

Annual Securities Report

From April 1, 2014 to March 31, 2015

Document submitted to EDINET

TSUGAMI CORPORATION (E01480)

(The English translation of Yuukasyouken-Houkokusyo)

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Document submitted	Annual Securities Report
Applicable law clause	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 19, 2015
Fiscal year	The 112th term (from April 1, 2014 to March 31, 2015)
Corporate name	TSUGAMI CORPORATION
Name and title of representative	Takao Nishijima, Chairman and CEO
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Telephone number	+81-3-3808-1711 (key number)
Contact person	Hiroshi Kawai, General Manager, Finance
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Contact person	Hiroshi Kawai, General Manager, Finance
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

Chapter 1. Corporate Information

Section 1. Overview of the Company's Situation

1. Changes in major financial data

(1) Consolidated financial data

Fiscal term	108 th term	109 th term	110 th term	111 th term	112 th term
Closing month and year	March 2011	March 2012	March 2013	March 2014	March 2015
Net sales (million yen)	35,932	35,739	52,812	32,225	54,132
Ordinary income (loss) (million yen)	3,504	3,875	6,800	1,932	7,745
Net income (loss) (million yen)	2,837	2,281	4,207	344	5,297
Comprehensive income (million yen)	3,378	2,503	4,885	1,085	7,848
Net assets (million yen)	22,122	27,717	31,998	31,587	37,279
Total assets (million yen)	35,860	50,757	45,919	52,250	56,829
Net assets per share (yen)	331.39	372.21	427.86	428.18	522.94
Net income (loss) per share (yen)	42.72	33.88	57.16	4.72	74.37
Net income per share after residual equity adjustment (yen)	41.92	33.43	56.28	4.64	72.92
Capital adequacy ratio (%)	60.9	53.9	68.6	59.3	64.1
Earnings on equity (%)	13.67	9.27	14.29	1.10	15.72
Price-earnings ratio (times)	13.58	27.83	9.48	130.68	10.34
Cash flows from operating activities (million yen)	2,295	499	1,914	714	3,135
Cash flows from investing activities (million yen)	-1,599	-1,915	-2,381	-713	-1,706
Cash flows from financing activities (million yen)	-437	2,608	303	445	-2,822
Cash and cash equivalents at the end of the term (million yen)	4,061	5,264	5,296	6,044	4,952
Number of employees (Average number of temporary employees in addition to the above)	899 (192)	1,733 (179)	1,420 (161)	1,832 (130)	1,959 (102)

(2) Financial data of the submitting company

Fiscal term	108 th term	109 th term	110 th term	111 th term	112 th term
Closing month and year	March 2011	March 2012	March 2013	March 2014	March 2015
Net sales (million yen)	35,146	37,382	35,852	29,491	34,992
Ordinary income (loss) (million yen)	2,867	3,403	6,914	1,330	2,522
Net income (loss) (million yen)	2,426	1,916	5,125	-70	1,698
Capital (million yen)	10,599	12,345	12,345	12,345	12,345
(Number of shares issued) (thousand shares)	(68,019)	(74,919)	(74,919)	(74,919)	(74,919)
Net assets (million yen)	21,241	26,367	30,837	29,692	30,494
Total assets (million yen)	34,091	45,942	42,090	41,800	39,050
Net assets per share (yen)	318.02	353.86	412.08	401.99	427.60
Dividend per share	10.00	10.00	12.00	12.00	14.00
(Of which, interim dividend per share) (yen)	(5.00)	(5.00)	(6.00)	(6.00)	(6.00)
Net income (loss) per share (yen)	36.53	28.47	69.64	-0.97	23.85
Net income per share after residual equity adjustment (yen)	35.85	28.09	68.56	--	23.39
Capital adequacy ratio (%)	61.5	56.6	72.1	69.6	76.2
Earnings on equity (%)	12.11	8.16	18.19	--	5.78
Price-earnings ratio (times)	15.88	33.12	7.78	--	32.24
Dividend payout ratio (%)	27.4	35.1	17.2	--	58.7
Number of employees	511	475	452	441	430
(Average number of temporary employees in addition to the above)	(177)	(163)	(143)	(111)	(90)

- (Note) 1. Net sales do not include consumption taxes (consumption tax and local consumption tax; the same shall apply hereinafter).
2. Since net losses were posted, net income per share after residual equity adjustment in the financial data of the submitting company for the 111th term have no value, although there were residual securities.
3. Since net losses were posted in the 111th term, earnings on equity, price-earnings ratio and the dividend payout ratio in the financial data of the submitting company has no value.
4. The Group began applying the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2 revised on June 30, 2010), and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4 revised on June 30, 2010) in the calculation of net income per share after residual equity adjustment for the 109th term. The net income per share after residual equity adjustment for the 108th term has been revised using the changed accounting policy retroactively.

2. Corporate history

March 1937	Tsugami Mfg., Co., Ltd. established with capital of 2 million yen in Nagaoka, Niigata
December 1938	Head office relocated to Kyobashi-ku, Tokyo
September 1941	All plants in Nagaoka factory completed
February 1945	Tsugami Precision Engineering Industry Co., Ltd. absorbed and renamed Shinshu Plant
February 1948	Head office relocated to Minato-ku, Tokyo
May 1949	Listed on Tokyo Stock Exchange, Osaka Securities Exchange, and Niigata Stock Exchange
October 1961	Toyo Seiki K.K. absorbed and made Ibaraki Plant
July 1968	Zao Seisakusho K.K. established
September 1970	Tsugami <i>Sogo Kenkyusho</i> (Research Institute) established in Nagaoka.
November 1970	Corporate name changed to TSUGAMI CORPORATION
September 1974	Tsugami Machine Tool Trading Corp. established
March 1975	Ibaraki Plant closed and sold
October 1982	Corporate name changed to TSUGAMI CORPORATION
May 1988	Shares of Azuma Shimamoto Ltd. (corporate name changed to Tsugami Shimamoto Ltd.) acquired
April 1991	TSUGAMI PRECISION CO., LTD. (currently a consolidated subsidiary) established
May 1991	Weldon Machine Tool Inc., a U.S. manufacturer of machine tools, acquired (corporate name changed to WMT Corporation)
April 1997	Tsugami High Tech Co., Ltd. (currently TSUGAMI MACHINAERY CO., LTD., a consolidated subsidiary) established
November 2001	Shares of Tsugami Techno Co., Ltd. acquired
December 2002	Liquidation of WMT Corporation completed
September 2003	PRECISION TSUGAMI (CHINA) CORPORATION (currently a consolidated subsidiary) established
April 2004	Tsugami Machine Tool Trading Corp. absorbed
October 2004	Shimamoto Precision Ltd. and Tsugami Techno Co., Ltd. merged. The corporate name of the new company as a result of the merger is Tsugami Shimamoto Ltd. Tsugami High Tech Co., Ltd. and TSUGAMI MACHINAERY CO., LTD. merged. The corporate name of the new company is TSUGAMI MACHINAERY CO., LTD. (currently a consolidated subsidiary).
February 2005	Invests in REM Sales LLC (currently an affiliate to which the equity method is not applied)
November 2005	New plants in Nagaoka and Shinshu factories completed
October 2006	TSUGAMI GENERAL SERVICE CO., LTD. and Tsugami Tool Co., Ltd. merged. The corporate name of the new company formed as a result of the merger is TSUGAMI GENERAL SERVICE CO., LTD. (currently a consolidated subsidiary).
November 2007	TSUGAMI GmbH (currently a non-consolidated subsidiary) established
January 2009	Tsugami Shimamoto Ltd. absorbed
February 2010	TSUGAMI KOREA Co., Ltd. (currently a non-consolidated subsidiary) established
November 2010	Shinagawa Precision Machinery (Zhejiang) Co., Ltd. (currently a non-consolidated subsidiary) established
April 2011	TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED (currently a non-consolidated subsidiary) established in India.
June 2011	TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED (currently a non-consolidated subsidiary) established in India.
March 2012	TSUGAMI Universal Pte. Ltd. (currently a non-consolidated subsidiary) established in Singapore.
April 2013	TSUGAMI GENERAL SERVICE CO., LTD. and TSUGAMI PRECISION CO., LTD. merged. The corporate name of the new company formed as a result of the merger is TSUGAMI GENERAL SERVICE CO., LTD. (currently a consolidated subsidiary).
July 2013	Precision Tsugami (China) Corporation Limited (currently a non-consolidated subsidiary) established
September 2013	Precision Tsugami (Hong Kong) Limited (currently a non-consolidated subsidiary) established
April 2015	TSUGAMI GmbH changed its trade name to TSUGAMI EUROPE GmbH (currently a non-consolidated subsidiary).

3. Businesses

The Group consists of TSUGAMI Corporation (“the Company”), 12 subsidiaries (of which seven are consolidated subsidiaries), and one affiliate and engages primarily in the manufacture and sale of Automatic lathes, Grinding machines, Machining centers, and Rolling machines chiefly in Japan and China. The Group undertakes additional business activities, including research on individual companies and other services.

(1) Positions of Group companies in the Group’s businesses

The following is a description of the positions of Group companies in the Group’s businesses in Japan, China and South Korea:

(i) Japan

The Company manufactures and sells machine tools, measurement instruments, and other tools. Products are sold also by TSUGAMI Machinery Co., Ltd., subsidiary. The Company purchases certain parts and products from subsidiary PRECISION TSUGAMI (CHINA) CORPORATION.

(ii) China

PRECISION TSUGAMI (CHINA) CORPORATION manufactures and sells machine tools. Shinagawa Precision Machinery (Zhejiang) Co., Ltd. manufactures and sells machine tool castings. PRECISION TSUGAMI (CHINA) CORPORATION also purchases certain parts from the Company and Shinagawa Precision Machinery (Zhejiang) Co., Ltd., and sells products to the Company.

(iii) South Korea

TSUGAMI Korea Co., Ltd. sells products of the Company.

TSUGAMI (Thai) Co., Ltd., TSUGAMI EUROPE GmbH and TSUGAMI Universal Pte. Ltd., subsidiaries, and REM Sales LLC, an affiliate, sell products of the Company.

After-sales services for the products of the Group are provided by the Company and the subsidiaries TSUGAMI Machinery Co., Ltd. and TSUGAMI (Thai) Co., Ltd.

4. Situations of affiliates

Name	Address	Capital or investments	Major business	Ownership of voting rights (%)	Relations
Consolidated subsidiaries					
TSUGAMI MACHINAERY CO., LTD.	Kawasaki-ku, Kawasaki-shi, Kanagawa	60 million yen	Sales, installation and repairing of machine tool parts in Japan.	100	Sells products and parts of the Company; installs and repairs products of the Company. There are interlocking officers.
TSUGAMI GENERAL SERVICE CO., LTD.	Nagaoka-shi, Niigata	42 million yen	Inspections and maintenance of buildings and facilities of factories, non-life insurance agency operations, manufacturing and sales of measuring equipment and prototype standard in Japan.	100	Checks and maintains buildings and equipment on the premises of the Company's plants; carries out the agency of nonlife insurance; manufactures and sells products of the Company. There are interlocking officers.
PRECISION TSUGAMI (CHINA) CORPORATION (Note 1, 2, 3)	Zhejiang, China	258 million yuan	Manufacturing and sales of machine tools in China.	100	Manufactures and sells products of the Company. There are interlocking officers.
Shinagawa Precision Machinery (Zhejiang) Co., Ltd (Note 3)	Zhejiang, China	35 million yuan	Manufacturing and sales of machine tool castings in China.	(100)	Manufactures and sells of machine tool castings for products of the Company. There are interlocking officers.
TSUGAMI KOREA Co., Ltd.	Seoul, South Korea	1,000 million won	Sales of machine tools in South Korea.	100	Sells products of the Company. There are interlocking officers.
Precision Tsugami (China) Corporation Limited (Note 1)	The Cayman Islands	3 Hong Kong dollar	Holding Company	100	Holds all shares in Precision Tsugami (Hong Kong) Limited. There are interlocking officers.
Precision Tsugami (Hong Kong) Limited (Note 1, 3)	Hong Kong, China	490 million Hong Kong dollar	Holding Company	(100)	Holds all shares in PRECISION TSUGAMI (CHINA) CORPORATION. There are interlocking officers.

