducing a personnel evaluation system mechanism linked to them.	P50-55
Health/occupational health and safety		
Diversity		
Compliance	Strengthen risk management mechanisms We have established a corporate governance system to appropriately address social issues surrounding sustainability with the aim of becoming a company that is needed by society. Through appropriate information disclosure and dialogue with society, we will strengthen our governance, compliance, and risk management mechanisms to achieve sustainable growth and enhance corporate value in the future.	P56-63
Governance		



^{*1} Scope1&Scope2 of GHG Protocol

Stakeholder Engagement

Examples of initiatives in FY2022

Stakeholders	Main interaction methods	Summary	Frequency	Reflection on corporate activities
Guest	Various exhibitions	Both core and new businesses exhibit at various exhibitions depending on the type of business.	Occasionally	We are committed to providing products and services that meet the needs and concerns of our customers.
	Customer service	We receive customer feedback directly from customers by phone, email form, etc.	Occasionally	
	Business status sharing	We share information on business activities, including medium- and long-term management policies, business plans, sustainability, and ESG initiatives, as necessary.	Appropriate	
Client	Business partner roundtable	We hold regular roundtable meetings to share business directions and initiatives with suppliers. In addition to presenting our business and purchasing policies, we present awards to suppliers who have achieved particularly outstanding results in QCD and other areas.	Once a year	We are building mutual trust and improving partnerships.
	Conduct ESG surveys for suppliers	We have established Green Purchasing Guidelines and ask suppliers to cooperate with our business activities in accordance with the guidelines. We revise the guidelines in accordance with changes in the business and social environment, and conduct supplier surveys as appropriate.	Occasionally	
Shareholders and Investors	General meeting of shareholders	The business report, consolidated financial statements, financial statements, audit report, and matters to be resolved are discussed and resolved.	Once a year	We use your questions and comments to improve our corporate value.
	Financial results briefing	We hold web briefings on our financial results, initiatives, and other topics.	4 times a year	
	Individual explanation	The committee provides explanations and exchanges opinions on business policies, business activities, and financial results.	Occasionally	
Local and global society	Invitations to our events	We invite local residents to participate in our events and interact with them.	Occasionally	Through activities and exchanges, we are working to deepen communication with local residents and at the same time contribute to the development of local communities.
	Implementation of environmental beautification activities	We regularly conduct cleanup activities of roads around the plant and environmental preservation activities in the surrounding area.	Occasionally	
	Next generation education support	We provide opportunities for factory tours and work experience for children, students, and their parents.	Occasionally	
	Endorsement and participation in international initiatives	We support the TCFD and disclose information through the Integrated Report and our website.	Occasionally	
Employee	Labor-management council / Labor-management roundtable	The committee discusses, negotiates, and exchanges opinions on issues between labor and management.	Occasionally	Connecting to efforts to improve workplace culture, reform work styles, and other initiatives to increase engagement as working colleagues
	Engagement survey	We conduct surveys of employees regarding workplace climate, working environment, and internal systems.	Once a year	

Prosperous Coexistence with the Global Environment

Confronting all environmental problems with sincerity, aiming to improve the global environment

Support for the TCFD



At Musashi Group, we regard climate action to be an important task for sustainable management. We address climate change through our products, services, and corporate activities, thus "contributing to enriched Harmony between our lives and Earth." In August 2021, we announced our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to increase communication with our stakeholders. We will continue striving to disclose more information via media outlets including integrated reports and our website.

Environmental policy

We intend to address global environmental problems through the achievement of Our Purpose, thereby contributing to the global society through all of our business activities as a member of that society. We have summarized our basic approach and stance for this purpose as our Environmental Policy.



See our website for more information.
www.musashi.co.jp/en/sustainability/earth.html

Strengthening governance

We have strengthened our corporate governance system to reflect our climate actions in our management. We have clarified the roles and responsibilities of domestic and overseas Group companies and affiliates in the organization, to enable them to act to achieve targets in a responsible manner while supervised by management. **P57**

Risk Management

Musashi has put in place a companywide risk management system that covers all risks related to its corporate activities and conduct. Under the system, we identify, assess and monitor risks, including those related to climate change. In particular, climate change-related risks (physical risks) have been selected as critical risks for business continuity. The BCP Committee formulates business continuity plans and regularly conducts BCP-related training and drills. Given the perspectives of rapidly changing risks, we endeavor to minimize risks by actively incorporating social issues into our thinking and reflecting feedback from stakeholders and outside directors. **P62**



See our website for more information.
www.musashi.co.jp/en/sustainability/earth.html

1 Board of Directors

The Board of Directors makes decisions on the company's initiatives (policies and strategies).

2 Sustainability Strategy Committee

This committee deliberates and makes decisions regarding the Group's direction, targets, and indexes for achieving sustainability, based on the policies and strategies resolved by the Board of Directors. It orders affiliates and Group companies all over the world to take actions to resolve issues, by adding the perspective of the medium- to long-term improvement of corporate value to the perspectives of social issues, management risks, and governance.

Chairperson

Chief Executive Officer

Frequency of meetings

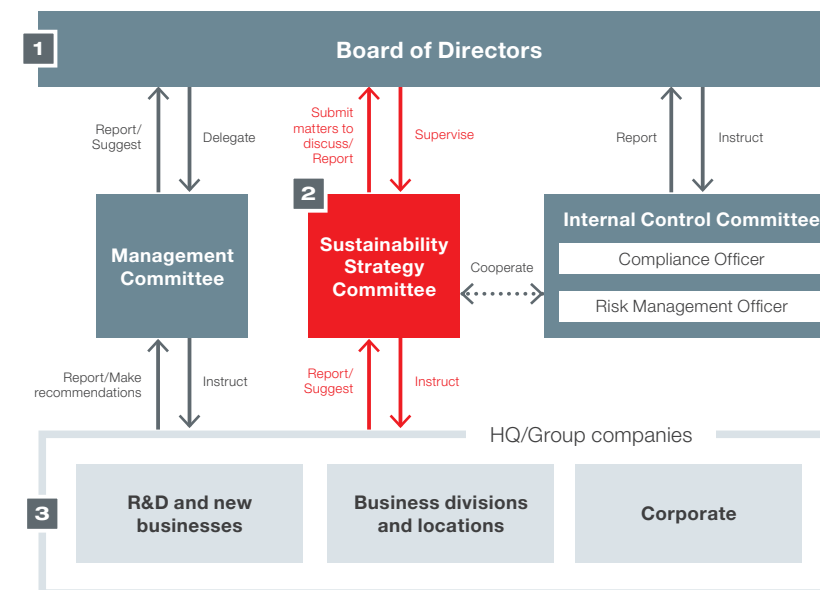
At least twice a year

Members

Directors, C-suite executives and external specialists

3 Execution area (HQ/Group companies)

PDCA cycles for achieving targets are implemented in a responsible manner, and the status of implementation is reported to management.



Risks and Opportunities

We try to minimize the risk and create new value by ascertaining the impact that climate change has on our business and analyzing the risks and opportunities, and promote initiatives that lead to sustainable business growth.

Climate change risks		Expected risks	Opportunities	Musashi's response
Transition risks	Government policy, laws and regulations	Advance of CO ₂ emissions pricing Making CO ₂ emissions reporting mandatory Strengthening of emissions regulations applied to existing products and services Introduction and expansion of carbon taxes and environmental taxes in various countries More stringent lifecycle CO ₂ disclosure requirements Stricter environmental regulations for the automotive industry	Promoting energy conservation and improved production efficiency, introducing new technologies Promoting carbon neutrality in ways that also involve suppliers *1 Common	Formulating Musashi Green Operation 100. Promoting the switch to renewable energy including thorough energy conservation efforts, improved efficiency and in-house power generation. We plan to ascertain CO ₂ emissions throughout the entire lifecycle in a phased manner. *2 Common P46-49
	Technology	Replacement of existing products and services with low-carbon replacements Up-front costs to transition to low-carbon technologies Failure of investments in new low-carbon technologies Declining sales due to products being deemed incompatible in connection with the shift to EVs Increased legacy costs due to incompatibility with requirements in connection with the shift to EVs Incompatibilities due to changing international rules and industrial standards	(*1) Development of low-carbon products and services, and creation of new businesses Optimization of existing product functions to comply with the shift to EVs, and the development of new products and services Evolution of existing technologies compliant with the shift to EVs Creation of new businesses due to the introduction of new technologies	(*2) Expansion of products for EVs due to the exploration and in-depth pursuit of existing technologies Improved competitiveness by pursuing the optimization of transmission functions in core technologies Development of electric drive units for next-generation products and business expansion Providing L&S products that achieve compact sizes, light weight, and low/constant friction Development and business expansion for e-motorcycle units that utilize Musashi's leading worldwide market share for motorcycle transmission technologies Creation of synergy through active CVC activities and partnerships Development of solutions that utilize HSC that promotes the adoption of green solutions for energy P28-31 P34 P38-39 P51 P47
	Market	Changing awareness and behaviors of customers and consumers Sharply rising raw material costs Lost orders and contracts due to nonconformance with requirements Sharply rising material costs due to fast-rising energy costs and added environmental value	*1 Common Process improvements incorporating the 3Rs Development through collaboration with suppliers	*2 Common Active 3Rs promotion and stronger waste management. Promotion of process innovation due to material changes or the introduction of new technologies P47-49
	Reputation	Changing awareness of the environment among customers and consumers Expanding criticism of relevant industries Increasing anxiety or criticism on the part of stakeholders Cessation of business dealings due to inadequate carbon neutrality initiatives or disclosures Withdrawn investments or falling share prices Loss of corporate value due to falsified disclosure information	Improved engagement due to initiatives spanning the entire supply chain Improved engagement due to support for or participation in initiatives Strengthening governance	Development and implementation of systems to address environmental and social issues including climate change through support for the TCFD and participation in the CDP P44-45
Physical risks	Acute	Risk of employees being affected by a disaster while commuting, etc. Increased severity of abnormal weather events such as typhoons and flooding Production stoppages of plants or equipment when affected by a disaster Production and shipping stoppages due to supply chain disruptions	Active introduction of remote work Strengthening of BCP measures (alternative production and standardization of infrastructure, etc.) Optimization of logistics processes Development of resilience-related businesses	Promoting the digitalization of business through the cultivation of DX-minded human resources Formulation of business continuity plans and regular education/training by the BCP Committee Promotion of a green strategy that "connects" Musashi with society through green solutions P52 P62 P47-48
	Chronic	Changes in precipitation patterns Extreme changes in weather patterns Rising sea levels Rise in average temperatures Production downsizing or stoppages due to water restrictions caused by drought Decline in vehicle sales in response to the impact of sudden cool conditions in summer or unusually warm winters on GDP Decline in the regions capable of production activities Decline in work and occurrence of work-related accidents due to working under harsh conditions	Strengthening of improvement activities to conserve water Development of a flexible production system Acceleration of production line automation by utilizing DX Improved employee satisfaction due to improvements to the workplace environment	Water quality management and reduced water usage Design of high-efficiency and flexible production lines that leverage Musashi's strengths in development, integrated production systems and field capabilities Introduction of automation solutions utilizing AI technologies and development and promotion of systems aimed at health and productivity management P49 P20 P29-32 P35

GREEN OPERATION 100

Achieving 100% carbon neutrality in our business activities^{*1} by 2038^{*2}

We have implemented an array of initiatives to address environmental problems, including energy conservation activities. We have begun acting with renewed determination as a member of a global society to achieve carbon neutrality, a goal supported by a global consensus. We promise to make our own activities green globally by 2038, aiming to achieve the carbon neutrality of the entire value chain by 2050.

See our website for more information.
www.musashi.co.jp/en/sustainability/

Milestone 2030

As a milestone on the way to achieving 100% green operations by 2038, we will aim to reduce 50% of CO₂ emissions from our business activities^{*1} by 2030.

