

Model Business Report

Attached documents

**Business Report**

(From MM DD, YYYY to MM DD, YYYY)

1. Current status of the corporate group

(1) Business progress and results

During the business year ended MM DD, YYYY, the Japanese economy

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 .....  
 .....

In the XXX industry, which is our corporate group's area of business,

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 .....

In this environment, the corporate group (the "Group")

..... As a result, net sales (orders received) amounted to X.X billion (X,X00,000,000) yen (up XX% year on year), and profit attributable to owners of parent amounted to X.X billion (X,X00,000,000) yen (up XX% year on year).

(Billions of yen)

By business segment	Net sales	Production (orders received)
XX Business		
XX Business		
XX Business		
XX Business		

(2) Capital investments

Major capital investments during the business year under review are given below.

(i) Major facilities completed during the business year under review

- The Company

XX Plant: Expansion of XX facility (XX business)

- Subsidiary XX

XX Plant: Expansion of XX facility (XX business)

(ii) New construction and expansion of major facilities in progress in the business year under review

- The Company

XX Plant: New construction of XX facility (XX business)

- Subsidiary XX

XX Plant: Expansion of XX facility (XX business)

(iii) Sale, removal, and loss of major fixed assets

Sale, removal, and loss of fixed assets that could materially impact production capacity

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 ...

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(3) Financing

(i) On MM DD, YYYY, X hundred X0 thousand (XX0,000) new shares were issued through a public offering. (Paid-in amount per share: XX (XX) yen; total paid-in amount: X.X billion (X,X00,000,000) yen)

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(ii) On MM DD, YYYY, the Xth/st/nd/rd series mortgage bonds (Xth/st/nd/rd series unsecured convertible bond-type bonds with stock acquisition rights) with a total value of X.X billion (X,X00,000,000) yen were issued.

(4) Issues to be addressed

Although the business environment surrounding the Group is expected to remain challenging going forward in view of various circumstances in Japan and overseas, the Group

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(5) Trends in assets and operating results

Category	Business year 20XX Xth/st/nd/rd business year	Business year 20XX Xth/st/nd/rd business year	Business year 20XX Xth/st/nd/rd business year	Business year 20XX (Business year under review) Xth/st/nd/rd business year
Orders received (Billions of yen)				
Net sales (Billions of yen)				
Profit attributable to owners of parent (Billions of yen)				
Earnings per share (Yen)				
Total assets (Net assets) (Billions of yen)				

(6) Parent company and significant subsidiaries

(i) Relationship with parent company

The Company's parent company is XXXX Co., Ltd., which holds XX thousand (XX,000) shares in the Company (equity ownership of XX%).

The Company is contracted by its parent company to produce and deliver XX.

Matters concerning business transactions with the parent company are as follows.

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Following is a summary of the content of agreements concerning important financial and business policies that the Company has entered into with its parent company.

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(ii) Significant subsidiaries

Company name	Share capital (Billions of yen)	Equity ownership of the Company (%)	Principal lines of business
XXXX			
XXXX			
XXXX			
XXXX			

On a consolidated basis, net sales remained almost unchanged (increased/decreased by X%) compared with the previous business year's X.X billion (X,X00,000,000) yen, and net profit increased by X% (decreased by X%/remained almost unchanged) compared with the previous business year's X.X billion (X,X00,000,000) yen.

On MM DD, YYYY, the Company established XXXX as a subsidiary through a spin-off of the XX business.

In addition, on MM DD, YYYY, XXXX was merged with the Company in an absorption-type merger.

(iii) Specified wholly-owned subsidiaries as of the end of the business year

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...

(iv) Other

Major partners in a technological alliance are the US companies XX and XX.

(7) Principal business

Business	Principal products
XX Business	
XX Business	
XX Business	
XX Business	

(8) Major offices and plants

Name	Location	Name	Location
Kansai Branch	Osaka		
Sendai Plant	Miyagi		

(9) Employees

Number of employees	Year-on-year variance
X,XXX	XX

Note: .....