(Note) 1. PRECISION TSUGAMI (CHINA) CORPORATION, Precision Tsugami (China) Corporation Limited and Precision Tsugami (Hong Kong) Limited are specified subsidiaries.

2. The ratio of the net sales of PRECISION TSUGAMI (CHINA) CORPORATION (excluding intra-Group sales among consolidated companies) to consolidated net sales exceeded 10%.

Information on major profit and other items

(1) Net sales	39,918 million yen
(2) Ordinary income	5,325 million yen
(3) Net income	4,066 million yen
(4) Net assets	10,083 million yen
(5) Total assets	25,973 million yen

3. The figure in the parenthesis is the indirect ownership of voting rights.

5. Employees

(1) Group employees

As of March 31, 2015

Business segment	Number of employees	
Japan	477	(102)
China	1,463	(--)
South Korea	19	(--)
Total	1,959	(102)

(Note) 1. The number of employees is the number of people employed by the Group. The figure in parentheses is the annual average of temporary employees and is not included in the number of employees.

2. The number of employees rose by 129 from the end of the previous fiscal year to 1,463 because of a significant increase in production at PRECISION TSUGAMI (China) CORPORATION in the fiscal year under review.

(2) Employees of the submitting company

As of March 31, 2015

Number of employees	Average age	Average service years	Average annual salary (thousand yen)
430 (90)	42.8	17.6	5,906

(Note) 1. The number of employees is the number of people employed by the Group. The figure in parentheses is the annual average of temporary employees and is not included in the number of employees. Workers on loan from other companies to the Company (seven employees) are included. Workers on loan from the Company to other companies (92 employees) are not included. The employees of the Company are classified into Japan Segment.

2. The average annual salary (tax included) includes overtime charges and bonuses.

(3) Labor union

The labor union of the Company belongs to JAM, an industrial union. The number of union members, who have concluded union-shop contracts, is 290.

Labor-management relations are good.

Section 2. Business Situation

1. Overview of operating results

(1) Operating results

During the consolidated fiscal year under review, the Japanese economy remained on a modest recovery path overall, despite the effects of the consumption tax hike in certain areas.

In the machine tool industry, the domestic market maintained the moderate upward momentum seen the previous fiscal year. The U.S. and European markets both remained strong, and the Chinese market also generally staged a modest recovery, driven by EMS associated with smartphones.

In this environment, both net sales and income at TSUGAMI Corporation (the "Company") and its affiliates (the "Group") rose year on year, primarily reflecting sales of products for the IT products industry and the contribution of new products for automobiles.

Consolidated net sales for the fiscal year under review increased 68.0% year on year, to 54,132 million yen.

Consolidated net sales in Japan increased 32.0% year on year, to 9,712 million yen. Consolidated exports increased 78.6% year on year, to 44,419 million yen. The export ratio increased from 77.2% for the previous fiscal year, to 82.1%.

Consolidated operating income increased 512.4% year on year, to 7,253 million yen. Consolidated ordinary income increased 300.8% year on year, to 7,745 million yen and consolidated net income increased 1,439.0% year on year, to 5,297 million yen for the fiscal year under review.

Operating results by business segment are as follows:

- (i) In Japan, net sales stood at 35,395 million yen, up 19.0 % year on year. Operating income was 1,485 million yen.
- (ii) In China, net sales were 38,932 million yen, up 111.3 % year on year. Operating income was 5,749 million yen.
- (iii) In South Korea, net sales were 1,179 million yen, up 1.5% year on year. Operating income was 24 million yen.

(2) Cash flows

For cash flows, please refer to (2) Analysis of cash flows of 7. Analysis of financial position and operating results of Section 2. Business Situation.

2. Production, orders received, and sales

(1) Production performance

The table below shows production performance by segment for the fiscal year under review.

Business segment	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015) (million yen)	Year on year (%)
Japan	27,642	114.6
China	28,743	199.0
South Korea	--	--
Total	56,386	146.2

(Note) 1. The amounts above are amounts before intra-Group transfers based on standard invoice prices.

2. The amounts above do not include consumption taxes.
3. In South Korea, the Group does not engage in production.

(2) Orders received

Since the Group (the Company and its consolidated subsidiaries) produces based on prospects for orders, a description of orders received is omitted.

(3) Sales performance

The table below show sales performance by business segment for the fiscal year under review.

Business segment	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015) (million yen)	Year on year (%)
Japan	23,758	119.6
China	29,249	260.3
South Korea	1,124	99.8
Total	54,132	168.0

(Note) 1. Transactions between the segments were canceled out.

2. The amounts above do not include consumption taxes.

3. Challenges to address

(Challenges in the medium to long term)

The Group is addressing the following priority issues proactively as its medium- and long-term management strategies.

(1) Introduction of new products targeting growth fields

The Group will make every effort to launch new products that will sufficiently meet customers' requests in markets that are expected to grow, including the auto parts market, where eco-friendliness and energy saving are required, the IT market, which includes more sophisticated HDDs and smartphones, and the medical care market.

(2) Business strategies targeting growth regions

The Group will aggressively build up its operations over the medium and long term with actions that include the expansion and upgrading of production, sales and after-sales service organizations in markets where investor confidence is high, such as China, Southeast Asia and India.

(3) Management streamlining and customer satisfaction enhancement

To bolster the comprehensive strength of the corporate group, the Group, including affiliates, will seek to enhance its sales, production, and management systems and to achieve efficient management.

The Group will continue to make every effort to offer new products that satisfy customer demands, to expand and upgrade its services, to improve customer satisfaction on a constant basis, and to maintain the trust of its customers.

Meanwhile, the Group will promote CSR activities, including environment conservation and compliance, and remains committed to justifying the trust of its shareholders, customers, and all other stakeholders.

4. Business and other risks

Risks that may adversely affect the operating results, share prices, financial situation and other aspects of the Group include the following:

(1) Effects of business fluctuations

The machine tool industry is an industry that is susceptible to the effects of business fluctuations. The Group is continuing its efforts to minimize the effects that unexpected market downsizing can have on its performance, by reducing fixed costs and taking other steps in an attempt to maximize management efficiency. Sudden and unexpected changes, however, may affect the Group's production, business performance and financial situation.

(2) Effects of changes in prices of raw materials

The prices of cast metals and iron and steel products, the main raw materials of products of the Group, are influenced by movements of exchange rates and the international supply-demand situation. Increases in prices of raw materials for those reasons may affect the Group's production, business performance, and financial situation.

(3) Effects of fluctuations in exchange rates

Each year, overseas sales are accounting for a greater percentage of total sales of the Group's products. Exports by the Group are denominated in yen, and they are not directly influenced by exchange rate fluctuations in principle. A sharp appreciation of the yen, however, prompts agents and users overseas to ask the Group to lower its selling prices for its products. In addition, the risk of an exchange loss attributable to fluctuations in the Chinese yuan is rising in proportion to the growing weight of production at manufacturing factories in China.

(4) Effects of overseas operations

A subsidiary in China manufactures and sells machine tools, and the Group sells products and provides after-the-sale services through subsidiaries in Thailand, Germany, and South Korea. Deterioration in political situations and changes in laws and regulations in those countries may affect the Group's production, business performance and financial standing.

(5) Effects of matters relating to quality

The Group is united in its commitment to improving quality, in addition to proactively developing new products and introducing them to markets. Nonetheless, unexpected issues, such as accidents and poor service, may affect the Group's production, business performance and financial conditions should they arise.

(6) Effects relating to intellectual property rights

To protect its technologies, the Group applies for patents for them and acquires intellectual property rights. However, if other companies infringe on the intellectual property rights of the Group, if the invalidation of intellectual property rights of the Group is sought, or if injunctions against the manufacture and sale of products are filed against the Group in association with infringements of intellectual property rights, then this may affect the Group's production, business performance and financial conditions.

(7) Effects of the situation

The Group deals with range of industries, including the electronics, information and telecommunications, and automobile industries. The Group pays close attention to the environment and credit risk. However, if the situation of customer, especially those with which the Group conducts large transactions, changes because of amendments to contracts, changes in the business environment, business downturns, or other factors, this may could the Group's production, business performance, and financial situation.

(8) Effects of natural disasters

The Group has production, selling, and service bases worldwide, and may therefore be affected by disasters that might be caused by a range of phenomena, including natural disasters, computer viruses, and terrorism.

The Group has production bases in Niigata and in China. If large natural disasters, such as earthquakes and floods, should occur, and if as a result the supply of products should become impossible or be delayed, then this may affect the Group's production, business performance and financial situation.

5. Significant management contracts

Not applicable.

6. Research and development activities

The Group is focusing on product development activities to quickly meet the needs of customers and develop high-precision, high-speed and high-rigidity machines promptly based on precision processing technologies that the Group has cultivated in product development and technology development for many years.

Total R&D expenses in the entire Group in the fiscal year under review were 1,278 million yen.

The R&D are conducted in the Company (Japan).

The Company plays a central role in developing small, high-speed, high-precision machines that can be used for processing auto parts that are environmentally friendly, safe, and energy saving (electric power steering, next-generation brakes, environmentally-friendly engines) and high-precision products in the information and communications industries, especially personal computer-related products, such as hard disk drives (HDDs), parts for small information terminals, such as mobile phones and digital cameras, and super high-precision parts such as parts for medical equipment.

During the fiscal year under review, the Company developed the B073/74/75-III, B0123/124/125/126-III, B0203/204/205/206-III, B0208W, C300-IV and C300H CNC precision automatic lathe and the TMA8J/H turning center.

7. Analysis of financial position, operating results, and cash flows

(1) Analysis relating to the consolidated financial position

(Current assets)

Current assets at the end of the fiscal year under review increased 907 million yen, to 36,861 million yen, primarily reflecting a increases of, 367 million yen in trade notes and accounts receivable and 1,741 million yen in inventories which offset decrease in cash and deposit of 1,052 million yen.

(Fixed assets)

Fixed assets at the end of the fiscal year under review increased 3,676 million yen, to 19,967 million yen, primarily reflecting a 1,254 million yen increase in buildings and structures, 265 million yen in machinery, equipment and vehicles and 1,900 million yen in investment securities.

(Current liabilities)

Current liabilities at the end of the fiscal year under review decreased 1,464 million yen, to 17,851 million yen, mainly attributable to 2,354 million yen decrease in trade notes and accounts payable, offsetting increase of 779 million yen in short-term borrowings.

(Long-term liabilities)

Long-term liabilities at the end of the fiscal year under review increased 351 million yen, to 1,698 million yen primarily because of a decrease in net defined benefit liability of 410 million yen which offset increase in deferred tax liabilities of 757 million yen.

(Net assets)

Net assets at the end of the fiscal year under review increased 5,691 million yen, to 37,279 million yen, primarily reflecting a increases of 5,297 million yen in net income, 1,406 million yen in unrealized gains on marketable securities and 988 million yen in translation adjustments, offsetting decreases of 866 million yen dividends paid and 1,848 million yen in treasury stock.

(2) Analysis of cash flows

(Cash flows)

Cash and cash equivalents declined by 1,092 million yen from the end of the previous fiscal year, to 4,952 million yen at the end of the consolidated fiscal year under review. The following shows cash flows in each category in the fiscal year under review.