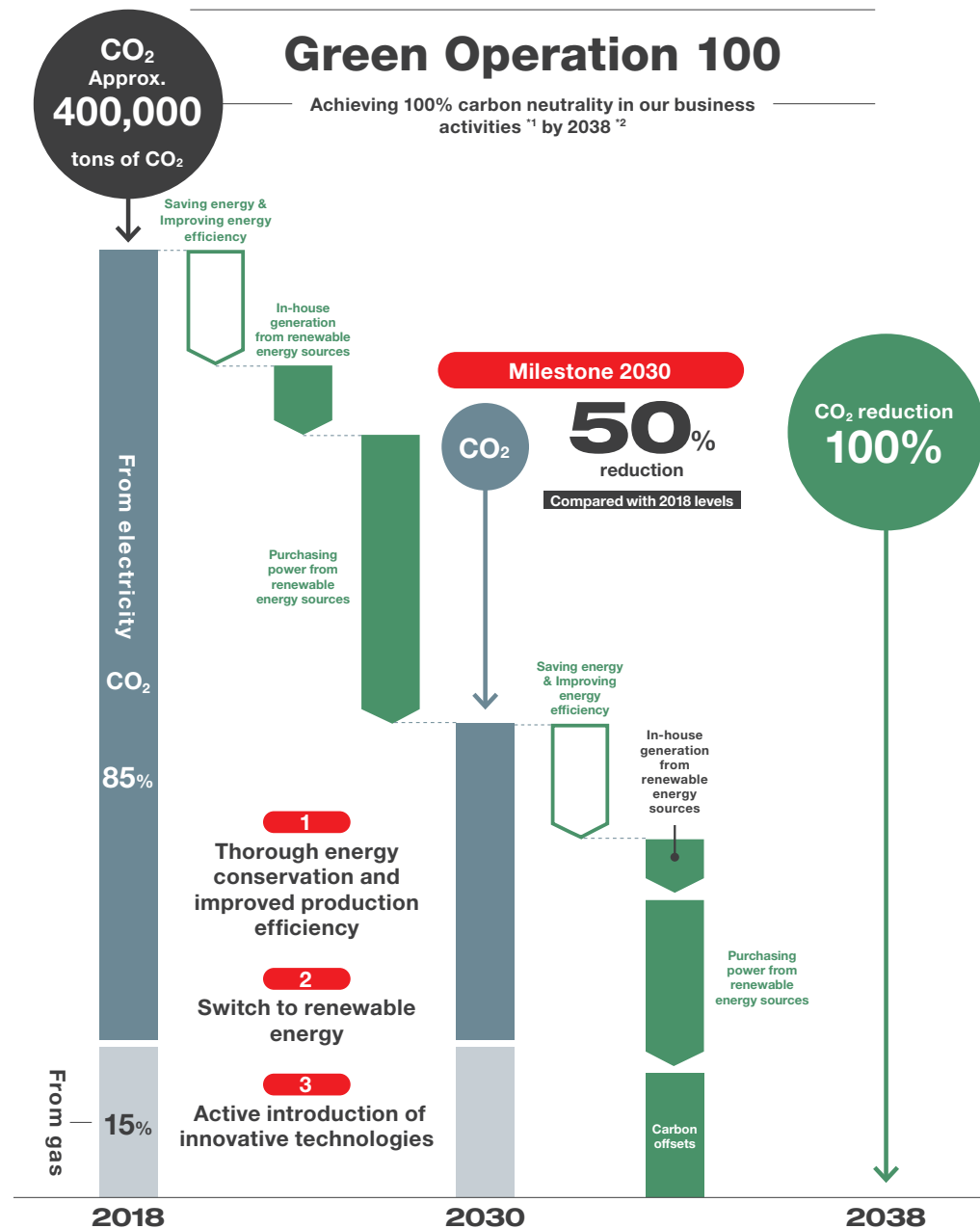
Internal carbon pricing

To promote improved efficiency in manufacturing and achieve an evolution in production, Musashi has been making capital investments including the introduction of new technologies as appropriate. We have introduced internal carbon pricing to raise awareness and promote the implementation of carbon neutrality.

^{*1} Scope 1 & Scope 2 ^{*2} 100th anniversary of Musashi

Green Operation 100

Achieving 100% carbon neutrality in our business activities^{*1} by 2038^{*2}



Initiatives

01

Green Transformation

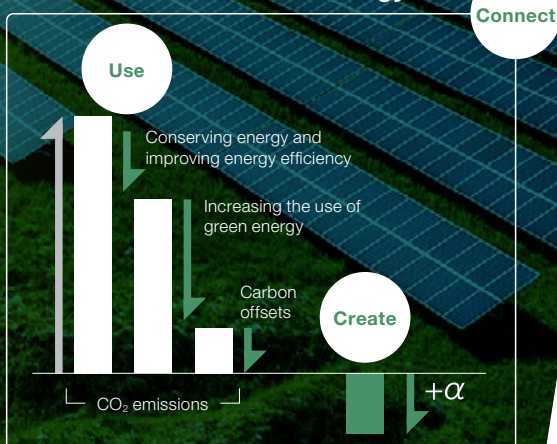
Create green value!

We take on challenges to contribute to a global society where the nature and people are able to coexist in harmony.

What is Green Transformation?

Since Industry 1.0, the lives of humans have been enriched by technology and energy. However, the global environment has become polluted. Now that the pollution has reached a level where the previous environmental initiatives are far from sufficient, Musashi will implement green strategies to contribute to increasing the harmony between our lives and Earth through innovation using technologies as expressed in Our Purpose.

Musashi Green Strategy



Create

Green Products

Creating products that contribute to the reduction of CO₂ emissions

Providing products and services that are friendly to people and the environment

We are working on GX (Green Transformation) in both EV conversion in our core business (P28-32) and new businesses. At production sites with high power loads, it is difficult to maintain a balance between power demand and supply with only in-house power generation, and energy conversion alone cannot solve the problem. Industrial facilities can experience large instantaneous loads during operation and must rely on grid power even when utilizing renewable energy. If a FEMS* utilizing HSCs (Hybrid Supercapacitors (P36)) is used to supplement the instantaneous load, it can be expected to reduce power consumption by curbing demand and utilizing renewable energy sources by shifting the power peak at factories. It will also enable long-term stand-alone operation during power outages, contributing to carbon neutrality and resilience. After completing the PoC (Proof of Concept) experiment at our headquarters plant, we plan to start full-scale operation at the mass-production site in 2024.

In addition, AI-powered Autonomous Mobile Robots (AMRs) (P35) will not only improve productivity, but also help shift gas- and gasoline-powered transport machines to electric-powered ones. These are issues common to the manufacturing industry, and we are developing these products to deliver them to manufacturing sites around the world.

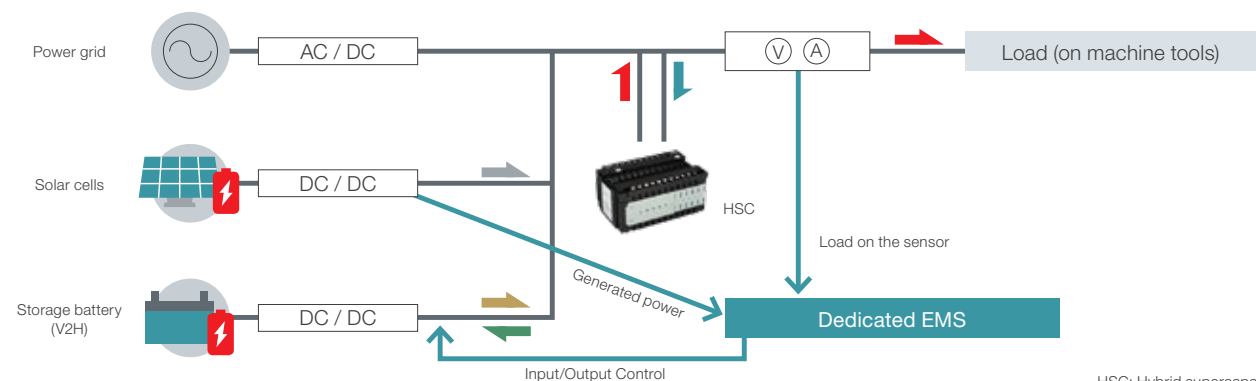
Green Transformation



1 Solar panels installed at Head Office and Shin-minami Plant
2 Storage battery container 3 Storage battery 600 kW: Storage battery and HSC are installed inside the storage battery container
4 EMS: HSC24 direct MD / 4x6 standard

*Mass production preparation for full-scale operation of FEMS at mass production sites

FEMS Factory Energy Management System



HSC: Hybrid supercapacitor

Use

Green Operation

Minimization of energy efficiency

All processes produced with
renewable energy

When viewed in terms of CO₂ composition, 85% of the energy used in Musashi's production activities is electricity, and most of the remaining 15% is gas. To achieve "Green Operation 100" (P46), we are first working on thorough energy saving and production efficiency improvement. In addition to daily production improvement activities, we incorporate various viewpoints and opinions through MM Circle (QC activities) (P32). For example, we are trying to reduce the use of gas by changing the burner, which is the ignition source of the heat treatment furnace, from a combustion type to an electric type, and will gradually curb the use of gas.

Toward "Milestone 2030" (P46), we are gradually introducing in-house power generation and shifting to power derived from renewable energy sources that do not emit CO₂, while taking advantage of the characteristics and advantages of each country and region. In 2022, Musashi Energy Solutions (MES) introduced grid power from hydroelectric power operated by Yamanashi Prefecture for its production activities. As a result, the percentage of renewable electricity at Musashi Group has increased to 6.9%.

Examples of Improvements

Existing pilot burner

Mixed gas/air combustion



Electric ceramic heater



Introduction of green power (2022)

Musashi Energy Solutions (Yamanashi Prefecture)



Connect

Green Communication

Carbon neutralization of all activities
Commitment to community and society

We are now preparing for trial operations and disaster response drills in preparation for full operation in 2024. Electricity generated by our solar power generation system will be efficiently utilized for production activities via FEMS during normal times, and when power is interrupted, such as during a disaster, it will be supplied to the local community to help maintain a safe and hygienic living environment for local residents in times of emergency.

In addition, MDA (Brazilian motorcycle parts manufacturing plant in the state of Amazonas) recycles wooden waste used for product packaging into daily necessities, furniture, and playground equipment by their own hands. At first, it started with the production of benches and other items in the company, for employees' families and children. Now, we have established a school to expand this activity and are passing on our production know-how. These activities were initiated through the MM Circle (QC activities), with each and every employee voluntarily thinking and cooperating with each other.



Please refer to our website for details of each.
https://www.musashi.co.jp/newsrelease/post_57.html

WOODWORK SCHOOLING Musashi

The project started as a way to reclaim wood waste that had previously been incinerated, but now operates as a woodworking school.

For skill acquisition, we have not only classrooms but also uniforms, protective equipment, and professional tools. During the project period, we also received a sustainability award from our client.



In 2022, 45 employees and 15 children were selected to open the school and they graduated successfully. The school will be held again in 2023.

Initiatives

02

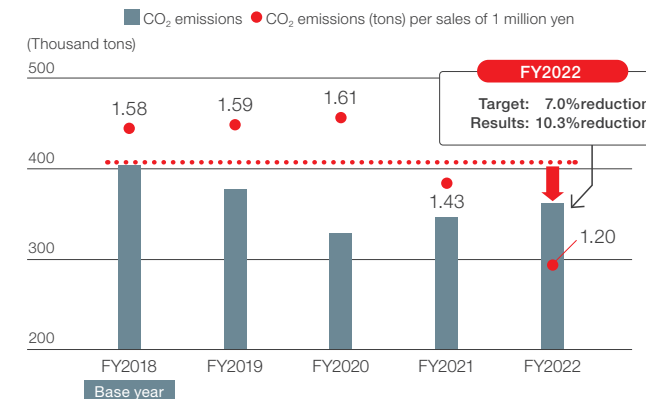
Initiatives for reducing global CO₂ emissions

We have set FY2018 as the base year for reduction, and are working to achieve Green Operation 100 by 2038. (P46)

In FY2022, we achieved a 10.3% reduction compared to our target of 7% reduction (compared to FY18).