(10) Major lenders

(Billions of yen)

Lender	Balance of borrowings

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## 2. Shares of the Company

- (1) Total number of issued shares: X,XXX,XXX shares  
(excluding X,XXX treasury shares)
- (2) Number of shareholders: X,XXX
- (3) Major shareholders

Name of shareholder	Number of shares held (Thousands of shares)	Shareholding ratio (%)

- (4) Shares delivered during the business year to Directors and Audit & Supervisory Board members (*kansayaku*) as consideration for execution of their duties

Details of stock compensation delivered during the business year under review are as follows.

- .....
- Total shares delivered to Directors and Audit & Supervisory Board members (*kansayaku*) by category

	Number of shares	Number of persons in receipt
Directors (excluding outside Directors)	<u>XX</u> shares	<u>X</u>
Outside Directors	<u>XX</u> shares	<u>X</u>
Audit & Supervisory Board members ( <i>kansayaku</i> )	<u>XX</u> shares	<u>X</u>

- (5) Other important matters concerning shares

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## 3. Stock acquisition rights of the Company

- (1) Stock acquisition rights delivered as consideration for execution of duties as of the end of the business year
- Number of stock acquisition rights  
X,XXX
  - Class and number of shares underlying stock acquisition rights  
XXX,XXX common shares (100 shares per stock acquisition right)

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- Total stock acquisition rights held by Directors and Audit & Supervisory Board members (*kansayaku*) by category

	Series (exercise price)	Exercise period	Number of stock acquisition rights	Number of holders
Directors (excluding outside Directors)	First series (XXX yen)	MM DD, YYYY to MM DD, YYYY	XX	X
	Second series (XXX yen)	MM DD, YYYY to MM DD, YYYY	XX	X
Outside Directors	First series (XXX yen)	MM DD, YYYY to MM DD, YYYY	XX	X
	Second series (XXX yen)	MM DD, YYYY to MM DD, YYYY	XX	X
Audit & Supervisory Board members ( <i>kansayaku</i> )	First series (XXX yen)	MM DD, YYYY to MM DD, YYYY	XX	X
	Second series (XXX yen)	MM DD, YYYY to MM DD, YYYY	XX	X

(2) Stock acquisition rights delivered during the business year as consideration for execution of duties

- Number of stock acquisition rights issued  
X,XXX
- Class and number of shares underlying stock acquisition rights  
XXX,XXX common shares (100 shares per stock acquisition right)
- Paid-in amount of stock acquisition rights  
X,XXX yen per stock acquisition right
- Exercise price of stock acquisition rights  
X,XXX yen per stock acquisition right
- Exercise period of stock acquisition rights  
From MM DD, YYYY to MM DD, YYYY
- Other conditions for acquisition

The Company may acquire the stock acquisition rights if a person who has received an allotment of stock acquisition rights fails to fulfill the conditions to exercise those rights, or if a person loses stock acquisition rights. In such cases, the stock acquisition rights will be acquired without consideration.

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- Total stock acquisition rights delivered to employees of the Company as well as to Directors, Audit & Supervisory Board members (*kansayaku*), and employees of the Company's subsidiaries

	Number of stock acquisition rights	Number of persons in receipt
Employees of the Company (excluding Directors and Audit & Supervisory Board members ( <i>kansayaku</i> ) of the Company)	X	X
Directors, Audit & Supervisory Board members ( <i>kansayaku</i> ), and employees of the Company's subsidiaries (excluding Directors, Audit & Supervisory Board members ( <i>kansayaku</i> ), and employees of the Company)	X	X

(3) Other important matters concerning stock acquisition rights

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4. Directors and Audit & Supervisory Board members (*kansayaku*)

(1) Details of Directors and Audit & Supervisory Board members (*kansayaku*)

Name	Positions and responsibilities at the Company	Significant concurrent occupations or positions
XXXX	Chairperson (Representative Director)	President of XX Foundation
XXXX	President (Representative Director)	
XXXX	Senior Executive Vice President (Assistant to President, Member of the Board of Directors)	
XXXX	Senior Executive Managing Director (General Manager of XX Division)	
XXXX	Managing Director (General Manager of Sales Department)	
XXXX	Director (General Manager of Human Resources Department)	President (Representative Director) of XXXX Co., Ltd.
XXXX	Director	Representative Executive Officer and President of XXXX Co., Ltd.
XXXX	Full-time Audit & Supervisory Board member ( <i>kansayaku</i> )	
XXXX	Audit & Supervisory Board member ( <i>kansayaku</i> )	Chairperson of the Board of Directors of XXXX Co., Ltd.
XXXX	Audit & Supervisory Board member ( <i>kansayaku</i> )	President (Representative Director) of XXXX Co., Ltd.