(Cash flows from operating activities)

Cash generated through operating activities was 3,135 million yen. (increased 714 million yen previous year)

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 7,681 million yen, depreciation and amortization expenses of 1,160 million yen, 115 million yen decrease in trade notes and accounts receivable and 114 million yen decrease in inventories, which offset decreases in cash, such as a 3,565 million yen decrease in trade notes and accounts payable and 2,283 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 1,706 million yen. (decreased 713 million yen previous year)

The cash outflow was primarily attributable to decrease in cash that resulted from a 1,011 million yen expenditure for acquisition of tangible fixed assets, 434 million yen expenditure for acquisition of intangible fixed assets and 315 million yen payments of long-term loans receivable

(Cash flows from financing activities)

Cash used for financing activities was 2,822 million yen. (increased 445 million yen previous year)

The cash outflow resulted mainly from decrease in short term borrowings of 226 million yen, expenditure for acquisition of treasury stock of 1,850 million yen and dividends paid of 866 million yen.

(3) Analysis relating to consolidated operating results

Net sales in the fiscal year under review stood at 54,132 million yen, (up 68.0% year on year). Operating income was 7,253 million yen (up 512.4% year on year). A net income was 5,297 million yen (compared with operating income of 344 million yen in the previous fiscal year).

For analysis by business segment, please refer to (1) Operating results of 1. Overview of operating results of Section 2. Business Situation.

Section 3. Facilities

1. Overview of capital investment

Capital expenditures of the Group were 1,725 million yen.

Capital expenditures by business segment are as follows:

Capital expenditures in Japan were 208 million yen, which was allocated primarily to production facilities at Nagaoka factory of the Company.

Capital expenditures in China were 1,487 million yen, which was allocated primarily to production facilities at PRECISION TSUGAMI (CHINA) CORPORATION, a subsidiary.

Capital expenditures in South Korea were 29 million yen, which was allocated primarily to facilities at TSUGAMI KOREA Co., Ltd., a subsidiary.

The Group's own funds for the capital expenditures.

2. Major facilities

The table below shows major facilities of the Group.

(1) Submitting company

As of March 31, 2015

Factory (location)	Business segment	Facilities	Book value (million yen)						Number of employees
			Buildings	Machinery and equipment	Land (m ²)	Leased assets	Other	Total	
Nagaoka factory (Nagaoka-shi, Niigata)	Japan	Equipment for producing machine tools	1,658	416	219 (71,303)	27	183	2,504	339 (72)
Niigata factory (Niigata-shi, Niigata)	Japan	Equipment for producing machine tools	291	14	164 (18,245)	--	18	488	21 (10)
Other (Kawasaki-ku, Kawasaki-shi, Kanagawa)	Japan	Apartments for unmarried employees	128	--	91 (469)	--	0	219	-- (--)

(2) Overseas subsidiary

As of March 31, 2015

Corporate name	Factory (location)	Business segment	Facilities	Book value (million yen)						Number of employees
				Buildings	Machinery and equipment	Land (m ²)	Leased assets	Other	Total	
PRECISION TSUGAMI (CHINA) CORPORATION	China factory (Zhejiang, China)	China	Equipment for producing machine tools	3,030	3,615	--	--	108	6,755	1,396 (--)
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	China factory (Zhejiang, China)	China	Equipment for producing machine tools	469	157	--	--	29	656	67 (--)

(Note) 1. The book value in the "Other" column is a total value of tools, and equipment and fixtures and does not include construction in progress.

2. The number in parentheses in the number of employees column is the number of temporary employees.

3. Main equipment that is out of service or made available for leasing is as follows:

As of March 31, 2015

Factory (location)	Business segment	Facilities	Book value (million yen)						Number of employees
			Buildings	Machinery and equipment	Land (m ²)	Leased assets	Other	Total	
Shinshu factory (Saku-shi, Nagano)	Japan	Idle asset	368	5	11 (32,075)	--	9	394	-- (--)
		Real estate for rent	94	0	11 (32,610)	--	1	106	

3. Equipment introduction and retirement plans

The Group develops capital expenditure plans, taking into comprehensive consideration business forecasts, industry trends, and financial efficiency.

In principle, each consolidated company develops an equipment plan, which is adjusted primarily by the submitting company.

The table below shows plans for the introduction of important equipment as of the end of the fiscal year under review.

Corporate name, factory	Location	Business segment	Facilities	Planned investments (million yen)		Financing method	Planned start and completion date	
				Total	Amount paid		Start	Completion
Nagaoka factory of the Company	Nagaoka-shi, Niigata	Japan	Machinery and equipment	245	--	Self-financing	April 2015	March 2016
PRECISION TSUGAMI (CHINA) CORPORATION	Zhejiang, China	China	Buildings, machinery and equipment	545	--	Self-financing	April 2015	March 2016

Section 4. Situation of Submitting Company

1. Shares of the Company

(1) Total number of shares and other information

(i) Total number of shares

Type	Number of shares issuable
Common shares	320,000,000
Total	320,000,000

(ii) Shares issued

Type	Number of shares issued at end of fiscal year (March 31, 2015)	Number of shares issued on the date of the submission of the report (June 19, 2015)	Stock exchange or registered financial instruments dealers association	Remarks
Common shares	74,919,379	74,919,379	The First Section of the Tokyo Stock Exchange	Number of shares per unit: 1,000
Total	74,919,379	74,919,379	--	--

(Note) The figures in the number of shares issued on the date of the submission of the report column do not include shares issued through the exercise of subscription rights to shares from June 1, 2015 through the date of the submission of the report.

(2) Subscription rights to shares

The table below shows the details of the subscription rights to shares issued under Articles 280-20 and 280-21 of the Old Commercial Code.

(i) Resolution of the annual shareholders meeting held on June 24, 2005

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription rights to shares	59	59
Number of own subscription rights to shares of the subscription rights to shares	--	--
Type of shares underlying subscription rights to shares	Common shares	Same as at left
Number of shares underlying subscription rights to shares	59,000	59,000
Amount to be paid for the exercise of subscription rights to shares (yen)	1	Same as at left
Exercise period	From July 1, 2005 to June 30, 2025	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription rights to shares (yen)	Issue price: 1 Amount per share to be credited to capital: 1	Same as at left
Conditions for the exercise of subscription rights to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--	--

The table below shows the details of the subscription rights to shares issued under the Companies Act.

(ii) Resolution at a Board of Directors meeting held on June 23, 2006

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription rights to shares	22	22
Number of own subscription rights to shares of the subscription rights to shares	--	--
Type of shares underlying subscription rights to shares	Common shares	Same as at left
Number of shares underlying subscription rights to shares	22,000	22,000
Amount to be paid for the exercise of subscription rights to shares (yen)	1	Same as at left
Exercise period	From July 21, 2006 to July 20, 2026	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription rights to shares (yen)	Issue price: 609 Amount per share to be credited to capital: 305	Same as at left
Conditions for the exercise of subscription rights to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	(Note 2)	Same as at left

(iii) Resolution of the annual shareholders meeting held on June 23, 2006

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription rights to shares	19	19
Number of own subscription rights to shares of the subscription rights to shares	--	--
Type of shares underlying subscription rights to shares	Common shares	Same as at left
Number of shares underlying subscription rights to shares	19,000	19,000
Amount to be paid for the exercise of subscription rights to shares (yen)	1	Same as at left
Exercise period	From July 21, 2006 to July 20, 2026	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription rights to shares (yen)	Issue price: 609 Amount per share to be credited to capital: 305	Same as at left
Conditions for the exercise of subscription rights to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	(Note 2)	Same as at left

(iv) Resolution at a Board of Directors meeting held on June 22, 2007

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription rights to shares	29	29
Number of own subscription rights to shares of the subscription rights to shares	--	--
Type of shares underlying subscription rights to shares	Common shares	Same as at left
Number of shares underlying subscription rights to shares	29,000	29,000
Amount to be paid for the exercise of subscription rights to shares (yen)	1	Same as at left
Exercise period	From July 10, 2007 to July 9, 2027	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription rights to shares (yen)	Issue price: 514 Amount per share to be credited to capital: 257	Same as at left
Conditions for the exercise of subscription rights to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	(Note 2)	Same as at left

(v) Resolution of the annual shareholders meeting held on June 22, 2007

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	36	36
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	36,000	36,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 10, 2007 to July 9, 2027	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 514 Amount per share to be credited to capital: 257	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	(Note 2)	Same as at left

(vi) Resolution at a Board of Directors meeting held on June 20, 2008

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	37	37
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	37,000	37,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2008 to July 7, 2028	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 280 Amount per share to be credited to capital: 140	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	(Note 2)	Same as at left

(vii) Resolution of the annual shareholders meeting held on June 20, 2008

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	24	22
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	24,000	22,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2008 to July 7, 2028	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 280 Amount per share to be credited to capital: 140	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	(Note 2)	Same as at left

(viii) Resolution of the annual shareholders meeting held on June 19, 2009

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	--	--
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	--	--
Amount to be paid for the exercise of subscription right to shares (yen)	225	Same as at left
Exercise period	From July 7, 2011 to June 30, 2014	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 256 Amount per share to be credited to capital: 128	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(ix) Resolution at a Board of Directors meeting held on June 19, 2009

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	93	93
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	93,000	93,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 7, 2009 to July 6, 2029	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 124 Amount per share to be credited to capital: 62	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(x) Resolution of the annual shareholders meeting held on June 19, 2009

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	75	75
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	75,000	75,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 7, 2009 to July 6, 2029	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 124 Amount per share to be credited to capital: 62	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xi) Resolution of the annual shareholders meeting held on June 18, 2010

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	312	312
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	312,000	312,000
Amount to be paid for the exercise of subscription right to shares (yen)	667	Same as at left
Exercise period	From July 6, 2012 to June 30, 2015	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 849 Amount per share to be credited to capital: 425	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xii) Resolution at a Board of Directors meeting held on June 18, 2010

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	58	58
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	58,000	58,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 6, 2010 to July 5, 2030	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 533 Amount per share to be credited to capital: 267	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xiii) Resolution of the annual shareholders meeting held on June 18, 2010

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	43	40
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	43,000	40,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 6, 2010 to July 5, 2030	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 533 Amount per share to be credited to capital: 267	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xiv) Resolution of the annual shareholders meeting held on June 17, 2011

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	231	231
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	231,000	231,000
Amount to be paid for the exercise of subscription right to shares (yen)	481	Same as at left
Exercise period	From July 5, 2013 to June30, 2016	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 644 Amount per share to be credited to capital: 322	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xv) Resolution at a Board of Directors meeting held on June 17, 2011

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	133	133
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	133,000	133,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 5, 2011 to July 4, 2031	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 409 Amount per share to be credited to capital: 205	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xvi) Resolution of the annual shareholders meeting held on June 17, 2011

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	66	66
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	66,000	66,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 5, 2011 to July 4, 2031	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 409 Amount per share to be credited to capital: 205	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xvii) Resolution of the annual shareholders meeting held on June 15, 2012

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	158	158
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	158,000	158,000
Amount to be paid for the exercise of subscription right to shares (yen)	589	Same as at left
Exercise period	From July 3, 2014 to June 30, 2017	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 785 Amount per share to be credited to capital: 393	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xviii) Resolution at a Board of Directors meeting held on June 15, 2012

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	140	140
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	140,000	140,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 3, 2012 to July 2, 2032	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 460 Amount per share to be credited to capital: 230	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xix) Resolution of the annual shareholders meeting held on June 15, 2012

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	68	68
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	68,000	68,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 3, 2012 to July 2, 2032	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 460 Amount per share to be credited to capital: 230	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xx) Resolution of the annual shareholders meeting held on June 21, 2013

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	200	200
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	200,000	200,000
Amount to be paid for the exercise of subscription right to shares (yen)	575	Same as at left
Exercise period	From July 9, 2015 to June 30, 2018	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 755 Amount per share to be credited to capital: 378	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxi) Resolution at a Board of Directors meeting held on June 21, 2013

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	180	180
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	180,000	180,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 9, 2013 to July 8, 2033	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 446 Amount per share to be credited to capital: 223	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxii) Resolution of the annual shareholders meeting held on June 21, 2013

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	96	96
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	96,000	96,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 9, 2013 to July 8, 2033	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 446 Amount per share to be credited to capital: 223	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxiii) Resolution of the annual shareholders meeting held on June 20, 2014

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	200	200
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	200,000	200,000
Amount to be paid for the exercise of subscription right to shares (yen)	584	Same as at left
Exercise period	From July 8, 2016 to June 30, 2019	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 750 Amount per share to be credited to capital: 375	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxiv) Resolution at a Board of Directors meeting held on June 20, 2014

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	190	190
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	190,000	190,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2014 to July 7, 2034	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 453 Amount per share to be credited to capital: 227	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxv) Resolution of the annual shareholders meeting held on June 20, 2014

	At end of fiscal year under review (March 31, 2015)	At end of month preceding date of submission of the report (May 31, 2015)
Number of subscription right to shares	105	99
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	105,000	99,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2014 to July 7, 2034	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 453 Amount per share to be credited to capital: 227	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

- (Note) 1. The conditions for the exercise of subscription rights to shares shall be stipulated in a resolution of the Board of Directors, of the Company and the "Subscription Rights to Share Allocation Agreement" concluded between the Company and the recipients of subscription rights to shares, based on the resolution.
2. In the event of a stock swap or a stock transfer in which the Company will become a wholly owned subsidiary, obligations relating to subscription rights to shares that are not exercised or canceled shall be able to be transferred to the company that will become the parent company through the stock swap or stock transfer under certain conditions. Details shall be specified in the invitation to issuing of subscription.