To achieve the target, we have set not only CO₂ reduction targets but also energy-saving targets resulting from them, and we have established a constitution indicator to evaluate steady reduction activities even in the face of production fluctuations caused by external factors, and are managing progress on a global basis.

The CO₂ emission reduction rate through energy-saving activities in 2022 is 13% (calculated based on our standards), which is a significant contribution to the achievement of the target in the relevant period.

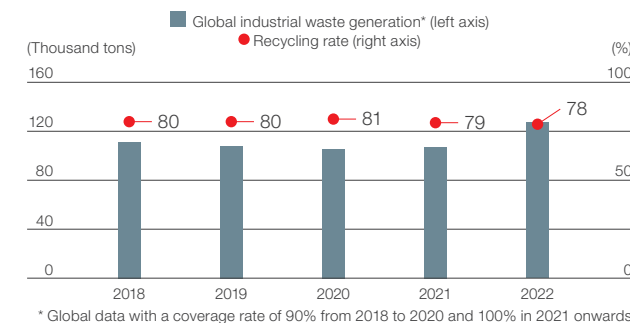
CO₂ emissions & CO₂ emissions per unit
Scope 1, Scope 2

Initiatives to reduce industrial waste

Waste management has been conducted by each group company, but from FY2021, we have begun to monitor the entire group. We are promoting activities to accurately grasp our impact and responsibility in the global community and to use this as an indicator for improvement activities.

We continue to make improvements that take advantage of our integrated processing, such as reusing liquids used in the cleaning process in the cutting process and establishing an in-house recycling system that returns steel scraps generated when shaving castings back to the materials used before casting. In addition, some of the lubricating oil used in the forging process was previously disposed of because it was mixed with other liquids after the forging process, but now it can be reused by separating it. This is a new initiative.

Industrial waste generation and recycling rates (global)



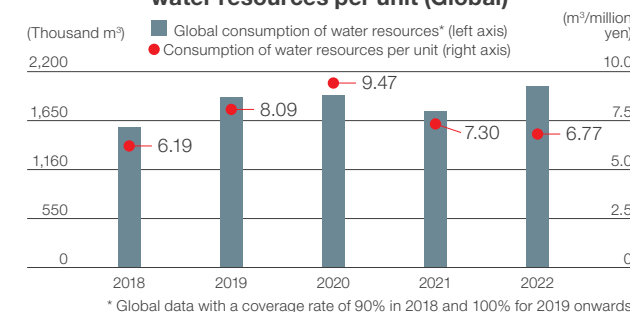
Efforts to reduce water consumption

We continuously monitor water consumption and wastewater discharge in our business activities to reduce environmental impact.

We are continuously operating on a daily basis to reduce the number of coolant changes due to corrosion and cutting water changes during the winter. In addition, we have been able to install filters and set conditions to enable the use of circulating water in some forging processes where only freshwater could be applied in the past, and we are gradually rolling this out at our German plant.

Other environmental activities include tree planting and cleanups in various countries, and we are working together with local residents to preserve the environment.

Consumption of water resources and consumption of water resources per unit (Global)



Initiatives

03

Initiatives to reduce industrial waste and the consumption of water resources



Human Resources

Creating an exciting future using the “human chemistry” that occurs when individuals from diverse backgrounds, each with their own unique qualities, are brought together



Basic human resource development concept

Musashi has set a new vision for 2038: “Go Far Beyond!” To meet this vision in accordance with the Musashi Philosophy, for “a world where the earth and people coexist in prosperity and harmony,” each one of us has become an adventurer and will create a path forward into the future.

To adapt to the times and the changing business environment, and to create an organization that continues to innovate, Musashi aims to develop autonomous professional human resources, namely highly motivated talent who take on the challenge of change autonomously and constantly strive for self-improvement.

We have declared a new HR development policy of “autonomous professional human resources,” and are working to foster an organizational culture in which individuals can develop their capabilities based on the concepts of independence and self-reliance, and have launched a number of initiatives to revamp our training systems to produce human resources who can properly understand and develop the Musashi Philosophy and management policies (vision).

We position “Our Way,” which is part of the Musashi Philosophy, as a core competency that is at the core of our human resource development efforts. Additionally, as key development themes to achieve our vision, we are actively pursuing efforts to provide opportunities for skills development in the areas of innovation and digital technology, and to cultivate global leaders.

Spreading philosophy and vision

We have established three programs to instill our philosophy and vision in order to produce human resources who understand and practice the Musashi Philosophy and those who take on the challenge of achieving our vision.

1 BEYONDER training This is a basic philosophy training program for all employees. It is an interactive program designed to help employees understand (empathize with) and act on the Philosophy. Employees, regardless of age, company history, job, department, etc., raise their hands to participate in the training program on their own initiative, deepen their understanding of the philosophy through dialogue, and at the end of the training, they make a declaration of putting the philosophy into practice. The content of the program is shared not only in Japan but also on a global basis, and education is conducted based on the characteristics of each region.

2 Go BEYONDER training This selective training program for managers is a practical program in which teams plan and propose themes for change that transcend the framework of existing structures and ways of thinking, with the aim of producing top runners who will take up the challenge of “Go Far Beyond!”

3 Go Far BEYONDER training This is a selective training program for global leaders. This is a program that aims to become an evangelist who deeply understands and embodies the philosophy and vision as management, and to instill and establish them in the organization, and is being developed as a human resources development program for global leaders. **P54**

Diagram of the FY2022 training scheme

Diagram of the FY2022 training scheme						Elective	Tiered	Company-selected					
Positioning	Tier	Competency Development	Theme-specific				Tier-specific / Job-specific						
			Philosophy	Innovation	DX	English							
Managers	CO												
	Middle management	Elective competency development training	Basic training on the Musashi Philosophy	Philosophy / innovation training for top management candidates	Innovation training	DX training	English instruction (self-development)	Newly appointed managers	Quality training	Manufacturing training (proficiency testing)	Compliance and confidentiality management	Environment, health and safety	
	Philosophy / innovation training for middle management												
General	Senior staff							New business creation program					
						Career development							
	Staff					New employee training							



1 Philosophy basic training (BEYONDER training)



2 Management selection training (Go BEYONDER training)

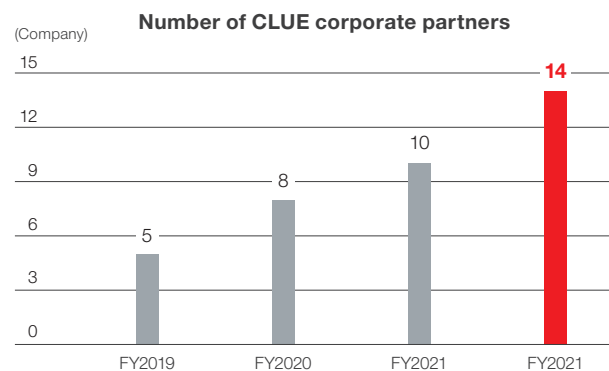
Innovation human resource development

We believe that the creation of technology-based innovation is an important issue for realizing an affluent global society in which people and the environment are in harmony. The MUSASHI Innovation Lab CLUE, which opened in December 2018, has the mission of creating innovations from the East Mikawa region. CLUE has established the three elements necessary for innovation creation: Place (a space away from daily life), People (a group of people rich in diversity), and Process (innovation creation education, including design thinking). CLUE offers programs and workshops aimed at new business creation, business growth, and further business expansion through networking. In particular, the “East Mikawa Innovator’s Gate,” an innovation creation program held annually since 2019, is attended by a diversity of Musashi employees selected from internal applications, employees of various companies and city offices, university professors and students, and others who are serious about innovation. Through lectures and fieldwork by experienced lecturers, participants seriously propose new business plans to management. We also hold a “Business Creation Workshop”

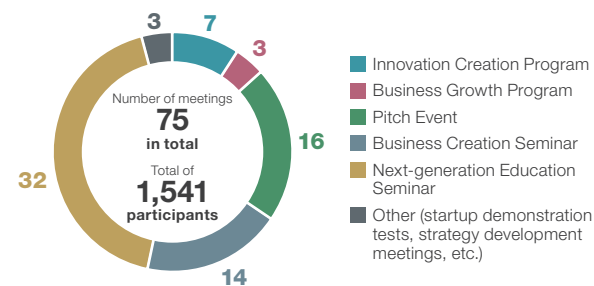
to challenge Musashi’s 100-year vision “Go Far Beyond!” This program is designed to help the next generation of leaders of our core/new businesses understand the basic concepts necessary for business creation and foster a mindset of change, and is led by Yoshie Munakata, an outside director of the Company.

For local students, we offer creative workshops and internship programs in cooperation with local universities and city halls to foster future innovators. We have been commissioned by Toyohashi City in Aichi Prefecture for the “2022 Co-Creation Community Creation Support Project” to develop local innovative human resources and create an ecosystem that connects investors and partners. While deepening cooperation with industry, academia, and government, we are striving to develop human resources by leveraging the synergy between the local community and our company. Meanwhile, we have a corporate/startup partner system that allows us to use CLUE on a daily basis for new business creation and to interact with other companies. The number of partner companies has increased to 14 by FY2022.

CLUE, as a networking base for the Ministry of Internal Affairs and Communications’ “Cross-cultural Collaboration” and as a member of the East Mikawa Startup Promotion Council, is building a pipeline of innovative human resources not only in Japan but around the world, and is also enhancing online and offline exchange opportunities with our employees and other local people.



Number of programs and events held (FY2022)



2022 Final Demo Day as part of East Mikawa Innovator’s Gate where participants present their pitches for new businesses to business managers



Business creation workshop to brush up business plans using Lego blocks

Open innovation in practice

In our CVC activities, we collaborate with startups and tech companies from around the world, including Silicon Valley and Israel. By having our employees directly participate in these open innovation creation efforts, we aim to accelerate the creation of new businesses by learning methods such as agile development and lean startup from practice. In particular, we aim to go beyond the boundaries of an automotive parts manufacturer by developing new businesses in the areas of Mobility and Industry 4.0 of the future, Energy Solution to support them in a carbon-

neutral manner, and Well-being that leads to a healthy and happy life, which is also our ultimate goal.

In addition, through joint development with Nara Institute of Science and Technology (NAIST), we aim to develop new businesses and foster human resources in new fields.



Digital human resource development

Musashi's core value of "technology that leads the times" comes from our passion to shape the future through innovation, not merely to improve business performance or market value. This attitude is also strongly reflected in our approach to "digital human resource development."

As digital transformation is becoming the industry-wide standard, we see it not just as a trend, but as a new opportunity: IoT, AI, robotics, and other technologies have the potential to revolutionize our product manufacturing and business processes. Digital technology is now fundamental to business, but it is supported by DX-literate digital human capital. We are implementing a step-by-step education program so that each and every employee can ride the digital wave.

In 2021, we began offering IT literacy education to all employees under the banner of "DX Top Runner." Next, we started education for streamlining business processes and giving shape to ideas, and are now providing more advanced topics such as DX mindset and how to visualize data using business intelligence tools to advance education. The next phase will provide more practical skills such as learning general-purpose AI and data science, skills that will be needed in the future.

Musashi's goal is not just to learn technology. Our goal is to foster engineers who can go beyond the boundaries of being an automotive parts manufacturer to create new businesses and strengthen our core businesses. To this end, we must not forget to provide an environment that allows employees to experience the latest technology, to gain insight from data, and to create an environment in which they can work independently and enthusiastically. We promote activities that break down boundaries so that employees can enjoy learning while at the same time working, and also connect with the outside world.

Our digital human resource development education programs and internal communities constantly focus on new technologies and methodologies to support the growth of our employees. By establishing

Musashi's original digital skill standards, we are also fostering a culture where digital is the norm.