- Notes:
1. Managing Director XXXX resigned on MM DD, YYYY.
  2. Director XXXX is an outside Director, and the Company has notified the XX Stock Exchange that he/she has been designated as an independent Director.
  3. Audit & Supervisory Board members (*kansayaku*) XXXX and XXXX are outside Audit & Supervisory Board members (*kansayaku*), and the Company has notified the XX Stock Exchange that they have been designated as independent Audit & Supervisory Board members (*kansayaku*).
  4. Audit & Supervisory Board member (*kansayaku*) XXXX has XXX qualification, and possesses considerable knowledge of finance and accounting.

(2) Summary of details of limited liability agreement

Directors XXXX, ....., and Audit & Supervisory Board members (*kansayaku*) XXXX, XXXX, and XXXX have entered into agreements with the Company to limit their liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under these agreements is either X hundred XX (XXX) yen or the minimum liability amount provided for under laws and regulations, whichever is higher.

(3) Summary of details of indemnity agreement

Directors XXXX, ....., and Audit & Supervisory Board members (*kansayaku*) XXXX, XXXX, and XXXX have entered into indemnity agreements with the Company pursuant to Article 430-2, paragraph (1) of the Companies Act. Under these indemnity agreements, the Company shall indemnify him/her against the expenses under item (i) and losses under item (ii) of the same paragraph, to the extent specified by laws and regulations.

(4) Summary of details of directors' and officers' liability insurance policy

The Company has entered into a directors' and officers' liability insurance policy with an insurance company as provided for in Article 430-3, paragraph (1) of the Companies Act. The policy covers losses of XXXX to be borne by the insured persons.

The insured persons under the policy are Directors and Audit & Supervisory Board members (*kansayaku*).

(5) Remuneration for Directors and Audit & Supervisory Board members (*kansayaku*) for the business year

(i) Policy for determining the content of remuneration for individual Directors

The Company established a policy for determining the content of remuneration for individual Directors (hereinafter, the "Determination Policy"). A summary of the Determination Policy.....

Moreover, the method of determining the Determination Policy

.....

(ii) Resolutions at the General Meetings of Shareholders on remuneration for Directors and Audit & Supervisory Board members (*kansayaku*)

The amount of monetary remuneration for Directors was resolved at the Xth/st/nd/rd Annual General Meeting of Shareholders held on MM DD, YYYY to be no more than X hundred XX (XXX) yen per year (including an amount not more than X hundred XX (XXX) yen per year for outside Directors but not including the employee salaries of Directors who also serve as employees). The number of Directors at the conclusion of said Annual General Meeting of Shareholders was X (X) (including X (X) outside Director(s)). In addition, separate from the aforementioned monetary remuneration, a resolution was passed at the Xth/st/nd/rd Annual General Meeting of Shareholders held on MM DD, YYYY to limit the amount of stock compensation to not more than X hundred XX (XXX) yen per year and the number of shares to not more than X (X) shares per year (outside Directors are not eligible). The number of Directors (excluding outside Directors) at the conclusion of said Annual General Meeting of Shareholders was X (X).

The amount of monetary remuneration for Audit & Supervisory Board members (*kansayaku*) was resolved at the Xth/st/nd/rd Annual General Meeting of Shareholders held on MM DD, YYYY to be no more than X hundred XX (XXX) yen per year. The number of Audit & Supervisory Board members (*kansayaku*) at the conclusion of said Annual General Meeting of Shareholders was X (X).

(iii) Delegation of determination of the content of remuneration for individual Directors

Based on a resolution concerning delegation passed by the Board of Directors, Representative Director XXXX shall determine the specific amount of remuneration for each individual Director.

The details of the delegated authority are

.....

The reason for delegation of this authority is

.....

The Board of Directors takes measures such as.....to ensure such authority is properly executed by the Representative Director. As the remuneration amount for

each individual Director is determined by following such procedure, the Board of Directors has determined that the content is in accordance with the Determination Policy.