(3) Exercise of bonds with subscription rights to shares with an amended exercise price
 Not applicable.

(4) Features of rights plan
 Not applicable.

(5) Changes in the number of shares outstanding and capital

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares)	Change in capital (million yen)	Capital (million yen)	Change in capital reserve (million yen)	Capital reserve (million yen)
February1, 2012 (Note 1)	6,000,000	74,019,379	1,518	12,117	1,518	5,656
February22, 2012 (Note 2)	900,000	74,919,379	227	12,345	227	5,884

(Note) 1. Public offering: 6,000 thousand shares

Issue price: 528 yen

Amount to be paid: 506 yen

Amount incorporated into capital: 253 yen

2. Private placement: 900 thousand shares

(Capital increase through a private placement related to a secondary offering by way of over-allotment)

Allotted to Nomura Securities Co., Ltd.

Issue price: 506 yen

Amount incorporated into capital: 253 yen

(6) Ownership of shares by owner

As of March 31, 2015

Classification	Ownership of shares (one unit is 1,000 shares)								Fractional shares (shares)
	Government and local governments	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals		Individuals and others	Total	
					Entities other than individuals	Individuals			
Number of shareholders	--	39	52	128	129	8	6,586	6,942	--
Number of shares held (unit)	--	24,346	2,369	5,378	18,993	28	23,409	74,523	396,379
Holdings (%)	--	32.7	3.2	7.2	25.5	0.0	31.4	100.0	--

(Note) 1. Treasury stock (5,285,426 shares) includes 5,285 units in the individuals and others category and 426 fractional shares.

2. Shares in the other corporations' column include 12 units of shares under the name of the Japan Securities Depository Center.

(7) Major shareholders

As of March 31, 2015

Name	Address	Number of shares held (thousand shares)	Ratio of holdings to the number of shares issued (%)
Japan Trustee Services Bank, Ltd. (trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	7,480	9.98
TSUGAMI CORPORATION	12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo	5,285	7.05
Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.)	1-8-12, Harumi, Chuo-ku, Tokyo	4,592	6.12
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	2,579	3.44
The Dai-ichi Life Insurance Company, Limited (Standing agency: Trust & Custody Services Bank, Ltd.)	1-13-1, Yurakucho, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	2,175	2.90
DMG MORI SEIKI Co., Ltd.	106, Kitakoriyama-cho, Yamatokoriyama-shi, Nara	2,000	2.66
JP Morgan Chase Bank 385632 (Standing agency: Mizuho Corporate Bank, Ltd., Custody & Proxy Department)	25 Bank Street, Canary Wharf, London, E14 5JP, United Kingdom (4-16-13, Tsukishima, Chuo-ku, Tokyo)	1,528	2.04
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	1,516	2.02
The Bank of New York – Jasdec Treaty Account (Standing agency: Mizuho Corporate Bank, Ltd., Custody & Proxy Department)	Avenue Des Arts 35 Kunstlaan, 1040 Brussels, Belgium (4-16-13, Tsukishima, Chuo-ku, Tokyo)	1,508	2.01
The Hokuetsu Bank, Ltd.	2-2-14, Otedori, Nagaoka-shi, Niigata	1,484	1.98
Total	--	30,148	40.24

- (Note) 1. All shares held by Japan Trustee Services Bank, Ltd. relate to the trust service.
2. All shares held by Mizuho Trust & Banking Co., Ltd. relate to the trust service.
3. All shares held by The Master Trust Bank of Japan, Ltd. relate to the trust service.
4. The number of shares held by The Dai-ichi Life Insurance Company, Limited 75 thousand shares in separate pension accounts.
5. Templeton Asset Management Ltd. and its joint holders (Templeton Investment Counsel, LLC, Franklin Templeton Investments Corp., Franklin Templeton Investments (Asia) Limited, and Franklin Advisers, Inc.) have sent the Company a copy of a change report relating to a large holding report dated December 3, 2014. According to the copy, they held the shares shown in the table below as of November 28, 2014. However, since the Company has not been able to confirm the number of shares held by them as of the end of the fiscal year, they are not included in the table above.

Name	Address	Number of shares and other securities (shares)	Holdings (%)
Templeton Asset Management Ltd.	7 Temasek Boulevard #38-03 Suntec Tower One Singapore 038987	Shares 1,245,600	1.66
Templeton Investment Counsel, LLC	300 Southeast 2nd Street Ft. Lauderdale, Florida 33301 United States	Shares 3,852,000	4.78
Franklin Templeton Investments Corp.	5000 Yonge Street Suite 1200 Toronto, Ontario M2N 0A7 Canada	Shares 642,000	0.86
Franklin Templeton Investments (Asia) Limited	17th Floor, Chater House 8 Connaught Road Central Hong Kong	Shares 144,000	0.19
Franklin Advisers, Inc.	One Franklin Parkway, San Mateo, California 94403-1906 United States	Shares 111,000	0.15

6. Resona Bank, Limited. has sent the Company a copy of a change report relating to a large holding report dated March 19, 2015.

According to the copy, they held the numbers of shares shown in the table below as of March 13, 2015. However, since the Company has not been able to confirm the numbers of shares they held as at the end of the fiscal year, they are not included in the table above.

Name	Address	Number of shares and other securities (shares)	Holdings (%)
Resona Bank, Limited.	2-1, Bingomachi 2-chome, Chuo-ku, Osaka	Shares 3,368,000	4.50

(8) Voting rights

(i) Shares issued

As of March 31, 2015

Classification	Number of shares	Number of voting rights	Remarks
Nonvoting shares	--	--	--
Shares with limited voting rights (treasury stock)	--	--	--
Shares with limited voting rights (other shares)	--	--	--
Shares with complete voting rights (treasury stock)	Common shares 5,285,000	--	--
Shares with complete voting rights (other shares)	Common shares 69,238,000	69,238	--
Fractional shares	Common shares 396,379	--	--
Total number of shares issued	74,919,379	--	--
Number of voting rights of all shareholders	--	69,238	--

(Note) Shares with complete voting rights (other shares) include 12 thousand shares (12 voting rights) under the name of the Japan Securities Depository Center.

(ii) Treasury stock

As of March 31, 2015

Owner	Address of owner	Number of shares held under the owner's own name (shares)	Number of shares held under the name of any other person (shares)	Total number of shares held (shares)	Ratio of holdings to the number of shares issued (%)
Tsugami Corporation	12-20, Tomizawa-cho Nihonbashi, Chuo-ku, Tokyo	5,285,000	--	5,285,000	7.05
Total	--	5,285,000	--	5,285,000	7.05

(9) Stock option system

The Company has a stock option system. In the system, the Company issues subscription right to shares under the Old Commercial Code and Company Law.

The details of the system are as follows:

1. Stock options based on a resolution at the annual shareholders meeting held on June 24, 2005

A special resolution was passed at the 102nd annual shareholders meeting held on June 24, 2005 that subscription right to shares would be issued to the Company's directors, statutory auditors, and titled executive officers under Articles 280-20 and 280-21 of the Old Commercial Code.

Date of relevant resolution	June 24, 2005
Positions and numbers of officers to receive stock options	The Company's directors 4 Statutory auditors 4 Titled executive officers 7
Type of shares underlying subscription right to shares	Described in (2) Situation of subscription right to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription right to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription right to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

2. Stock options based on a resolution at the annual shareholders meeting held on June 23, 2006

A special resolution was passed at the 103rd annual shareholders meeting held on June 23, 2006 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's titled executive officers and employees with similar titles under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 23, 2006
Positions and numbers of officers to receive stock options	Titled executive officers 8 Employees with similar positions 3
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	Described in (2) Situation of subscription rights to shares

3. Stock options based on a resolution at a Board of Directors meeting held on June 23, 2006

A meeting of the Board of Directors held on June 23, 2006 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 23, 2006
Positions and numbers of officers to receive stock options	The Company's directors 4 Statutory auditors 4
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	Described in (2) Situation of subscription rights to shares

4. Stock options based on a resolution at the annual shareholders meeting held on June 22, 2007

A special resolution was passed at the 104th annual shareholders meeting held on June 22, 2007 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 22, 2007
Positions and numbers of officers to receive stock options	Titled executive officers 11 Employee with similar positions 1
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	Described in (2) Situation of subscription rights to shares

5. Stock options based on a resolution at a Board of Directors meeting held on June 22, 2007

A meeting of the Board of Directors held on June 22, 2007 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 22, 2007
Positions and numbers of officers to receive stock options	The Company's directors 4 Statutory auditors 4
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	Described in (2) Situation of subscription rights to shares

6. Stock options based on a resolution at the annual shareholders meeting held on June 20, 2008

A special resolution was passed at the 105th annual shareholders meeting held on June 20, 2008 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 20, 2008
Positions and numbers of officers to receive stock options	Titled executive officers 18
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	Described in (2) Situation of subscription rights to shares

7. Stock options based on a resolution at a Board of Directors meeting held on June 20, 2008

A meeting of the Board of Directors held on June 20, 2008 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 20, 2008
Positions and numbers of officers to receive stock options	The Company's directors 7 Statutory auditors 4
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	Described in (2) Situation of subscription rights to shares

8. Stock options based on a resolution at the annual shareholders meeting held on June 19, 2009

- (i) A special resolution was passed at the 106th annual shareholders meeting held on June 19, 2009 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock options to the Company's directors, statutory auditors and employees of the Company and directors of subsidiaries of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 19, 2009
Positions and numbers of officers to receive stock options	The Company's directors 5 Statutory auditor 1 Employees of the Company 123 Directors of subsidiaries of the Company 7
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

- (ii) A special resolution was passed at the 106th annual shareholders meeting held on June 19, 2009 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 19, 2009
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 14
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

9. Stock options based on a resolution at a Board of Directors meeting held on June 19, 2009

A meeting of the Board of Directors held on June 19, 2009 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 19, 2009
Positions and numbers of officers to receive stock options	The Company's directors 7 Statutory auditors 4
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

10. Stock options based on a resolution at the annual shareholders meeting held on June 18, 2010

(i) A special resolution was passed at the 107th annual shareholders meeting held on June 18, 2010 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock options to employees of the Company and directors of subsidiaries of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 18, 2010
Positions and numbers of officers to receive stock options	Employees of the Company 63 Directors of subsidiaries of the Company 7
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

(ii) A special resolution was passed at the 107th annual shareholders meeting held on June 18, 2010 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 18, 2010
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 20
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

11. Stock options based on a resolution at a Board of Directors meeting held on June 18, 2010

A meeting of the Board of Directors held on June 18, 2010 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 18, 2010
Positions and numbers of officers to receive stock options	The Company's directors 7 Statutory auditors 4
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