Since 2014, Musashi has been systemizing its operations through in-house production, and from 2021 we have further accelerated the democratization of digital using low-code tools. Employees who have been exposed to cutting-edge technology have come to see its appeal and potential, and have begun to implement digital innovations on their own. Presentations on the use of digital technology are increasingly being made at internal improvement presentations, such as the president's tour of the company. Digital human resource development is the foundation for the entire company to work together to overcome this era of great change.



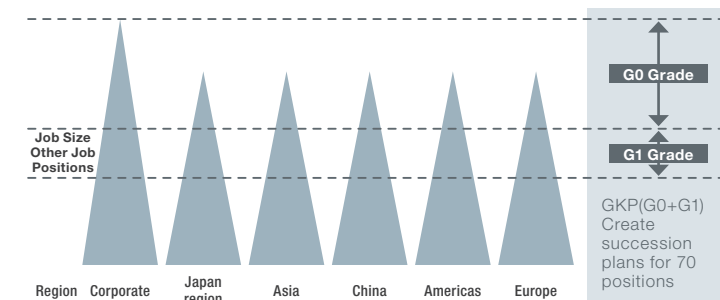
Presentation of case studies of in-house developed applications

Planned development of global leaders

Musashi currently has a group network of 36 bases in 14 countries around the world, with overseas sales and employees accounting for more than 80% of total sales and employees. Musashi has been working to create an environment where diverse human resources can grow and flourish regardless of gender, age, nationality, disability, etc. In the future, however, we will strengthen our efforts to develop true global leaders who can exercise leadership not only in individual company operations but also in the entire region and group as a whole.

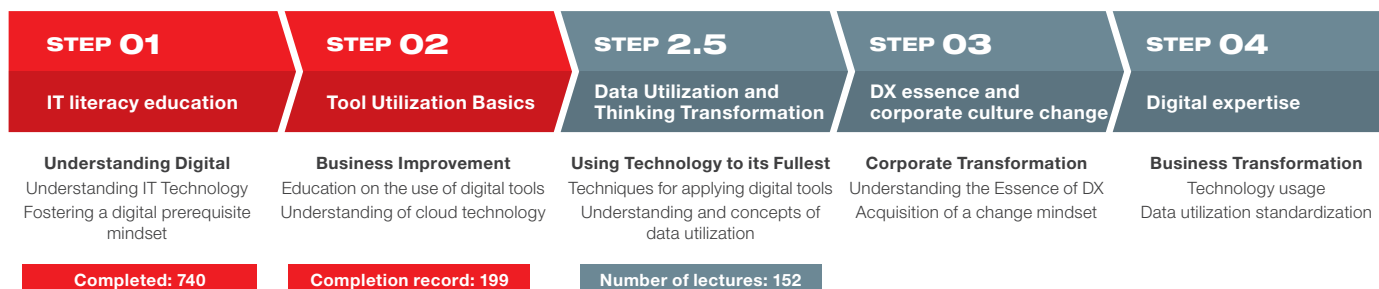
At present, we have set the global management level competencies required of global leaders as our development goals, and have formulated a succession plan for key global positions at the core of management, and are working to develop human resources. Based on the training needs of potential successors, we will provide training programs and implement nurturing human resource allocation by bringing candidates together to discuss six approaches, including philosophy, innovation, and sustainability, and to decide on actions for change. **P50**

Group Key Positions (GKPs) and Succession Plans (SPs)



3 Participants in the next generation global leaders development program (Go Far BEYONDER training)

Digital human resource development education program system



Health management

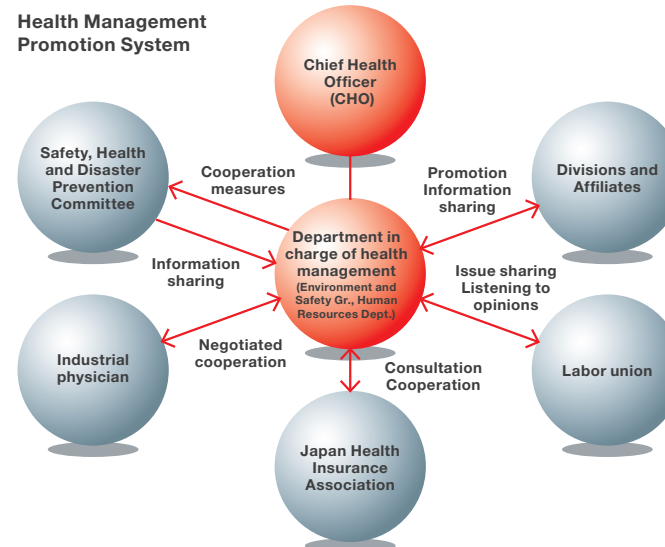
Creating an environment where people want to continue to work — Well-being
Contributing to the realization of a prosperous global society where people and the environment are in harmony

Since its establishment in 1938, Musashi has grown by overcoming numerous crises through “determination and challenge” based on the Musashi Philosophy.

Now, Musashi has set its mission to society as Our Purpose, “to contribute to the realization of a prosperous global society in which people and the environment are in harmony,” and is taking on new challenges with the aim of becoming a company with 100 years of history.

To realize this goal, it is essential to maintain and sustain an environment in which employees can work vigorously and to take initiatives to encourage proactive health promotion. We are actively engaged in “health management” with the aim of creating a workplace environment in which each and every employee can exercise their individuality, continue to take on challenges, and create new value.

Certificate of Excellent Health Management Corporation



Health Management Initiatives



Mental Illness Response

Line Care Self-Care Education

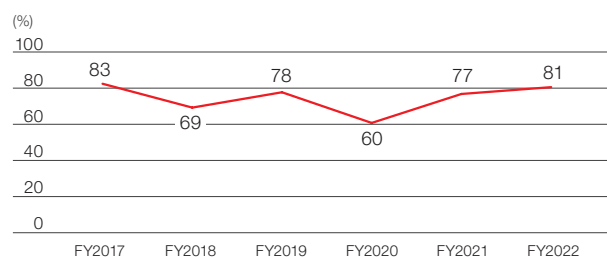
Maintenance and promotion of women's health, etc.

Support for diverse work styles

■ Initiatives to promote the use of paid leave

Labor and management cooperate in promoting the use of paid leave, and the rate of use has remained high. We have established a “Special Paid Leave System for Medical Treatment” that allows employees to accumulate unused paid leave days every year and use them for personal injury or illness, infertility treatment, or family care.

Paid holidays taken (non-consolidated)

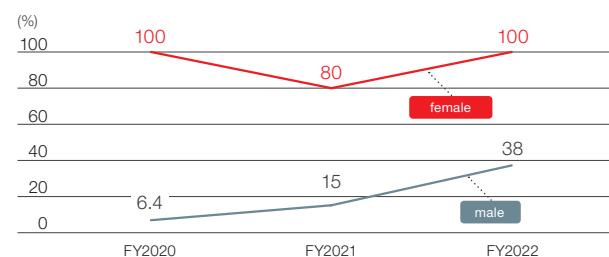


■ Support for balancing work and family life

We have a “Shorter Working Hour System for Childcare and Nursing Care” to support employees who are raising children or caring for family members. Childcare workers can use the system for as many years as they wish, provided that they meet the conditions when providing medical care for a child up to the beginning of the 4th grade of elementary school.

We have established a “full-flex work system” and a “job return system” for those engaged in childcare and nursing care, and are promoting further support for balancing work and family life.

Acquisition rate of childcare leave by gender (non-consolidated)



■ Initiatives to promote the advancement of women

As part of our activities to promote women's activities to help them balance work and childcare, we hold regular lunch meetings for working mothers. By creating unprecedented connections among working mothers, we are exchanging various opinions on work and childcare. We will use the opinions obtained through this initiative to create a workplace environment that is increasingly comfortable for employees raising children.

Working Mothers' Lunch Party



Board Of Directors

Directors

As of June 23, 2023



President and CEO

Hiroshi Otsuka

Since May 2006, Mr. Otsuka has been supervising the businesses of Musashi Seimitsu Industry (hereafter, the "Company") and the Musashi Group (hereinafter, the "Group") as the representative director and president of the Company. In addition to expanding existing businesses, he has demonstrated strong leadership by driving the creation of new businesses and various reforms, such as the formulation of a new vision, policy, and long-term strategies by looking ahead to the future of the Group.

Representative Director
Senior Managing Executive Officer

Tracey Sivill

Ms. Sivill has the experience of working as a responsible person in the accounting and IT divisions of the Company and Group companies. At present, she serves as the Chief Financial Officer of the Group. She is responsible for achievements impacting the management and improvement of business efficiency of the Group.

Director
Senior Managing Executive Officer

Kenji Morisaki

Mr. Morisaki has extensive experience and knowledge, particularly in the area of the Company's manufacturing, and is responsible for the manufacturing division and Japan region. He is responsible for achievements impacting the management and improvement of business efficiency of the Group.



Outside Director

Yoshie Munakata

Mr. Munakata has extensive experience and a high level of insight cultivated through the management of a global company in the information and telecommunication technology industry. He supervises the management of the Company from the perspective of a corporate manager of companies engaged in businesses that are different from those of the Company.



Outside Director

Goro Kamino

Having worked as a corporate manager of listed companies for many years, Mr. Kamino has extensive experience and a high level of knowledge in corporate management. He supervises the management of the Company from the perspective of a corporate manager of companies engaged in businesses that are different from those of the Company.



Outside Director

Hari N. Nair

Mr. Nair has a wealth of experience and a high level of knowledge in corporate management which he has obtained through his experiences serving in key management positions, including as the Chief Operating Officer (COO) of an overseas automotive parts manufacturer. He supervises the Company's management from the viewpoint of an overseas corporate manager.

Corporate management

Manufacturing and
engineering R&D

Sales and marketing

IT/DX

Finance and accounting

Legal affairs and risk
management

ESG and sustainability

Global experience

Board Of Directors



Outside Director

Keisuke Tomimatsu

Mr. Tomimatsu has extensive experience and knowledge in the securities industry and the AI industry as well as a high level of knowledge in finance and accounting. He supervises the management of the Company from the perspective of an investor.



Outside Director

Emi Onozuka

Ms. Onozuka possesses global knowledge and experience cultivated at asset management and investment firms. She supervises the management of the Company from the perspective of an investor.



Director serving as Audit & Supervisory Committee Member

Michi Miyasawa

Ms. Miyasawa has a wealth of experience and a high level of insight, which she cultivated mainly by serving in key positions in the legal affairs, sustainability promotion and personnel affairs departments of the Company. She audits and supervises the Company based on her wealth of experience related to compliance and corporate governance.



Audit & Supervisory Committee Member

Makiko Yamamoto

Outside Director

Qualified as a lawyer, Ms. Yamamoto has experience and specialized knowledge cultivated mainly through involvement in projects regarding corporate legal affairs at a law firm in Japan and an international law firm. She audits and supervises the Company's management from the viewpoint of a legal expert.