(iv) Total amount of remuneration for Directors and Audit & Supervisory Board members (*kansayaku*)

Category	Total amount of remuneration (Millions of yen)	Total amount of remuneration by type (Millions of yen)			Number of recipients
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors	XXX	XXX	XXX	XXX	XX
[Outside Directors]	[XXX]	[XXX]	[—]	[—]	[X]
Audit & Supervisory Board members ( <i>kansayaku</i> )	XXX	XXX	—	—	X
[Outside Audit & Supervisory Board members ( <i>kansayaku</i> )]	[XXX]	[XXX]			[X]

Notes: 1. Bonuses are paid to Directors as performance-linked remuneration.

Details of the performance indicators selected as the basis for calculating the amount (or number) of performance-linked remuneration are..... In addition, the reason for the selection of these performance indicators is ..... The method of calculating the amount of performance-linked remuneration is .....

Trends in XX (selected performance indicators), including in the business year under review, are provided in “1. (5) Trends in assets and operating results.”

2. Stock compensation is delivered to Directors as non-monetary remuneration.

Details of such stock compensation and the status of delivery are provided in “2. Shares of the Company.”

(6) Outside Directors and outside Audit & Supervisory Board members (*kansayaku*)

(i) Director XXXX

a. Relationships between the Company and organizations in which the outside Director holds significant concurrent occupations or positions

XXX Co., Ltd. has a ..... relationship with the Company.

b. Relationships between the Company and specified associated service providers, such as important counterparties

The President (Representative Director) of XXXX Co., Ltd., an important counterparty of the Company, is XX (a relative within the third degree of kinship).

c. Major activities during the business year

(a) Attendance and statements at Board of Directors meetings

He/She attended X percent (X%) of meetings and made statements X (X) times.

(b) Business policy changes made based on the opinions of Director XXXX

.....

(c) Summary of response to address XXXX misconduct at the Company

He/She had made the following measures to prevent the occurrence of misconduct.

.....

He/She made the following responses after the occurrence of misconduct.



.....  
(d) Summary of duties carried out in the expected role as an outside Director

.....  
(ii) Audit & Supervisory Board member (*kansayaku*) XXXX

a. Relationships between the Company and organizations in which the outside Audit & Supervisory Board member (*kansayaku*) holds significant concurrent occupations or positions

XXX Co., Ltd. has a ..... relationship with the Company.

b. Major activities during the business year

(a) Attendance and statements at Board of Directors meetings

He/She attended X percent (X%) of meetings and made statements X (X) times.

(b) Attendance and statements at Audit & Supervisory Board (*kansayaku-kai*) meetings

He/She attended X percent (X%) of meetings and made statements X (X) times.

(c) Summary of response to address XXX misconduct at the Company

He/She had made the following measures to prevent the occurrence of misconduct.

.....

He/She made the following responses after the occurrence of misconduct.

.....

## 5. Accounting Auditor

(1) Name of Accounting Auditor

XX Audit Corporation

(2) Summary of details of limited liability agreement

XX Audit Corporation has entered into an agreement with the Company to limit XX Audit Corporation's liability for damages under Article 423, paragraph (1) of the Companies Act. The maximum amount of liability for damages under this agreement is either X hundred XX (XXX) yen or the minimum liability amount provided for under laws and regulations, whichever is higher.

(3) Amount of fees for the Accounting Auditor for the business year

(i) Fees for the Accounting Auditor for the business year and reasons why the Audit & Supervisory Board (*kansayaku-kai*) agreed to such fees

XXX thousand (XXX,000) yen

The reasons why the Audit & Supervisory Board (*kansayaku-kai*) of the Company agreed to the fees for XX Audit Corporation are .....

(ii) Total amount of money and other economic benefits to be paid by the Company and its subsidiaries

XX thousand (XX,000) yen

The auditing of the financial statements of the Company's subsidiary XXXX Co., Ltd. is conducted by YY Audit Corporation.

(4) Details of non-audit services

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- (5) Policy on decisions of dismissal or non-reappointment of accounting auditor

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6. Company structure and policies

- (1) Systems to ensure that the execution of duties by Directors complies with laws and regulations as well as the Company's Articles of Incorporation, other systems to ensure the appropriateness of operations, and operational status of such systems

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- (2) Basic policy on control of the Company

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- (3) Policy on decisions on dividends and other appropriation of surplus

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