12. Stock options based on a resolution at the annual shareholders meeting held on June 17, 2011

(i) A special resolution was passed at the 108th annual shareholders meeting held on June 17, 2011 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock options to employees of the Company and directors of subsidiaries of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 17, 2011
Positions and numbers of officers to receive stock options	Employees of the Company 81
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

(ii) A special resolution was passed at the 108th annual shareholders meeting held on June 17, 2011 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 17, 2011
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 14
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

13. Stock options based on a resolution at a Board of Directors meeting held on June 17, 2011

A meeting of the Board of Directors held on June 17, 2011 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 17, 2011
Positions and numbers of officers to receive stock options	The Company's directors 8 Statutory auditors 4
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

14. Stock options based on a resolution at the annual shareholders meeting held on June 15, 2012

(i) A special resolution was passed at the 109th annual shareholders meeting held on June 15, 2012 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock options to employees of the Company and directors of subsidiaries of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 15, 2012
Positions and numbers of officers to receive stock options	Employees of the Company 64 Directors of subsidiaries of the Company 3
Type of shares underlying subscription rights to shares	Common shares
Number of shares	200,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	(Note 1)
Exercise period	From the day two years after the day following the date on which the subscription rights to shares are allotted to June 30, 2017.
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the "Subscription Rights to Share Allocation Agreement" based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

- (ii) A special resolution was passed at the 109th annual shareholders meeting held on June 15, 2012 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 15, 2012
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 19
Type of shares underlying subscription rights to shares	Common shares
Number of shares	110,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the "Subscription Rights to Share Allocation Agreement" based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

15. Stock options based on a resolution at a Board of Directors meeting held on June 15, 2012

A meeting of the Board of Directors held on June 15, 2012 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 15, 2012
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 4
Type of shares underlying subscription rights to shares	Common shares
Number of shares	160,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the "Subscription Rights to Share Allocation Agreement" based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

16. Stock options based on a resolution at the annual shareholders meeting held on June 21, 2013

- (i) A special resolution was passed at the 110th annual shareholders meeting held on June 21, 2013 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock options to employees of the Company and directors of subsidiaries of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 21, 2013
Positions and numbers of officers to receive stock options	Employees of the Company 59 Directors of subsidiaries of the Company 2
Type of shares underlying subscription rights to shares	Common shares
Number of shares	200,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	(Note 1)
Exercise period	From the day two years after the day following the date on which the subscription rights to shares are allotted to June 30, 2018.
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the "Subscription Rights to Share Allocation Agreement" based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

(Note) 1. Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value per share (the "Exercise Price") delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

The Exercise Price shall be the highest of the amount calculated by multiplying 1.05 by the average price of closing prices of the Company's common stock quoted on the Tokyo Stock Exchange (excluding a day when no trading is carried out) on ordinary trading days in the month prior to the month when the subscription right to shares are allotted (the Allotment Date") (with fractions of less than one yen rounded up to the nearest one yen), or the closing price of the day prior to the Allotment Date (or, if there is no closing price for that day, the closing price of the nearest day prior to the Allotment Date).

However, if the Company conducts a share-split or a reverse share-split for its common stocks after the Allotment Date, the Exercise Price shall be adjusted in accordance with the following formula, and fractions of less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment}}{\text{Ratio of share-split or reverse share-split}} \times 1$$

The Exercise Price shall be adjusted in accordance with the following formula, if, after the Allotment Date, the Company issues new common stocks or disposes of its treasury stocks at a price below the market price (excluding the transfer of treasury stocks in accordance with the provision stipulated in Article 194 of the Companies Act, or the conversion of securities that are or may be converted to the Company's common stock, or the exercise of subscription right to shares (including those attached to bonds with share options), through which a holder of such rights may request the issuance of the Company's common stocks). Any fractions of less than one yen resulting from this adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \left(\frac{\text{Number of shares outstanding}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}} + \frac{\text{Number of shares newly issued}}{\text{Market value}} \times \frac{\text{Paid-in value per share}}{\text{Market value}} \right)}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

The "number of shares outstanding" stated in the above formula is the number calculated by deducting the number of treasury stocks, common stocks held by the Company, from the number of the Company's common stocks outstanding. In the case of the disposal of treasury stocks, the "number of shares newly issued" shall be deemed to be replaced with the "number of treasury stocks to be disposed of."

In addition to the above, if the adjustment of the Exercise Prices is required for unavoidable reasons, including events of the gratis allotment to the ordinary shareholders of other types of shares after the Allotment Date, and dividend payments for the common stocks of other companies, the Exercise Price shall be adjusted to the reasonable extent, by taking into account conditions for the relevant allotment or dividend payments.

(ii) A special resolution was passed at the 110th annual shareholders meeting held on June 21, 2013 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 21, 2013
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 23
Type of shares underlying subscription rights to shares	Common shares
Number of shares	120,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the "Subscription Rights to Share Allocation Agreement" based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

17. Stock options based on a resolution at a Board of Directors meeting held on June 21, 2013

A meeting of the Board of Directors held on June 21, 2013 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 21, 2013
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 4
Type of shares underlying subscription rights to shares	Common shares
Number of shares	190,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the "Subscription Rights to Share Allocation Agreement" based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

18. Stock options based on a resolution at the annual shareholders meeting held on June 20, 2014

- (i) A special resolution was passed at the 111th annual shareholders meeting held on June 20, 2014 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock options to employees of the Company and directors of subsidiaries of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 20, 2014
Positions and numbers of officers to receive stock options	Employees of the Company 63
Type of shares underlying subscription rights to shares	Common shares
Number of shares	200,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	(Note 1)
Exercise period	From the day two years after the day following the date on which the subscription rights to shares are allotted to June 30, 2019.
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the “Subscription Rights to Share Allocation Agreement” based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

(Note) 1. Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value per share (the “Exercise Price”) delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

The Exercise Price shall be the highest of the amount calculated by multiplying 1.05 by the average price of closing prices of the Company’s common stock quoted on the Tokyo Stock Exchange (excluding a day when no trading is carried out) on ordinary trading days in the month prior to the month when the subscription right to shares are allotted (the Allotment Date”) (with fractions of less than one yen rounded up to the nearest one yen), or the closing price of the day prior to the Allotment Date (or, if there is no closing price for that day, the closing price of the nearest day prior to the Allotment Date).

However, if the Company conducts a share-split or a reverse share-split for its common stocks after the Allotment Date, the Exercise Price shall be adjusted in accordance with the following formula, and fractions of less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment}}{\text{Ratio of share-split or reverse share-split}} \times 1$$

The Exercise Price shall be adjusted in accordance with the following formula, if, after the Allotment Date, the Company issues new common stocks or disposes of its treasury stocks at a price below the market price (excluding the transfer of treasury stocks in accordance with the provision stipulated in Article 194 of the Companies Act, or the conversion of securities that are or may be converted to the Company’s common stock, or the exercise of subscription right to shares (including those attached to bonds with share options), through which a holder of such rights may request the issuance of the Company’s common stocks). Any fractions of less than one yen resulting from this adjustment shall be rounded up to the nearest one yen.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \left(\frac{\text{Number of shares outstanding}}{\text{Number of shares outstanding} + \text{Number of shares newly issued}} + \frac{\text{Number of shares newly issued}}{\text{Market value}} \times \frac{\text{Paid-in value per share}}{\text{Market value}} \right)}{\text{Number of shares outstanding} + \text{Number of shares newly issued}}$$

The “number of shares outstanding” stated in the above formula is the number calculated by deducting the number of treasury stocks, common stocks held by the Company, from the number of the Company’s common stocks outstanding. In the case of the disposal of treasury stocks, the “number of shares newly issued” shall be deemed to be replaced with the “number of treasury stocks to be disposed of.”

In addition to the above, if the adjustment of the Exercise Prices is required for unavoidable reasons, including events of the gratis allotment to the ordinary shareholders of other types of shares after the Allotment Date, and dividend payments for the common stocks of other companies, the Exercise Price shall be adjusted to the reasonable extent, by taking into account conditions for the relevant allotment or dividend payments.

(ii) A special resolution was passed at the 111th annual shareholders meeting held on June 20, 2014 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 20, 2014
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 19
Type of shares underlying subscription rights to shares	Common shares
Number of shares	110,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the "Subscription Rights to Share Allocation Agreement" based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

19. Stock options based on a resolution at a Board of Directors meeting held on June 20, 2014

A meeting of the Board of Directors held on June 20, 2014 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 20, 2014
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 5
Type of shares underlying subscription rights to shares	Common shares
Number of shares	190,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the "Subscription Rights to Share Allocation Agreement" based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

20. Stock options based on a resolution at the annual shareholders meeting held on June 18, 2015

A special resolution was passed at the 112th annual shareholders meeting held on June 18, 2015 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 18, 2015
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 25
Type of shares underlying subscription rights to shares	Common shares
Number of shares	122,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the “Subscription Rights to Share Allocation Agreement” based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

21. Stock options based on a resolution at a Board of Directors meeting held on June 18, 2015

A meeting of the Board of Directors held on June 18, 2015 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company’s directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 18, 2015
Positions and numbers of officers to receive stock options	The Company’s directors 8 Statutory auditors 5
Type of shares underlying subscription rights to shares	Common shares
Number of shares	131,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the “Subscription Rights to Share Allocation Agreement” based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

2. Acquisition of treasury stock

Type of stock The acquisition of common shares under Article 155, Item 3 of the Companies Act and the acquisition of common shares under Article 155, Item 7 of the Companies Act

(1) Acquisition based on resolutions at the shareholders meeting

Not applicable.

(2) Acquisition based on resolutions at Board of Directors meeting

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on January 17, 2014 (Acquisition period: from January 17, 2014 to April 11, 2014)	1,500,000	950,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	--	--
Number and total value of remaining treasury stock	1,500,000	950,000,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	100.0	100.0
Treasury stock acquired in the current fiscal year	--	--
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	100.0	100.0

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on April 14, 2014 (Acquisition period: from April 14, 2014 to October 10, 2014)	1,500,000	900,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	513,000	264,387,000
Number and total value of remaining treasury stock	987,000	635,613,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	65.8	70.6
Treasury stock acquired in the current fiscal year	--	--
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	65.8	70.6

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on October 14, 2014 (Acquisition period: from October 14, 2014 to March 12, 2015)	1,500,000	900,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	1,500,000	868,487,000
Number and total value of remaining treasury stock	--	31,513,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	0.0	3.5
Treasury stock acquired in the current fiscal year	--	--
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	0.0	3.5

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on December 12, 2014 (Acquisition period: from December 12, 2014 to March 12, 2015)	1,500,000	1,000,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	1,110,000	712,256,000
Number and total value of remaining treasury stock	390,000	287,744,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	26.0	28.8
Treasury stock acquired in the current fiscal year	--	--
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	26.0	28.8

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on March 13, 2015 (Acquisition period: from March 13, 2015 to September 11, 2015)	1,500,000	1,200,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	--	--
Number and total value of remaining treasury stock	1,500,000	1,200,000,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	100.0	100.0
Treasury stock acquired in the current fiscal year	1,467,000	1,086,202,000
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	2.2	9.5

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on May 13, 2015 (Acquisition period: from May 13, 2015 to November 11, 2015)	1,500,000	1,200,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	--	--
Number and total value of remaining treasury stock	1,500,000	1,200,000,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	100.0	100.0
Treasury stock acquired in the current fiscal year	212,000	157,589,000
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	85.9	86.9

(3) Acquisition not based on resolutions at the shareholders meeting or Board of Directors meetings

Classification	Number of shares	Total value (yen)
Treasury stock acquired in the fiscal year under review	5,176	3,322,576
Treasury stock acquired in the current fiscal year	1,191	906,899

(Note) The treasury stock acquired in the current fiscal year does not include fractional shares repurchased from June 1, 2015 to the date of the submission of the report.