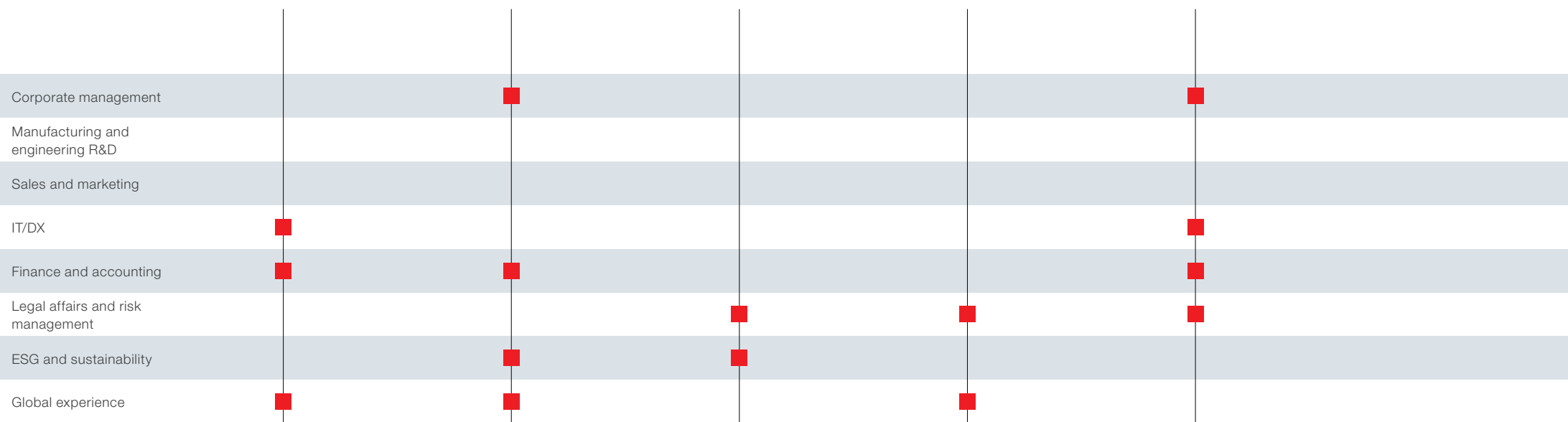


Audit & Supervisory Committee Member

Kazutaka Okubo

Outside Director

Mr. Okubo has a wealth of insight into finance and accounting gained from his experience as a certified public accountant and a high level of expertise acquired while serving as a member of various expert panels for public offices. He audits and supervises the management of the Company from the perspective of a specialist in governance and finance.



Corporate Governance

Basic concept

Based on the Musashi Philosophy which is composed of Our Origin, Our Purpose and Our Way, Musashi Seimitsu Industry (hereafter, the “Company”) positions the enhancement of corporate governance as the highest management priority in the corporate activities of the Musashi Group.

Musashi corporate governance basic policy

The Company has established the Basic Policy for Musashi Corporate Governance to achieve sustainable growth and the medium- to long-term improvement of corporate value in accordance with its basic view on corporate governance.

Corporate governance system

The Company has adopted the institutional design of a company with an Audit and Supervisory Committee as it works to enhance the function of its auditing and supervising directors in their execution of business and improve the effectiveness of internal control. In addition, the Company involves its outside directors, including those serving concurrently as members of the Audit and Supervisory Committee, in the decision-making of the Board of Directors, thus improving the soundness and transparency of management.

Further, the Company has established the Nomination Committee and Remuneration Committee, with outside directors constituting the majority of each of these committees, to supplement the supervisory functions of the Board of Directors.

Meanwhile, authority over some matters to be resolved by the Board of Directors is delegated to the Management Committee and other committees, thus enabling prompt decision-making and the execution of business and increasing the agility of business decisions.

Establishment of the sustainability strategy committee

The Sustainability Strategy Committee, which is chaired by the Chief Executive Officer (CEO), has been incorporated into the corporate governance system (since December 2021) to address social issues regarding sustainability in an appropriate manner.

This committee has discussions for the realization of sustainability considering stakeholders' expectations and requests identified through dialogues with them and other opportunities, as well as discussions of other social issues, in light of the Company's Vision and Purpose. The committee enables the management of the Company to reflect social issues, thus improving the effectiveness of management, with the goal of steadily addressing these issues.

Corporate Governance Chart

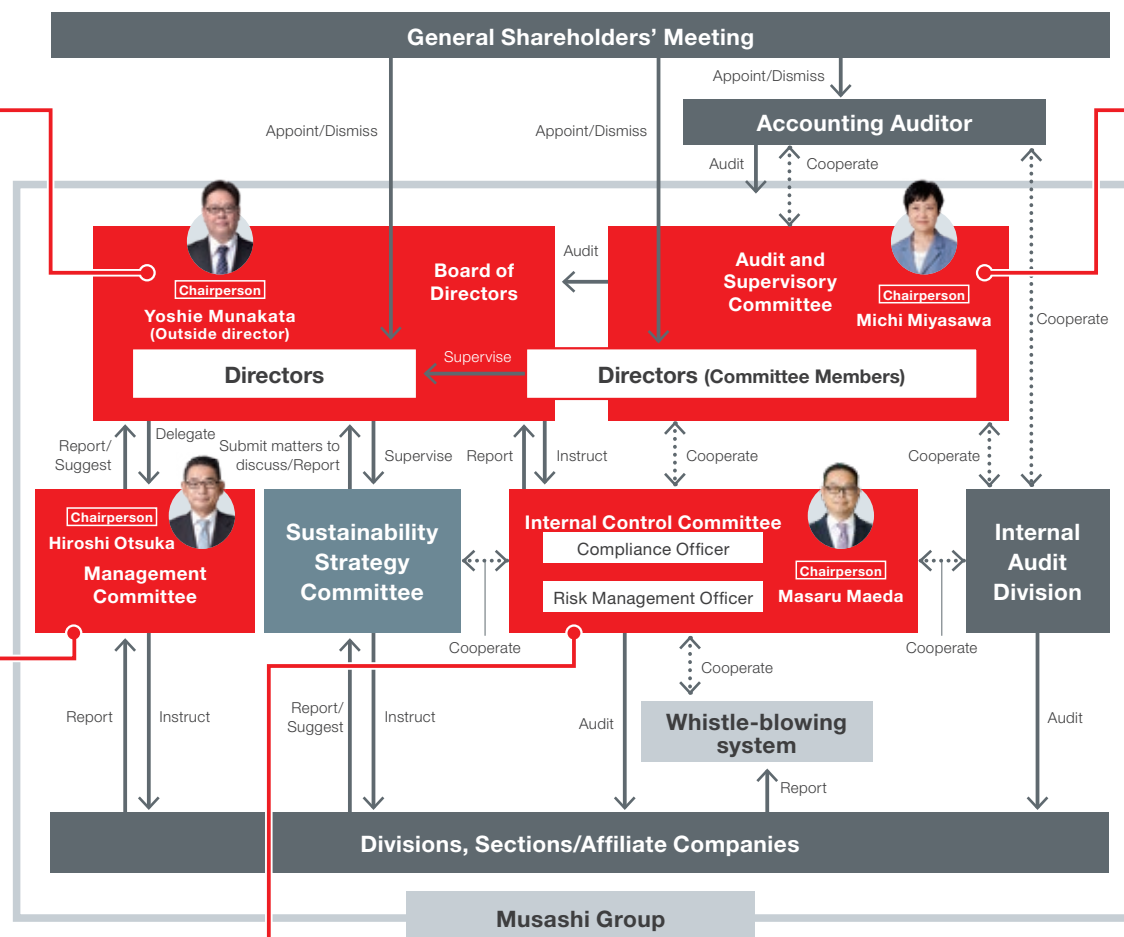
Board of Directors
Number of meetings held in FY2022
8

The Company's Board of Directors consists of 11 directors, and three of them serve concurrently as members of the Audit and Supervisory Committee. It is chaired by the outside director.

Authority over some of the matters to be resolved by the Board of Directors is delegated to the Management Committee and other committees, permitting the Board of Directors to dedicate itself to resolutions regarding important matters faced by the Company, such as the formulation of basic management policies, management strategies, and management plans, and the supervision of the directors' execution of their duties. Further, seven of its members are outside directors, constituting the majority. This structure permits the Board of Directors to fully demonstrate its function of supervising the execution of business from a neutral, objective standpoint.

The Board of Directors met eight times in FY2022. During these meetings the board deliberated over the formulation of business plans and the medium-term management plan.

From November 2022, an outside director replaced the President and CEO as chairperson.



Audit and Supervisory Committee
Number of meetings held in FY2022
11

There are three members of Company's Audit and Supervisory Committee: one inside director, who is also a full-time member of the Audit and Supervisory Committee, and two outside directors, who are independent. This committee is chaired by the inside director as its full-time member.

The Audit and Supervisory Committee regularly receives reports from directors (excluding members of the Audit and Supervisory Committee) and others about the businesses of the Company and Group companies and the status of development and the operation of the internal control system, among other matters. In addition, the committee audits the directors' execution of their duties using information obtained by attending important meetings of the Management Committee and through other means.

Management Committee
Number of meetings held in FY2022
41

The Management Committee deliberates and makes decisions on policies regarding the execution of business and the implementation of specific matters regarding businesses, aiming to make decisions on important matters in the execution of business that are delegated to it by the Board of Directors.

The Management Committee consists of at least three executive officers including the chairperson (Chief Executive Officer).

The Management Committee also deliberates in advance on matters to be resolved by the Board of Directors.

Internal Control Committee
Number of meetings held in FY2022
11

Internal Control Committee

The Internal Control Committee deliberates on matters related to internal control from all over the world, aiming to ensure efficient, effective business management, compliance with laws related to business management, and appropriate financial reporting.

This committee consists of five executive officers including the Chief Compliance Officer, who serves as the chairperson. Members of the Audit and Supervisory Committee also attend its meeting as necessary.

The Internal Control Committee receives reports from relevant departments, committees, and subsidiaries concerning the status of development and operations regarding regulations, etc., in accordance with the basic policy for the development of an internal control system.

In addition, departments and subsidiaries examine themselves regarding internal control every year to clarify their issues, in their efforts to continually improve internal control.

Internal Information Management Committee

The Internal Information Management Committee meets when financial results are announced and when an array of corporate information is disclosed to manage internal information. It prevents the leakage of internal information and deliberates on the accuracy and appropriateness of disclosures. The Internal Information Management Committee consists of people responsible for handling information and members of the Management Committee. Its chairperson is appointed by the president.

Changes in corporate governance

The Company has proactively enhanced its corporate governance, positioning it as a top management priority.

When it was a company with a Board of Auditors, the Company introduced an executive officer system to improve the efficiency of the operations of its business and appointed outside directors to enhance auditing and supervisory functions.

In 2015, the structure of a company with an Audit and Supervisory Committee was introduced as a new institutional design for companies. Judging that a company with an Audit and Supervisory Committee was an appropriate form for the corporate governance it aims to achieve, the Company transitioned to being a company with an Audit and Supervisory Committee in the fiscal year when it was introduced.

As a result of this transition, the Company continued with its separation of the execution and supervision of management. The authority of the Board of Directors was delegated to the Management Committee chaired by the CEO, in an attempt to improve the management efficiency. At the same time, the Nomination Committee and Remuneration Committee were set up as advisory committees to the Board of Directors, thus enhancing the supervising functions of the Board of Directors.

In addition, the composition of the Board of Directors is reviewed every year, even following its transition to a company with an Audit and Supervisory Committee, and diverse human resources have been promoted to director positions. In addition to people with experience in other industries, women and non-Japanese nationals have been promoted to director positions. As a result, the Board of Directors consists of directors of both genders with diverse career backgrounds and nationalities.

Company with an Audit and Supervisory Committee

Acceleration of corporate governance initiatives

- Board of Directors focused on supervision
- Increasing the number of outside directors
- Establishment of the Nomination Committee and Remuneration Committee
- Appointment of diverse directors

2015

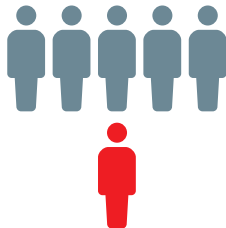
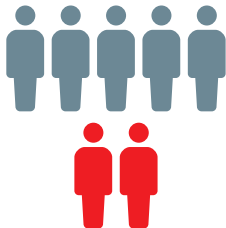


Evolution of Governance

Company with a Board of Auditors

- Introduction of executive officer system
- Appointment of outside directors

Changes in the composition of the Board of Directors

Changes in the composition of the Board of Directors	2015	2018	2022												
Inside directors	 <table><tr><th>Total number of directors</th><th>Number of female directors</th></tr><tr><td>6</td><td>0</td></tr></table>	Total number of directors	Number of female directors	6	0	 <table><tr><th>Total number of directors</th><th>Number of female directors</th></tr><tr><td>5</td><td>1</td></tr></table>	Total number of directors	Number of female directors	5	1	 <table><tr><th>Total number of directors</th><th>Number of female directors</th></tr><tr><td>4</td><td>2</td></tr></table>	Total number of directors	Number of female directors	4	2
Total number of directors	Number of female directors														
6	0														
Total number of directors	Number of female directors														
5	1														
Total number of directors	Number of female directors														
4	2														
Outside directors	 <table><tr><th>Total number of directors</th><th>Number of female directors</th></tr><tr><td>4</td><td>1</td></tr></table>	Total number of directors	Number of female directors	4	1	 <table><tr><th>Total number of directors</th><th>Number of female directors</th></tr><tr><td>6</td><td>1</td></tr></table>	Total number of directors	Number of female directors	6	1	 <table><tr><th>Total number of directors</th><th>Number of female directors</th></tr><tr><td>7</td><td>2</td></tr></table>	Total number of directors	Number of female directors	7	2
Total number of directors	Number of female directors														
4	1														
Total number of directors	Number of female directors														
6	1														
Total number of directors	Number of female directors														
7	2														
Percentage of women	 10%	 18%	 36%												
Percentage of non-Japanese nationals	 0%	 18%	 18%												

Assessing board effectiveness

Each year, each director conducts a self-evaluation, and the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors as a whole, using the results of the self-evaluation as a reference, and shares the results. In addition, a round-table discussion was held by outside directors to evaluate the board from objective and multifaceted perspectives.

We confirmed that the diversity of the Board of Directors' members, appropriate proceedings and opportunities for comments are ensured, and that discussions on the Group's overall management strategy and improvement of corporate value are sufficiently conducted.

In addition, in order to improve the effectiveness of the Board of Directors, the Company is working to further enhance its human capital management initiatives, which focus on continuous verification of company-wide risks from various perspectives and human resource development. We also provide directors with the information and knowledge necessary for them to properly fulfill their roles and responsibilities. Directors are provided with information on management and organizational operations, and training on the Group's management issues, relevant laws and regulations, and corporate governance is provided on an ongoing basis.

Nomination committee and Remuneration committee

The Company has established the Nominating Committee and the Remuneration Committee as advisory bodies to the Board of Directors.

The purpose of the Nominating Committee is to enhance transparency and objectivity in determining candidates for directors and to strengthen the supervisory function of the Board of Directors. Candidates for Directors (excluding Audit Committee members) are determined by resolution of the Board of Directors after deliberation by the Nominating Committee, and candidates for Audit Committee members are determined by resolution of the Board of Directors with the consent of the Audit Committee.

The Committee is chaired by Keisuke Tomimatsu, an outside director. The committee consists of Hiroshi Otsuka, Goro Kamino, Keisuke Tomimatsu, and Emi Onozuka, with the majority of the members being outside directors.

The Remuneration Committee aims to ensure fairness, transparency, and objectivity in the compensation and evaluation of directors and executive officers, and deliberates on the establishment and revision of the director compensation system and evaluation system, as well as on the results of evaluation and the appropriateness of each compensation. Decision-making policies regarding the content of directors' remuneration, etc., are determined by resolution of the Board of Directors after deliberation by the Remuneration Committee.

The committee is chaired by Emi Onozuka, an outside director. The committee consists of Hiroshi Otsuka, Goro Kamino, Keisuke Tomimatsu, and Emi Onozuka, the majority of whom are outside directors, as is the case with the Nomination Committee. The main topics of discussion were the policy for payment of remuneration to directors and executive officers excluding Audit Committee members, individual remuneration proposals, review of evaluation indicators and design of the evaluation process.

Remuneration for officers

The Company determines the remuneration of each officer in accordance with the Policy for Decisions on Directors' and Executive Officers' Remuneration stipulated in the Basic Policy for Musashi Corporate Governance, and the Policy for Decisions Regarding the Details of Individual Remuneration, etc. of Directors resolved by the Board of Directors.

The remuneration consists of basic salary which is fixed compensation for the execution of duties that is paid every month, performance-linked bonuses that are linked to business performance for the fiscal year, and restricted stock compensation that is aimed at sharing profits with shareholders and paid as an incentive for improving the Company's medium- to long-term corporate value.

The remuneration of outside directors consists of the basic salary and restricted stock compensation,

reflecting their roles and independence. The remuneration of directors serving concurrently as Audit and Supervisory Committee members includes only a basic salary, reflecting their roles.

Decisions regarding remuneration are deliberated by the Remuneration Committee, which consists mainly of outside directors, before resolution by the Board of Directors, to increase the transparency and objectiveness of decisions regarding remuneration.

Policy for decisions regarding the details of the individual remuneration, etc. of Directors

Under the Policy for Decisions Regarding the Details of the Individual Remuneration, etc. of Directors, performance-linked remuneration is closely linked to the degree of achievement of target values for each fiscal year and initiatives for improving medium- to long-term corporate value.

This is outlined as follows.

See the Company's securities report for details. (Only in Japanese)

Policy for determining compensation, etc.

- 1 The basic policy on the remuneration of the Company's directors (excluding those serving concurrently as Audit and Supervisory Committee members; the same applies hereinafter) is to link the remuneration system to shareholder profit so that it is able to fully function as an incentive to improve corporate value sustainably, and to appropriately set the remuneration of the individual directors in light of the duties of each director.
- 2 The basic remuneration of the Company's directors is monthly fixed compensation, and the amount of remuneration for the individual directors is determined in accordance with the position and responsibilities of each director while comprehensively considering of the remuneration provided by other companies and other factors.
- 3 Performance-linked remuneration is paid at a certain time every year as a cash bonus the amount of which is calculated based on the degree of achievement of the Company's annual performance targets and strategic indicators based on a medium- to long-term perspective.
The composition of the indicators used is as follows. Calculations are made based on coefficients determined by the Board of Directors.
Non-monetary compensation is awarded as restricted stock compensation. As restricted stock compensation, in principle the Company grants monetary compensation claims in order to allot restricted stock to eligible directors based on their positions and responsibilities each fiscal year in accordance with a resolution of the Company's Board of Directors. By having the monetary compensation claims contributed in kind to the Company as investment assets, the Company's common stock shall be issued or disposed of, and held. The total amount of the Company's common stock issued or disposed of in this manner shall not exceed 200,000 shares per year.

Perspectives for evaluation	Reason for selection	Weighting	Evaluation items
Financial indicators	Linking to annual performance targets	20%	Net sales
		20%	Operating profit
		30%	EBITDA
Strategic indicators	Linking to medium-term strategic indicators, improved social value	10%	Net sales of new businesses
		10%	Percent of products for EVs
		10%	Achievement of ESG indicators

- 4 The ratio of each type of director's remuneration is considered by the Remuneration Committee based on the level of remuneration using the benchmark of other companies with the same scale of business as the Company or companies which belong to relevant industries or business categories while the composition of remuneration determined under this policy is regarded as the basic level, so that the remuneration system will function as an appropriate incentive.
- 5 Regarding the remuneration of individual directors, the Remuneration Committee evaluates the appropriateness of the executive directors' execution of their duties, such as by comparing the Company's business performance with other companies, while considering the Company's business environment. Based on the results of the evaluation, decisions on the specific amounts of remuneration for individual directors are left to the representative director and president.

Risk-based audit

	Reporting Frequency	Report and Discussion
Board of Directors	Half-time	Audit Plan and progress Audit performance, findings, and compliance and governance concerns Proposed audit methodology, rules, etc.
Management Committee	Half-time	
Audit and Supervisory Committee	Quarter of a year	
Accounting Auditor	Quarter of a year	

Board of Directors meetings are energized and open-minded.

Outside Director
Yoshie Munakata

In November 2022, I assumed the position of Chairperson of the Board of Directors as an Outside Director and I have been actively facilitating open and free exchange of opinions between executive officers and the Outside Directors at the subsequent Board of Directors meetings.

Our company's Board of Directors has consistently provided a platform for highly specialized Outside Directors to freely express their opinions. In order to perpetuate this open atmosphere and foster a more dynamic Board of Directors meeting, we are working to create an environment where each Director can effectively articulate their opinions on proposals.

In terms of fostering a free and open exchange of opinions, it is crucial to address the asymmetry in information between executive and outside directors. The executive side frequently engages in discussions and exchanges opinions on management issues during internal executive meetings, gaining a comprehensive understanding of the Board of Directors meeting proposals beforehand. In contrast, outside directors participate with less prior understanding than the executive officers, necessitating them to make decisions with fewer insights. To enhance the effectiveness and efficiency of discussions at the Board of Directors, closing this information gap is imperative. As the Chairperson of the Board of Directors, I have advocated for providing as much advance explanation as possible regarding the meeting's agenda.

Information disclosure to outside directors has seen gradual improvement, with ongoing considerations for further enhancements. One such measure involves the pre-disclosure of materials for the Board of Directors. I believe that by clarifying the main issues scheduled for discussion beforehand, the efficiency of theme selection and overall discussion during the Board of Directors meeting will be enhanced. Whilst I acknowledge that it may not be essential to disclose all information to outside directors, we recognize the value of clarifying pertinent issues in advance when seeking advice rooted in the expert knowledge and experience of each outside director. This proactive approach is expected to yield more effective and insightful opinions.

Our company hosts the Sustainability Strategy Conference, a forum that deliberates and establishes the direction, goals, and indicators to realize sustainability. During this conference, information is shared by executives across various domains, encompassing market environment awareness, core businesses for both four-wheelers and two-wheelers, as well as new initiatives addressing social issues. The session actively encourages dialogue with outside directors, providing them with the

chance to engage in discussions on crucial aspects of management strategy beyond the scope of regular Board of Directors meetings. I aim to leverage the insights gained from these discussions to enrich and deepen the conversations during our formal Board of Directors meetings.

Moreover, recognizing the somewhat limited opportunities for outside directors to exchange views within our company, we have introduced a new gathering for outside directors this fiscal year. This dedicated meeting serves as a platform to delve into management issues from a distinct perspective compared to the executive side. Topics addressed in this forum extend beyond the regular board meeting agenda and included the imperative to share information, follow-up reports on matters previously discussed at board meetings, which have evolved into action items, and considerations regarding personnel and human resources issues. This initiative is one of the key measures that I have addressed as the chairperson of the board.

Aiming to become a truly global company

Our company's potential is rooted in its technological power to innovate competitively, and ability to execute business strategies driving technological innovation. Concurrently, we acknowledge a need for enhancement in our branding power, encompassing societal recognition. Particularly in new business areas, there are few players, but it is unclear as to who will emerge as the frontrunner. Looking ahead, we are confident that by assuming a leadership role in sales and marketing, complementing our technological prowess, we can significantly amplify our brand power in these emerging business areas.

Given our company's global business expansion, we recognize that the representation of non-Japanese members on the Board of Directors remains relatively low. With our new business segment poised to generate a higher proportion of sales overseas than in Japan, it is essential that we swiftly integrate information from international markets into Musashi's global strategy. To achieve this, we need to acknowledge the leaders of our overseas subsidiaries as key figures in Musashi's global leadership, operating with a heightened sense of agility. This approach is anticipated to significantly enhance Musashi's brand in emerging business areas and contribute to the overall success of our global strategy.

Chairman of the Board
Message

Message from the Chairperson of the Board

Risk management

■ Risk management system

We appoint a Risk Management Officer from among our directors and executive officers. This post is in charge of executing risk management. We are thus constructing a system for systematic risk management activities.

Risk management at ordinary times includes measures by each section for risk reduction/moderation and preparation of procedures in case of risk.

We regularly perform a self-check on the state of management in an ongoing effort to enhance management.

■ Crisis response and Business continuity management

We have prepared rules on actions to be taken by organizations and employees at the time of a crisis. Domestically, we have adopted a business continuity plan that treats a large-scale earthquake as the greatest risk to business continuity. We operate a system that can quantitatively evaluate the level of countermeasures in relation to these details, and we periodically implement countermeasures to deal with issues that have become apparent, as well as training and drills. In addition, starting in FY2022 we defined "Risk 110 Items" in business continuity. We have begun operating a system that enables all sites including Group companies to evaluate issues based on the same criteria, in an effort to improve the identification of risks and our ability to respond to them.