(4) Treatment of acquired treasury stock and treasury stock held

Classification	Fiscal year under review		Current fiscal year	
	Number of shares	Total value disposed of (yen)	Number of shares	Total value disposed of (yen)
Acquired treasury stock offered to prospective underwriters	--	--	--	--
Acquired treasury stock cancelled	--	--	--	--
Acquired treasury stock transferred in relation to mergers, stock swaps, and company splits	--	--	--	--
Other (Note 1,2)	405,000	189,625,000	11,000	5,830,000
Treasury stock held(Note 3)	5,285,426	--	6,954,617	--

(Note) 1. Exercise of subscription rights to shares (405,000 shares, disposal of 189,625,000 yen) in the fiscal year under review.

Exercise of subscription rights to shares (11,000 shares, disposal of 5,830,000 yen) in the current fiscal year.

2. The treasury stock disposed of in the current fiscal year does not include fractional shares transferred from June 1, 2015 to the date of the submission of the report.
3. The treasury stock held in the current fiscal year does not include fractional shares repurchased or transferred from June 1, 2015 to the date of the submission of the report.

3. Dividend Policy

The Group adopts the basic policy of increasing its collective capabilities and returning profits to shareholders by sustaining aggressive investment in development projects in response to changing social demands and continuing its efforts to enhance competitiveness and streamline management.

Based on the policy, the Group will make united efforts to strengthen business structure and secure stable dividends.

As part of its returns to shareholders, the Company acquires treasury stock for flexible capital policy, comprehensively considering the need for treasury stock acquisitions, the financial standing of the Company, and the trends of prices of the Company's stock.

For the year ended March 31, 2015, the Company has decided to pay annual dividends of 14 yen per share including interim dividends of 6 yen per share and a year-end dividends of 8 yen per share which is 2 yen higher than its initial plan.

Dividends are determined by the Board of Directors.

The Articles of Incorporation stipulate that the Company may pay dividends by resolution of the Board of Directors under the provisions of Article 459, Paragraph 1 of the Companies Act.

For the fiscal year ending March 31, 2016 the Company plans to pay annual dividends of 16 yen per share, including interim dividends of 8 yen per share and year-end dividends of 8 yen per share.

The Articles of Incorporation specifies that the Company may pay interim dividends whose record date is September 30 of every year by resolution of the Board of Directors.

The table below shows dividends for the fiscal year ended of March 31, 2015

Resolution	Total amount of dividend (million yen)	Dividend per share (yen)
Resolution of Board of Directors on November 12, 2014	432	6.00
Resolution of Board of Directors on May 13, 2015	557	8.00

4. Trends in Stock Prices

(1) Highest and lowest stock prices in each of the past five years

Fiscal term	108 th term	109 th term	110 th term	111 th term	112 th term
Closing month and year	March 2011	March 2012	March 2013	March 2014	March 2015
Highest (yen)	788	990	983	677	814
Lowest (yen)	409	259	457	426	505

(Note) The highest and lowest stock prices above are those on the First Section of the Tokyo Stock Exchange.

(2) Highest and lowest stock prices in each month of the past six months

Month	October 2014	November	December	January 2015	February	March
Highest (yen)	610	638	682	709	735	814
Lowest (yen)	529	568	612	596	672	720

(Note) The highest and lowest stock prices above are those on the First Section of the Tokyo Stock Exchange.

5. Officers

Male: 13 Female: -- (The ratio of female among the officers: -- %)

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Representative Director	Chairman and CEO	Takao Nishijima	December 14, 1947	May 1970 Joined the Fuji Bank, Limited. (now Mizuho Bank, Ltd.) Feb. 1999 Deputy General Manager of the Sales Division of Tokyo Seimitsu Co., Ltd. May 1999 General Manager of the Sales Development Division of the Company and Managing Director of Tsugami Kohan Co., Ltd. Jun. 2000 Director and General Manager of the Sales Development Division, Control Headquarters Apr. 2003 Representative Director, Chairman and CEO Apr. 2006 Representative Director, Chairman and CEO Apr. 2012 Representative Director, Chairman and CEO (current positions)	(Note 3)	10
Representative Director	COO, Administration	Toshio Honma	August 2, 1952	Apr. 1975 Joined the Hokuetsu Bank, Ltd. Apr. 2002 Manager of the Nagaoka Shinsan Branch of the Hokuetsu Bank, Ltd. Apr. 2004 Manager of the Shinmachi Branch of Hokuetsu Bank, Ltd. Apr. 2006 Manager of the Naoetsu Branch of Hokuetsu Bank, Ltd. Apr. 2008 Managing Executive Officer and General Manager of the Administration Division of the Company Jun. 2009 Director, Managing Executive Officer and General Manager of the Administration Division of the Company May 2011 Director and Senior Advisor of the Company Jun. 2011 Standing Statutory Auditor Jun. 2013 Representative Director, COO, Administration (current positions)	(Note 3)	10
Representative Director	COO, Plant Manager	Toshiharu Nijjima	November 14, 1954	Nov. 1979 Joined the Company Oct. 2003 Leader of the Automatic Lathe Group, Technology Headquarters Apr. 2005 Executive Officer and Deputy General Manager of the Technology Headquarters Jul. 2005 Executive Officer and Acting General Manager of the Technology Headquarters Apr. 2006 Managing Executive Officer and General Manager of the Technology Headquarters Apr. 2008 Managing Executive Officer, General Manager of the Technology Headquarters and Deputy General Manager of the Production Headquarters Jun. 2008 Managing Executive Officer, General Manager of the Technology Headquarters, Deputy General Manager of the Production Headquarters and General Manager of the Nagaoka Factory Apr. 2009 Senior Executive Officer and General Manager of the Nagaoka Factory Jun. 2009 Representative Director, Senior Executive Officer and General Manager of the Nagaoka Factory Apr. 2012 Representative Director, COO, Plant Manager Dec. 2014 Representative Director, COO, Technology Manager (current positions)	(Note 3)	14

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Director	Senior Advisor, President of TSUGAMI KOREA Co., Ltd.,	Byun Jae-Hyun	July 10, 1956	<p>Oct. 1982 General Manager of the Import Business Division of Samsung C&T Corporation</p> <p>Jul. 2000 CEO of DI Corporation</p> <p>Jan. 2007 Vice President of Exicon Co., Ltd.</p> <p>Jan. 2010 President of TSUGAMI KOREA Co., Ltd.</p> <p>Apr. 2012 Senior Executive Officer, Overseas division, President of TSUGAMI KOREA Co., Ltd.</p> <p>Jun. 2012 Director, Senior Executive Officer, Overseas division, President of TSUGAMI KOREA Co., Ltd.</p> <p>Jun. 2013 Director, Senior Advisor, President of TSUGAMI KOREA Co., Ltd., President of TSUGAMI Universal Pte. Ltd.</p> <p>Sep. 2014 Director, Senior Advisor, President of TSUGAMI KOREA Co., Ltd. (current positions)</p>	(Note 3)	--
Director	Senior Advisor, President of PRECISION TSUGAMI (CHINA) CORPORATION	Donglei TANG	November 27, 1962	<p>Jul. 1992 Joined Tokyo Seimitsu Co., Ltd.</p> <p>Nov. 2005 Administration Officer and General Manager of China Office of the Company, and President of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>Apr. 2009 Executive Officer and Manager of Shanghai Office of the Company, and President of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>Apr. 2010 Managing Executive Officer in charge of China operations and Vice Chairman and President of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>Jun. 2010 Director, Managing Executive Officer in Charge of China Operations of the Company, and Vice Chairman and CEO of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>Apr. 2012 Director, Senior Executive Officer, President of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>Jun. 2013 Director, Senior Advisor, President of PRECISION TSUGAMI (CHINA) CORPORATION (current positions)</p>	(Note 3)	--
Director		Takeo Nakagawa	October 12, 1938	<p>May 1999 Professor Emeritus at the University of Tokyo (current post)</p> <p>Oct. 2000 CEO of Fine Tech Corporation (current positions)</p> <p>Jun. 2007 Auditor at FANUC CORPORATION (current position)</p> <p>Jun. 2008 Director of the Company (current position)</p> <p>Feb. 2014 Director of OSG CORPORATION (current position)</p> <p>April 2015 CEO of Fine Tech Corporation (current position)</p>	(Note 3)	20
Director		Shigeru Nishiyama	March 4, 1948	<p>Jun. 1971 Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation)</p> <p>Jun. 2006 Deputy President and Representative Director of Sumitomo Mitsui Financial Group, Inc.</p> <p>Dec. 2008 Representative Director, President of HORAI Co., Ltd.</p> <p>Jun. 2010 Representative Director, CEO of HORAI Co., Ltd.</p> <p>Jun. 2013 Director of the Company (current position)</p> <p>Jun. 2013 Auditor at Mitsui Sugar Co., Ltd. (current position)</p>	(Note 3)	--
Director		Kunio Shimada	August 16, 1959	<p>Apr. 1986 Registered as an attorney (current position) Attorney with Iwata Godo Attorneys and Counsellors at Law</p> <p>Oct. 1991 Registered as an attorney in New York State</p> <p>Jun. 2000 Managing Director of Mizuho Servicing Co., Ltd. (current position)</p> <p>Jul. 2010 Representative partner at Shimada Hamba & Osajima (current position)</p> <p>Jun. 2011 Director of the Company (current position)</p> <p>Nov. 2011 Supervisory Officer of Hulic Reit, Inc. (current position)</p>	(Note 3)	--

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Standing Statutory Auditor		Keiji Hayazaki	April 25, 1954	Apr. 1979 Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation) Jan. 2005 General Manager of Administration Division of the Company Jul. 2005 Executive Officer, Senior Manager of Administration Division, Finance Apr. 2012 Senior Executive Officer and Senior Manager, Administration Division, Finance, General affairs Jun. 2014 Standing Statutory Auditor of the Company (current position)	(Note 5)	--
Statutory Auditor		Kenji Yamada	February 20, 1948	Jul. 1971 Joined Mitsui Ocean Development & Engineering Co., Ltd. (now MODEC, Inc.) Mar. 1997 Director of MODEC, Inc. Mar. 2001 President & CEO of MODEC, Inc. Mar. 2009 Chairman & Chief Executive Officer of MODEC, Inc. Jun. 2012 Director of the Company Jun. 2013 Standing Statutory Auditor Jun. 2014 Statutory Auditor of the Company (current position)	(Note 4)	--
Statutory Auditor		Morikuni Uchigasaki	August 6, 1950	Jul. 2005 Joined Mori Seiki Co., Ltd. (now DMG MORI SEIKI CO., LTD.) Jun. 2006 Director Accounting / Finance HQ Executive Officer of MORI SEIKI CO., LTD. Jun. 2008 Managing director of MORI SEIKI CO., LTD. Jun. 2009 Operating Director of MORI SEIKI CO., LTD. Jun. 2011 Standing Auditor of DMG MORI SEIKI CO., LTD Jun. 2014 Advisor of DMG MORI SEIKI CO., LTD (current position) Auditor at TAIYO KOKI CO., LTD. (current position) Statutory Auditor of the Company (current position)	(Note 5)	--
Statutory Auditor		Hitoshi Yoshida	November 26, 1960	Apr. 1983 Joined TOKYO SEIMITSU CO., LTD. Apr. 2002 Executive Officer of the Metrology Company and Leader of Multi-purpose measuring Group of TOKYO SEIMITSU CO., LTD. Apr. 2005 Managing Executive Officer of the Metrology Company of TOKYO SEIMITSU CO., LTD. Jun. 2007 Director of TOKYO SEIMITSU CO., LTD. Oct. 2007 President of the Metrology Company of TOKYO SEIMITSU CO., LTD. Jun. 2011 Representative Director of TOKYO SEIMITSU CO., LTD. Apr. 2015 President and CEO of TOKYO SEIMITSU CO., LTD. (current position) Jun. 2015 Statutory Auditor of the Company (current position)	(Note 6)	--
Statutory Auditor		Hideo Teramoto	May 20, 1960	Apr. 1983 Joined the Daiichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Company, Limited) Apr. 2010 Executive Officer, General Manager, Corporate Planning Department of The Dai-ichi Life Insurance Company, Limited Apr. 2011 Managing Executive Officer, General Manager, Corporate Planning Department of The Dai-ichi Life Insurance Company, Limited Jun. 2012 Director, Managing Executive Officer, General Manager, Corporate Planning Department of The Dai-ichi Life Insurance Company, Limited Apr. 2013 Director, Managing Executive Officer, Deputy Chief General Manager for Group Management Headquarters The Dai-ichi Life Insurance Company, Limited Jun. 2014 Statutory Auditor of the Company (current position) Apr. 2015 Director, Senior Managing Executive Officer, Chief General Manager for Marketing Promotion of The Dai-ichi Life Insurance Company, Limited (current position)	(Note 5)	--
Total						54