Cyber security measures

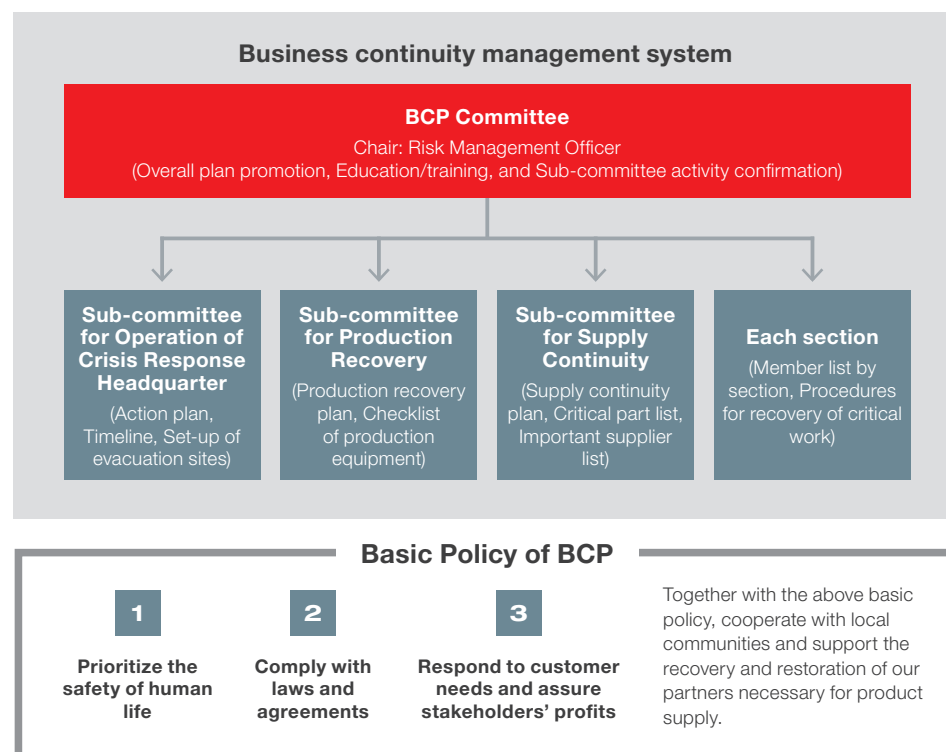
Initiatives to address cyber security also reflect the demands of society, and we believe they contribute not only to Musashi but to the development of society as a whole. Based on the ISO 27001 standard and JAMA/JAPIA guidelines, we have issued our own security guidelines and are working to enhance the level of cyber security countermeasures Groupwide while implementing efficient inspections.

People

We periodically conduct phishing email drills to raise the security awareness of employees. The information security awareness of each employee is vital to protecting information. We share the latest trends and case studies on security, and engage in awareness-raising activities to provide knowledge about security threats and recommend initial actions to be taken when a threat materializes.

Systems

We have installed a Security Operation Center (SOC) and built a monitoring system that operates around the clock. We have also developed multi-layered intrusion prevention and countermeasure systems, and are prepared to deal with information leakage such as social engineering and other forms of human error, as well as cyber attacks coming from outside the Group.



Compliance

■ Basic concept of the compliance system

Each employee should think about society and take actions independently in performing their day-to-day duties. We believe that this is fundamental to our group fulfilling corporate social responsibility, including corporate ethics and compliance, while operating businesses worldwide. To ensure our respect for cultures and customs in various countries and regions and further develop our global business, we have stipulated common behavioral rules to be followed by each employee in our group in interactions with customers and society under the name of the Musashi Compliance Guidelines.

It is translated from Japanese and English, defined as the basic languages, into languages in different regions and countries. We disseminate it to all officers and employees in our group companies on different occasions of education and training.

■ Respect for human rights and prevention of harassment

We believe that creating a workplace which is comfortable for every employee is important for the sustainable growth of the company. Respect for the diversity of individuals and the prohibition of harassment are stipulated in the Musashi Compliance Guidelines, which lay out our basic policies on compliance. We ensure that these rules take root and are understood by our employees through annual compliance training. We are committed to developing an environment in which employees can demonstrate their individual qualities and take on a variety of new challenges.

■ Management structure for compliance

We appoint a Compliance Officer from among our directors and executive officers. This post is in charge of implementing compliance activities. The Internal Control Committee conducts systematic actions including deliberations on corporate ethics and compliance.

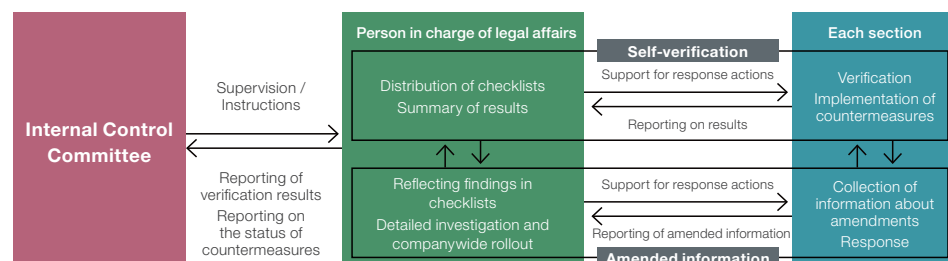
We conduct an annual self-check on the status of compliance with the use of a checklist. We exchange opinions with the relevant departments to identify matters with high risks and to prevent these risks from materializing.

We have an organization in charge of securing information on revisions to laws and ordinances related to our businesses. In the event of any such revision, it swiftly distributes the information to the whole company.

■ Internal reporting desk development status

Musashi has established the “Musashi Corporate Ethics Suggestion Desk” (colloquially referred to as the “Open Door”) as an internal reporting desk to accept proposals related to corporate ethics and compliance. We employ protections to safeguard the privacy of the people who have submitted proposals and to ensure they are not subjected to disadvantageous treatment for having done so, and we also field anonymous suggestions. There are three desks through which suggestions are fielded: the internal reporting desk, the Audit and Supervisory Committee desk and outside legal consultation desk. These desks were set up in an effort to make it easier for employees to lodge suggestions and to improve the effectiveness of our response.

Compliance system diagram



Musashi Compliance Guidelines

- | | |
|---|--|
| 1
We will act with decency and according to society's expectations. | 4
We will respect the human rights and diversity of every individual. |
| 2
We will build positive relationships with our local communities and with wider society. | 5
We will ensure high standards of health and safety, whilst keeping a well-ordered working environment. |
| 3
We will conduct fair and sound business transactions. | 6
We will treat the information held by the Company appropriately. |

Open Door

Legal violations, improper conduct, harassment, etc.
Accepting compliance consultations
3 consultation desks

Open Door reception desk

- 1 Musashi suggestion desk (internal reporting desk)**
- 2 Musashi suggestion desk (Audit and Supervisory Committee desk)**
- 3 Outside legal consultation desk**



Compliance Training Video Materials



Compliance training Confirmation test

11-Year Financial and Non-Financial Data Summary

(Millions of yen)		(FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Financial data	Net sales		125,993	148,820	158,209	164,397	180,522	237,910	255,934	236,355	204,714	241,896	301,500
	Revenue	Total	125,993	148,820	158,209	164,397	180,522	237,910	255,934	236,355	204,714	241,896	301,500
	By region	Japan	35,353	35,421	31,156	27,717	27,221	28,778	33,699	35,316	32,543	34,277	36,172
		Americas	40,472	45,322	49,662	56,261	49,251	52,111	55,922	55,924	45,296	51,352	73,779
		Asia	45,016	62,771	71,333	73,772	69,779	63,703	64,955	61,678	44,262	56,322	71,847
		China	–	–	–	–	–	20,652	23,597	22,003	29,987	33,160	32,244
		Europe	5,150	5,305	6,055	6,645	34,269	72,665	77,759	61,433	52,624	66,783	87,456
	By customer	HONDA	–	–	–	–	–	125,858	128,525	122,905	105,355	120,244	141,435
		Global Customer	–	–	–	–	–	112,052	127,409	113,450	99,359	121,651	160,065
	Operating profit		938	8,567	11,588	13,398	11,166	15,767	14,107	7,285	7,507	8,413	7,677
	Profit attributable to owners of parent		2,529	6,827	6,379	6,809	6,315	10,351	9,885	(6,902)	7,378	5,429	2,436
	Return on equity (ROE)		5.14	12.03	9.57	9.81	9.10	13.40	11.33	–	9.42	5.85	2.40
	Capital investment		22,907	24,314	16,324	9,295	13,303	12,792	16,276	17,368	12,469	19,273	13,016
	Depreciation		11,688	12,779	12,021	13,291	14,779	18,564	18,178	17,742	15,941	16,686	18,630
	R&D cost		1,481	1,563	1,880	2,373	2,910	3,489	3,587	4,369	4,353	5,439	6,435
	Cash dividends paid		1,247	1,372	1,497	1,559	1,622	2,060	2,695	2,053	2,284	2,935	1,959
	Net income per share (yen)*		81.09	218.86	204.51	218.29	202.47	331.69	155.55	(105.95)	113.14	83.20	37.32
	Dividend per share (yen)*		40.0	44.0	48.0	50.0	52.0	66.0	42.0	31.5	35.0	45.0	30.0
	Dividend payout ratio		68.1	20.1	23.5	22.9	25.7	20.0	27.0	–	30.9	54.1	80.4
	Total payout ratio		68.1	20.1	23.5	22.9	25.7	20.0	27.0	–	13.7	54.1	80.4
	Share price at end of fiscal year (yen)		2,095	2,125	2,542	2,234	2,846	3,595	1,500	834	1,889	1,512	1,867
	Dividend yield		1.9	2.1	1.9	2.2	1.8	1.8	2.8	3.8	1.9	3.0	1.6
	Price earnings ratio (PER)		25.84	9.71	12.43	10.23	14.06	10.84	9.64	–	16.70	18.17	50.03
	Price book-value ratio (PBR)		1.25	1.08	1.10	1.04	1.24	1.35	1.07	0.76	1.45	0.98	1.19
	Cash flows from operating activities (A)		14,127	18,965	17,570	22,968	19,445	26,813	26,714	26,359	18,259	5,805	19,409
	Cash flows from investing activities (B)		(27,752)	(26,288)	(20,295)	(10,211)	(41,236)	(14,336)	(19,847)	(18,673)	(12,198)	(20,131)	(17,931)
	Free cash flows (A+B)		(13,625)	(7,323)	(2,725)	12,757	(21,791)	12,477	6,867	7,686	6,061	(14,326)	1,478
	Equity attributable to owners of parent (shareholder equity)		52,162	61,329	72,029	66,821	71,582	83,055	91,509	71,435	85,141	100,587	102,735
	Total assets		133,441	155,162	169,539	155,152	248,482	247,778	244,450	207,333	226,066	259,960	269,278
	Ratio of equity attributable to owners of parent		39.09	39.53	42.49	43.07	28.81	33.52	37.43	34.45	37.66	38.69	38.15

* The Company implemented a common share split at a ratio of two shares for one share on October 1, 2018. The figure represents the value stated in the securities report for the fiscal year concerned.