- (Note) 1. Directors Takeo Nakagawa, Shigeru Nishiyama and Kunio Shimada are outside directors.
2. Statutory Auditors Morikuni Uchigasaki, Hideo Teramoto and Hitoshi Yoshida are outside statutory auditors.
3. One year from the closing of the annual shareholders meeting held on June 18, 2015
4. Four years from the closing of the annual shareholders meeting held on June 21, 2013
5. Four years from the closing of the annual shareholders meeting held on June 20, 2014
6. Four years from the closing of the annual shareholders meeting held on June 18, 2015

6. Corporate Governance

(1) Corporate governance

(Basic policy on corporate governance)

The Company is committed to fulfilling the expectations of its shareholders by making quick and appropriate management judgments that facilitate continued growth in corporate value. As a member of the international community, the Company also understands that it needs to fulfill its corporate social responsibility.

Promoting IR activities and disclosure for shareholders and investors, the Company will seek to enhance management transparency.

(i) Corporate governance system

I) Outline of the corporate governance system and reason for the establishment of the system

The Company operates based on a statutory auditor system involving the Board of Directors and the Board of Statutory Auditors. The Company had eight directors (including three outside directors) and five statutory auditors (including three outside statutory auditors) as of June 19, 2015.

The Company positions the Board of Directors and Board of Statutory Auditors as key organs for corporate governance and makes decisions through comprehensive discussions and studies of management challenges and significant matters to address.

To enhance corporate governance, the Company has placed the Audit Office (two officers) under the direct control of the CEO and has established a Risk Management Committee and an Information Security Committee.

The Company has appointed outside directors and outside statutory auditors to audit the Board of Directors from a fair and objective perspective and strengthen the auditing function, and has also designated three independent officers (two outside directors and one outside statutory auditor) as stipulated in the Securities Listing Regulations of the Tokyo Stock Exchange to strengthen its governance function from the perspective of protecting the interests of shareholders.

II) Development of internal control system

The Company's Board of Directors has adopted the following basic policies for building internal control systems:

i. Systems for ensuring the execution of the duties of directors and employees are in compliance with laws and ordinances and the Articles of Incorporation

a. Given that compliance is one of its key management issues, the Board of Directors shall establish the Tsugami Group Code of Conduct and develop a compliance policy to ensure that the Company operates based on sound social practices.

b. The Company shall establish a "whistle-blowing system," an internal reporting system through which activities that apparently violate the laws and ordinances, the Articles of Incorporation, any other internal rules, or social norms carried out by directors or employees are reported. Whistle blowers shall be protected.

c. The Company shall have an Audit Office, an organization under the direct control of the CEO, and shall conduct internal audits of compliance.

d. The Company has a Board of Statutory Auditors. The directors' execution of their duties shall be in accordance with the standards on audits by statutory auditors established by the Board of Statutory Auditors.

ii. Systems for the storage and management of information concerning directors' execution of duties

The Company shall appropriately maintain and manage the minutes of the Board of Directors, approval documents, documents associated with the directors' executions of their duties, and other related information in accordance with internal rules, such as the document management rules and information security management rules.

iii. Rules and systems concerning risk management

To manage the diverse risks associated with its business activities, and to prevent such risks from materializing, the Company shall have a risk management committee through which it will collect and analyze information about risks to identify any indications that risks are emerging at an early stage. The Company shall also establish a risk management system by developing rules and manuals so that it can promptly and accurately respond to the situation if risks have materialized.

iv. Systems for securing efficiency of directors' execution of duties

a. The Company shall hold regular meetings of the Board of Directors every month, and ensure that it makes important decisions on items that are stipulated in the Board of Directors Rules or that come under the criteria for deliberation at meetings of the Board of Directors, through discussions at meetings of the Board of Directors.

- b. In addition, the Company shall hold monthly corporate management meetings to share management information, through which it considers and makes flexible decisions on issues related to important operations in its effort to achieve management efficiency.
- v. System for ensuring the appropriateness of business in the corporate group consisting of the Company and its subsidiaries
 - a. A system for reporting to the Company matters related to the execution of duties by the Directors of subsidiaries, and the like shall be put into operation.

The Company shall set the Group Companies Management Regulations, and hold a meeting for reporting the business of its subsidiaries every month in order to accurately understand the details of the management of the subsidiaries. The Company's subsidiaries shall report their monthly results, financial position and other important information at such meetings.
 - b. Regulations and other systems relating to the management of risk loss at subsidiaries

The Company shall hold meetings of the Risk Management Committee as needed, understand the risks and take appropriate measures for preventing or minimizing various risks that surround Group operations in compliance with risk management rules and essential risk management execution rules.
 - c. System for ensuring efficient execution of duties by the Directors of subsidiaries, and the like

The Company shall respect the management independence of its subsidiaries. At the same time, the Company shall ensure efficiency by discussing important matters with the subsidiaries in advance at regular, monthly management meetings, and the like, and by asking the subsidiaries to resolve such matters at the meetings of their Board of Directors.
 - d. Systems for ensuring the conformity of the execution of duties by the Directors, and the like, and the employees of subsidiaries with laws, regulations and Articles of Incorporation
 - 1) The Company shall ensure the compliance systems of its subsidiaries based on the Tsugami Group Code of Conduct.
 - 2) The Directors, etc., of the Company's subsidiaries shall take part in regular monthly management meetings and advance discussions on internal control.
 - 3) The internal audit division (the Audit Office) of the Company shall confirm that the Company's subsidiaries are complying with laws, regulations and in-house rules in the execution of their businesses.
- vi. Matters concerning applicable employees in cases where statutory auditors request the assignment of employees who should assist them in their duties
 - a. The Company may assign employees (auxiliary employees) who should assist statutory auditors in cases where statutory auditors request their assignment.
 - b. The Company shall work to strengthen its system of auxiliary employees from the viewpoint of ensuring the effectiveness of the audit, taking into account corporate size, business type, management risks and other company-specific circumstances.
- vii. Matters concerning the independence of employees from Directors stated in the foregoing paragraph and matters concerning securing the effectiveness of instructions statutory auditors provide to the concerned employees
 - a. The Company shall work to ensure the independence of auxiliary employees from Directors.
 - b. The Company shall address issues, including clarification of the following items necessary for ensuring the independence of auxiliary employees.
 - 1) The authority that auxiliary employees have
 - 2) Organizations which auxiliary employees belong to
 - 3) Elimination of the chain of command Directors have over auxiliary employees
 - 4) Granting of consent rights to statutory auditors regarding the reassignment, performance evaluation, disciplinary punishment, etc., of auxiliary employees
- viii. System concerning reports to statutory auditors
 - a. A system that enables the directors and employees of the Company to submit reports to statutory auditors.

The directors and employees of the Company shall report the following items without delay to statutory auditors concerning the execution of their duties.

 - 1) Items concerning important facts that may affect the Company significantly when such facts are found
 - 2) Items concerning acts in violation of laws, regulations or the Articles of Incorporation or acts with such risk when such facts are found

- 3) Results of internal audits performed by the internal audit division (the Audit Office)
 - 4) The operational status for the Whistle-blowing System and the details of reports
- b. A system that enables the Directors, statutory auditors and employees of subsidiaries or individuals who received reports from them to submit reports to the statutory auditors of the Company
- 1) The directors and employees of the Company's subsidiaries shall report acts in violation of laws, regulations or the Articles of Incorporation, acts with such a risk or important facts that may affect the Company significantly to the statutory auditors of the Company without delay when they find such acts or facts.
 - 2) The internal audit divisions of the Company's subsidiaries shall report the results of internal audits performed at the subsidiaries to the statutory auditors of the Company.
- ix. System for ensuring the prevention of unfavorable treatment of individuals who submitted reports to statutory auditors for the reason of having submitted such reports
- The Company shall work to establish a system that prevents the unfavorable treatment of individuals who submitted the reports stated in the foregoing paragraph to statutory auditors for the reason for having submitted such reports.
- x. Matters concerning procedures for the advance payment or the refunding of expenses that arise in connection with duty execution by statutory auditors or policies on processing expenses or debts that arise in connection with the execution of other concerned duties
- The Company shall promptly comply with the concerned request when a statutory auditor requests the advance payment of expenses, etc., in connection with the execution of his or her duties unless the requested expenses, etc., could be proven as unnecessary for the execution of the duties by the concerned statutory auditor.
- xi. Other systems for ensuring the effectiveness of audits performed by statutory auditors
- a. Statutory auditors shall meet Representative Directors periodically and exchange opinions with them regarding important audit issues.
 - b. Statutory auditors shall meet accounting auditors periodically, to exchange opinions and information with them, and ask them to submit reports as needed.
 - c. Statutory auditors shall stay in close cooperation with the internal audit division (the Audit Office). Statutory auditors may ask the internal audit division to perform investigations as needed.
- xii. System for ensuring the reliability of financial reports
- a. The Company shall establish the Internal Control Reporting System for ensuring the reliability of financial reports and submitting internal control reports effectively and appropriately as prescribed in the Financial Instruments and Exchange Act.
 - b. The Company shall continually evaluate internal control systems and take the necessary steps in order to correct them in order to ensure the compliance of such systems with the Financial Instruments and Exchange Act, other laws and regulations.
 - c. The internal audit division (the Audit Office), as a responsible division, shall implement monitoring, evaluation and assist in improving the operation of internal control systems.
- xiii. Systems for excluding antisocial forces
- a. The Company shall systematically deal with antisocial forces that threaten social order and sound corporate activities with a resolute attitude.
 - b. The Company shall deal with antisocial forces in cooperation with police, lawyers and external specialized agencies, such as corporate defense councils, when cases of unreasonable demand by such forces, and the like emerge.

III) Accounting audit

The Company has chosen Ernst & Young ShinNihon LLC as its accounting auditor. The Company has concluded an audit agreement with Ernst & Young ShinNihon LLC and provided management information from time to time. The statutory auditors of the Company and the accounting auditor have exchanged information as needed and at regular meetings, including those for discussions on the annual audit plan and audit reporting, and have collaborated with each other in audit operations.

The certified public accountants who carried out accountancy service for the Company are Messrs. Akira Igarashi, and Naoki Nomoto, who all work for Ernst & Young ShinNihon LLC. 7 certified public accountants and 14 other members assisted with the accountancy service.

IV) Relationships that outside directors and outside statutory auditors have with the Company

Outside Director Takeo Nakagawa is a professor emeritus at the University of Tokyo and the CEO of Fine Tech Corporation. The Company trade products with Fine Tech. Mr. Takeo Nakagawa holds the position of Outside Statutory Auditor of FANUC CORPORATION, which has 327,000 shares in the Company. The Company has 50,000 shares in FANUC. The Company trade products with FANUC. Mr. Takeo Nakagawa is registered as an independent officer with the Tokyo Stock Exchange.