(Millions of yen)		(FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Non-financial data	CO ₂ emissions (tons)		27,184	25,955	21,645	19,947	27,011	27,353	403,530 ^{*3}	376,348 ^{*3}	328,602 ^{*3}	345,693 ^{*3}	362,058
	CO ₂ emissions per unit (CO ₂ tons/million yen) ^{*2}		—	—	—	—	—	—	1.58 ^{*3}	1.59 ^{*3}	1.61 ^{*3}	1.43 ^{*3}	1.20
	Renewable energy ratio (electric power) (%)		—	—	—	—	—	—	0.7% ^{*3}	2.0% ^{*3}	2.5% ^{*3}	2.6% ^{*3}	6.9%
	Water consumption (m ³)		90,475	89,960	94,340	91,410	98,313	102,764	1,585,470 ^{*4}	1,912,981 ^{*3}	1,939,067 ^{*3}	1,766,488 ^{*3}	2,040,730
	Water consumption per unit (m ³ /million yen)		—	—	—	—	—	—	6.19 ^{*4}	8.09 ^{*4}	9.47 ^{*4}	7.30 ^{*4}	6.77
	Waste emissions (tons)		1,854	1,821	1,506	1,329	1,480	1,539	111,041 ^{*4}	107,967 ^{*4}	105,286 ^{*4}	107,095 ^{*3}	127,547
	Recycling rate (%)		—	—	—	—	—	—	80%	80%	81%	79%	78%
	Number of employees		11,002	12,634	13,375	12,427	15,351	16,385	16,839	16,114	15,120	15,807	16,316
	Number of overseas employees		8,938	10,534	11,397	10,556	13,357	14,341	14,692	13,946	12,912	13,650	14,140
	Number of employees (non-consolidated)		1,138	1,179	1,178	1,195	1,220	1,234	1,219	1,221	1,237	1,227	1,210
	Percentage of female employees (non-consolidated)		5.1%	4.6%	4.7%	4.6%	4.9%	5.4%	6.1%	6.5%	6.5%	7.87%	8.28%
	Number of women in management positions (non-consolidated)		2	2	2	2	2	2	3	2	2	3	4
	Percentage of women in management positions (non-consolidated)		1.9%	1.7%	1.6%	1.5%	1.4%	1.4%	2.2%	1.5%	1.4%	1.99%	2.68%
	Percentage of heads of overseas bases who are local employees		6%	6%	6%	11%	16%	16%	44%	53%	47%	47%	47%
	Male childcare leave acquisition rate (non-consolidated)		—	—	—	—	—	—	—	5.5%	6.4%	15.0%	38.3%

*1 The Company implemented a common share split at a ratio of two shares for one share on October 1, 2018. The figure represents the value stated in the securities report for the fiscal year concerned.

*2 The "per unit" figure represents the value per unit of sales.

*3 The figure represents global data with a coverage rate of 100%.

*4 The figure represents global data with a coverage rate of 90%.

Consolidated Balance Sheet

(Millions of yen)

Assets	Previous fiscal year. March 31, 2022	Fiscal year under review. March 31, 2023
Current assets		
Cash and deposits	27,554	26,109
Notes and accounts receivable - trade	39,188	46,382
Merchandise and finished goods	11,159	11,622
Work in process	9,308	10,592
Raw materials and supplies	26,477	28,045
Other	8,574	9,610
Allowance for doubtful accounts	(83)	(204)
Total current assets	122,180	132,158
Non-current assets		
Property, plant and equipment		
Buildings and structures	51,636	56,586
Accumulated depreciation	(27,388)	(29,884)
Accumulated impairment loss	(382)	(392)
Buildings and structures, net	23,864	26,309
Machinery, equipment and vehicles	251,601	272,843
Accumulated depreciation	(192,256)	(209,769)
Accumulated impairment loss	(753)	(788)
Machinery, equipment and vehicles, net	58,590	62,285
Tools, furniture and fixtures	14,566	15,838
Accumulated depreciation	(10,951)	(11,952)
Accumulated impairment loss	(20)	(20)
Tools, furniture and fixtures, net	3,594	3,864
Land	7,735	7,928
Construction in progress	17,912	10,488
Total property, plant and equipment	111,699	110,875
Intangible assets		
Goodwill	416	138
Customer relationship assets	2,543	2,269
Software	1,428	1,168
Software in progress	7	7
Other	1,130	708
Total intangible assets	5,525	4,292
Investments and other assets		
Investment securities	12,583	12,909
Investments in capital	997	1,515
Long-term loans receivable	224	147
Deferred tax assets	2,782	3,100
Other	4,023	4,315
Allowance for doubtful accounts	(56)	(36)
Total investments and other assets	20,556	21,952
Total non-current assets	137,780	137,120
Total assets	259,960	269,278

(Millions of yen)

Liabilities

	Previous fiscal year. March 31, 2022	Fiscal year under review. March 31, 2023
Current liabilities		
Notes and accounts payable - trade	18,508	22,528
Short-term borrowings	42,380	57,306
Current portion of long-term borrowings	12,287	12,073
Accounts payable - other	3,738	3,507
Accrued expenses	6,257	7,950
Income taxes payable	1,393	1,350
Provision for bonuses	2,267	2,565
Provision for bonuses for directors (and other officers)	20	26
Provision for product compensations	212	152
Provision for loss on guarantees	—	200
Other	5,760	4,102
Total current liabilities	92,827	111,764
Non-current liabilities		
Long-term borrowings	41,914	29,782
Deferred tax liabilities	3,785	4,143
Liabilities for retirement benefits	6,152	6,232
Other	3,010	2,923
Total non-current liabilities	54,863	43,081
Total liabilities	147,690	154,846

(Millions of yen)

Net assets

	Previous fiscal year. March 31, 2022	Fiscal year under review. March 31, 2023
Shareholders' equity		
Share capital	5,427	5,458
Capital surplus	3,126	3,158
Retained earnings	87,724	86,897
Treasury shares	(8)	(8)
Total shareholders' equity	96,270	95,505
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,878	2,945
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustments	215	3,979
Remeasurements of defined benefit plans	223	304
Total accumulated other comprehensive income	4,317	7,230
Non-controlling interests	11,681	11,697
Total net assets	112,269	114,432
Total liabilities and net assets	259,960	269,278

Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Previous fiscal year. From April 1, 2021 to March 31, 2022	Fiscal year under review. From April 1, 2022 to March 31, 2023
Net sales	241,896	301,500
Cost of sales	209,861	266,049
Gross profit	32,034	35,451
Selling, general and administrative expenses	23,621	27,773
Operating profit	8,413	7,677
Non-operating income		
Interest income	346	454
Dividend income	194	216
Foreign exchange gains	1,061	351
Subsidy income	67	154
Gain on valuation of investment securities	—	151
Gain on compensation received	—	274
Other	362	451
Total non-operating income	2,032	2,053
Non-operating expenses		
Interest expenses	648	1,377
Equity in losses of affiliated companies	37	231
Loss on valuation of investment securities	107	25
Allowance for doubtful accounts	—	150
Provision for loss on guarantees	—	200
Other	217	717
Total non-operating expenses	1,010	2,701
Ordinary profit	9,435	7,030

(Millions of yen)

	Previous fiscal year. From April 1, 2021 to March 31, 2022	Fiscal year under review. From April 1, 2022 to March 31, 2023
Extraordinary income		
Gain on termination of retirement benefit plan	—	405
Gain on sales of non-current assets	47	66
Insurance claim income	—	347
Total extraordinary income	47	819
Extraordinary losses		
Loss on sales of non-current assets	17	63
Loss on retirement of non-current assets	371	139
Loss on valuation of investment securities	273	651
Impairment losses	108	—
Total extraordinary losses	770	854
Income before income taxes and minority interests	8,712	6,994
Income taxes - current	3,910	4,393
Income taxes - deferred	(774)	188
Total income taxes	3,136	4,582
Net income	5,576	2,412
Net income (loss) attributable to non-controlling interests	147	(23)
Net income attributable to owners of the parent	5,429	2,436

Consolidated Statements of Cash Flow

(Millions of yen)

Previous fiscal year.
From April 1, 2021 to
March 31, 2022

Fiscal year under review.
From April 1, 2022 to
March 31, 2023

Cash flow from operating activities		
Income before income taxes and minority interests	8,712	6,994
Depreciation	16,686	18,630
Impairment losses	108	—
Amortization of goodwill	278	278
Share of loss (profit) of entities accounted for using equity method	37	231
Increase (decrease) in allowance for doubtful accounts	(13)	97
Increase (decrease) in provision for bonuses	122	268
Increase (decrease) in provision for bonuses for directors (and other officers)	(3)	6
Increase (decrease) in provision for product compensations	(30)	(69)
Increase (decrease) in retirement benefit liability	111	320
Increase (decrease) in allowance for loss on guarantees	—	200
Interest and dividends income	(541)	(671)
Interest expenses	648	1,377
Foreign exchange losses (gains)	(2,697)	288
Loss (gain) on sale and retirement of property, plant and equipment	340	136
Loss (gain) on valuation of investment securities	381	525
Decrease (increase) in trade receivables	(2,294)	(5,273)
Decrease (increase) in inventories	(5,849)	(1,313)
Increase (decrease) in trade payables	(1,138)	3,105
Other	(4,198)	(639)
Subtotal	10,658	24,493
Interest and dividends received	535	660
Interest paid	(644)	(1,277)
Income taxes paid	(4,742)	(4,467)
Cash flows from operating activities	5,805	19,409

(Millions of yen)

Previous fiscal year.
From April 1, 2021 to
March 31, 2022

Fiscal year under review.
From April 1, 2022 to
March 31, 2023

Cash flows from investing activities		
Purchase of property, plant and equipment	(16,811)	(14,294)
Proceeds from sales of property, plant and equipment	280	38
Purchase of intangible assets	(982)	(868)
Purchase of investment securities	(1,705)	(2,522)
Proceeds from sales of investment securities	—	4
Loan advances	(1,213)	(1,350)
Collection of loans receivable	496	428
Other	(195)	631
Cash flows from investing activities	(20,131)	(17,931)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,632	12,125
Proceeds from long-term borrowings	26,107	204
Repayments of long-term borrowings	(9,401)	(12,370)
Purchase of treasury shares	(0)	—
Dividends paid	(2,936)	(3,263)
Dividends paid to non-controlling interests	(255)	(672)
Other	(388)	(531)
Cash flows from financing activities	14,758	(4,508)
Effect of exchange rate changes on cash and cash equivalents	2,972	1,468
Net increase (decrease) in cash and cash equivalents	3,405	(1,561)
Cash and cash equivalents at beginning of period	24,891	28,325
Increase in cash and cash equivalents from newly consolidated subsidiaries	29	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(10)
Cash and cash equivalents at end of period	28,325	26,753

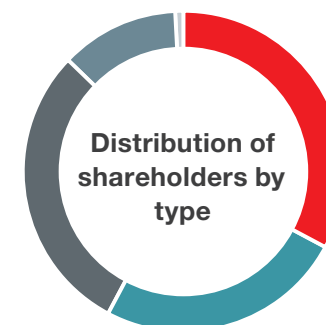


Company Outline As of March 31, 2023

Company Name	Musashi Seimitsu Industry Co., Ltd.	Stock exchange listing	Tokyo and Nagoya
Incorporated	January 1944 (founded in April 1938)	Stock code	7220
Business Activities	Manufacturing of transportation equipment	Fiscal year	From April 1 to March 31 each year
Share capital	5,458 million yen	Ordinary General Meeting of Shareholders	June each year
Employees (consolidated)	16,316	Record Date	March 31
Total number of authorized shares	140,000 thousand shares	Record dates	Year-end dividends: March 31 Interim dividends: September 30
Total number of issued shares	65,333 thousand shares	Trading unit	100 shares
Number of shareholders	9,899		

Status of shares As of March 31, 2023

Shareholder name	Number of shares (in thousands)	Ownership ratio (%)
Honda Motor Co., Ltd.	16,364	25.06
The Master Trust Bank of Japan, Ltd. (trust account)	10,342	15.83
Custody Bank of Japan, Ltd. (trust account)	4,162	6.37
Joint Stock Company Otsuka Holdings	2,603	3.98
The Bank of New York Mellon 140044	1,681	2.57
Hiroshi Otsuka	1,507	2.3
JPMorgan Chase & Co. 385632	1,425	2.18
J.P. Morgan Bank Luxembourg S.A. 381572	1,276	1.95
NORTHERN TRUST CO.(AVFC) RE MONDRIAN INTERNATIONAL SMALL CAP EQUITY FUND, L.P.	1,109	1.69
Juniper	1,100	1.68



Japanese corporations	33.0%
Financial institutions	24.8%
Foreign corporations and others	29.5%
Individuals and others	11.8%
Financial instruments business operators	0.8%