Outside Director Shigeru Nishiyama was Representative Director, CEO of HORAI Co., Ltd. until December 2012. There are no trading relationships between HORAI Co., Ltd. and the Company. Mr. Shigeru Nishiyama was also Deputy President and Representative Director of Sumitomo Mitsui Financial Group, Inc. until June 2008. Sumitomo Mitsui Banking Corporation, a company of the Sumitomo Mitsui Financial Group, is the main financial institution of the Company. Sumitomo Mitsui Banking Corporation has 1,516,000 shares in the Company.

Outside Director Kunio Shimada is a representative partner at Shimada Hamba & Osajima. There are no trading relationships between Shimada Hamba & Osajima and the Company. Mr. Kunio Shimada is registered as an independent officer with the Tokyo Stock Exchange.

Outside Statutory Auditor Morikuni Uchigasaki is Advisor of DMG MORI SEIKI CO., LTD., which has 2.0 million shares in the Company. The Company has 100,000 shares in DMG MORI SEIKI CO., LTD. Mr. Morikuni Uchigasaki is also from Mitsui Banking Corporation, the main financial institution of the Company.

Outside Statutory Auditor Hideo Teramoto is Director, Senior Managing Executive Officer, Chief General Manager for Marketing Promotion of The Dai-ichi Life Insurance Company, Limited which has 2.1 million shares in the Company. The Company has 38,700 shares in The Dai-ichi Life Insurance Company. Mr. Hideo Teramoto is registered as an independent officer with the Tokyo Stock Exchange.

Outside Statutory Auditor Hitoshi Yoshida is President and CEO of TOKYO SEIMITSU CO., LTD., which has 2,592,000 shares in the Company. The Company has 1,033,000 shares in Tokyo Seimitsu. Tokyo Seimitsu and the Company trade products.

In supervising and auditing, the outside directors and outside statutory auditors enhance collaboration with the internal audit division, statutory auditors, independent auditors, and internal control division by asking questions about reports and resolutions and expressing opinions from the perspective of people outside the Company as needed.

V) Standards and policies for the independence of outside directors and outside statutory auditors from the Company

The Company does not have any clearly defined standards or policies for the independence of outside directors and outside statutory auditors. However, when appointing outside directors and outside statutory auditors, the Company checks their backgrounds and its relationships with them to ensure that each can remain independent and that conflicts of interest that may affect general shareholders are unlikely to occur.

(ii) Compensation paid to Directors and Statutory Auditors

Post	Total compensation (million yen)	Breakdown of compensation (million yen)				Number of officers
		Basic compensation	Stock option	Bonus	Compensation benefit	
Director (excluding Outside Director)	234	169	65	--	--	6
Statutory Auditor (excluding Outside Auditor)	29	22	6	--	--	2
Outside officer	48	36	12	--	--	8

(Note) 1. The above figures include two outside statutory auditors who retired at the close of the 111th annual shareholders meeting held on June 20, 2014.

2. Total amount of compensation for directors does not include salaries for employees concurrently holding a position as director.
3. The maximum amount of compensation for directors was resolved to be not more than cash compensation of 250 million yen per annum by the 109th annual shareholders meeting (excluding salaries for employees). In addition to the above compensation, the maximum amount of compensation associated with subscription rights to shares allocated as stock options for a stock-linked compensation plan was resolved to be not more than 80 million yen per annum by the 109th annual shareholders meeting.
4. The maximum amount of compensation for statutory auditors was resolved to be not more than cash compensation of 60 million yen per annum by the 103rd annual shareholders meeting. In addition to the above compensation, the maximum amount of compensation associated with subscription rights to shares allocated as stock options for a stock-linked compensation plan was resolved to be not more than 20 million yen per annum by the 104th annual shareholders meeting.
5. The upper limit of total compensation for directors is stipulated in a resolution of the shareholders meeting. Compensation for each director is determined in consideration of the importance of the role, responsibilities, and duties of each director. The upper limit of total compensation for statutory auditors is stipulated in a resolution of the shareholders meeting. Compensation for each statutory auditor is determined through consultation among the statutory auditors in consideration of whether they are full-time or part-time auditors and of audit work assigned to each statutory auditor.

(iii) Share holding

a. Number of stocks held for purposes other than pure investment and their balance sheet amounts

21 stocks 6,148 million yen

b. Stocks held for purposes other than pure investment, and their number of shares, balance sheet amount, and purpose

At end of the previous fiscal year

Specific stocks held

Stock	Number of shares	Balance sheet amount (million yen)	Purpose
Tokyo Seimitsu Co., Ltd.	1,033,000	1,876	To strengthen the business relationship
FANUC CORPORATION	50,000	910	To strengthen the business relationship
YAMAZEN CORPORATION	500,000	340	To strengthen the business relationship
YUASA TRADING CO., LTD.	1,000,000	211	To strengthen the business relationship
THK CO., LTD.	59,000	136	To strengthen the business relationship
DMG MORI SEIKI CO., LTD.	100,000	130	To strengthen the business relationship
The Hachijuni Bank, Ltd.	196,000	115	To strengthen the business relationship
The Hokuetsu Bank, Ltd.	512,018	110	To strengthen the business relationship
Minebea Co., Ltd	100,000	91	To strengthen the business relationship
The Daishi Bank, Ltd.	241,000	91	To strengthen the business relationship
DAIKIN INDUSTRIES, LTD	13,400	77	To strengthen the business relationship
Mitsubishi UFJ Financial Group, Inc.	134,800	76	To strengthen the business relationship
The Dai-ichi Life Insurance Company, Limited	38,700	58	To strengthen the business relationship
Teikoku Tsushin Kogyo Co., Ltd.	80,000	14	To strengthen the business relationship
TOMITA CO., LTD.	6,745	4	To strengthen the business relationship

At end of the fiscal year under preview

Specific stocks held

Stock	Number of shares	Balance sheet amount (million yen)	Purpose
Tokyo Seimitsu Co., Ltd.	1,033,000	2,844	To strengthen the business relationship
FANUC CORPORATION	50,000	1,312	To strengthen the business relationship
YAMAZEN CORPORATION	500,000	493	To strengthen the business relationship
YUASA TRADING CO., LTD.	100,000	251	To strengthen the business relationship
Minebea Co., Ltd	100,000	189	To strengthen the business relationship
DMG MORI SEIKI CO., LTD.	100,000	184	To strengthen the business relationship
THK CO., LTD.	59,000	180	To strengthen the business relationship
The Hachijuni Bank, Ltd.	196,000	166	To strengthen the business relationship
The Hokuetsu Bank, Ltd.	517,432	121	To strengthen the business relationship
DAIKIN INDUSTRIES, LTD	13,400	107	To strengthen the business relationship
The Daishi Bank, Ltd.	241,000	101	To strengthen the business relationship
Mitsubishi UFJ Financial Group, Inc.	134,800	100	To strengthen the business relationship
The Dai-ichi Life Insurance Company, Limited	38,700	67	To strengthen the business relationship
Teikoku Tsushin Kogyo Co., Ltd.	80,000	19	To strengthen the business relationship
TOMITA CO., LTD.	7,961	5	To strengthen the business relationship

(iv) Outline of contracts for limitation of liability

Under the provision of Article 427, Paragraph 1 of the Companies Act, the Company and the outside directors and outside statutory auditors have concluded contracts to limit liability for damages stipulated in Article 423, Paragraph 1 of the Companies Act.

The minimum liability amount under the contracts is the minimum liability amount specified by laws and ordinances.

(v) Decision-making body of dividends etc.

The Articles of Incorporation of the Company stipulate that the matters specified in each item of Article 459, Paragraph 1 of the Companies Act, including dividends, may be determined not by resolution of a shareholders meeting but by resolution of the Board of Directors, unless otherwise specified in laws and ordinances. This is intended to facilitate the flexible distribution of profits by making the determination of dividends the authority of the Board of Directors.

The Articles of Incorporation also stipulate that interim dividends whose record date is September 30 of each year can be paid through a resolution of the Board of Directors.

(vi) Number of directors

The Articles of Incorporation stipulate that the number of the Company's directors is ten at maximum.

(vii) Requirements for a resolution to elect directors

The Articles of Incorporation stipulate that a resolution of a shareholders meeting to elect directors shall be made by a majority of the votes of the shareholders present at a meeting where shareholders holding one third or more of the votes of shareholders who are entitled to exercise their votes are present. The Articles of Incorporation also stipulate that cumulative votes shall not be cast for a resolution to elect directors.

(viii) Requirements for a special resolution in shareholders meeting

To ensure that a quorum is constituted for a special resolution in a shareholders meeting, the Articles of Incorporation stipulate that the resolutions specified in Article 309, Paragraph 2 of the Companies Act shall be made by a majority of two-thirds of the votes of the shareholders present at a meeting where shareholders holding a majority of one-third of the votes of the shareholders entitled to exercise their votes are present.

(2) Audit fees

(i) Breakdown of compensation to auditing certified public accountants

Classification	Previous fiscal year		Fiscal year under review	
	Compensation for audit certification work (million yen)	Compensation for non-audit work (million yen)	Compensation for audit certification work (million yen)	Compensation for non-audit work (million yen)
Submitting company	33	4	33	1
Consolidated subsidiaries	--	--	--	--
Total	33	4	33	1

(ii) Other important compensation

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

PRECISION TSUGAMI (CHINA) CORPORATION, a consolidated subsidiary, signed agreements for audit certification work and outsourcing of accounting audit and internal governance support in relation to listing on stock markets in Asia with Ernst & Young Hua Ming Certified Public Accountants, which belongs to the same network as the accounting auditor for the Company. Fees payable in relation to the two agreements is 61 million yen.

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

PRECISION TSUGAMI (CHINA) CORPORATION, a consolidated subsidiary, signed agreements for audit certification work and outsourcing of accounting audit and internal governance support in relation to listing on stock markets in Asia with Ernst & Young Hua Ming Certified Public Accountants, which belongs to the same network as the accounting auditor for the Company. Fees payable in relation to the two agreements is 71 million yen.

(iii) Non-audit work of auditing certified public accountants for the submitting company

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

The Company paid fees to the accounting auditor for its work to support the IPO of its subsidiary PRECISION TSUGAMI (CHINA) CORPORATION.

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

The Company paid fees to the accounting auditor for its work to support the IPO of its subsidiary PRECISION TSUGAMI (CHINA) CORPORATION.

(iv) Policy for determining audit fees

Not applicable.

Section 5. Financial Status

1. Preparation of consolidated financial statements and non-consolidated financial statements

(1) The Company's consolidated financial statements are prepared under the Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).

(2) The Company's non-consolidated financial statements are prepared under the Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Ordinance No. 59 of 1963; hereinafter the "Regulations for non-consolidated Financial Statements").

The company is required to submit special-purpose financial statements. Therefore, the non-consolidated financial statements are prepared in accordance with Article 127 of "Regulations for non-consolidated Financial Statements".

2. Audit certification

Under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year under review (from April 1, 2014 to March 31, 2015) and the financial statements for the 112th fiscal year (from April 1, 2014 to March 31, 2015) were audited by Ernst & Young ShinNihon LLC.

3. Special efforts to ensure the adequacy of consolidated financial statements

The Company is making special efforts to ensure the adequacy of consolidated financial statements. Specifically, to establish a system to obtain information on accounting standards properly and to respond to changes in accounting standards appropriately, the Company has become a member of the Financial Accounting Standards Foundation and obtains new information from time to time. The Company also participates in training programs of the Financial Accounting Standards Foundation and other organizations.

1. Consolidated Financial Statements, etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2014)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2015)
Assets		
Current assets		
Cash and deposits	6,227	5,175
Trade notes and accounts receivable	6,686	7,054
Products and other commodities	7,374	8,264
Goods in process	4,631	5,684
Raw materials and supplies	8,953	8,750
Consumption taxes receivable	876	1,017
Deferred tax assets	577	443
Other	746	513
Allowance for doubtful accounts	-120	-43
Total current assets	35,953	36,861
Fixed assets		
Tangible fixed assets		
Buildings and structures	9,836	11,564
Accumulated depreciation	-4,693	-5,167
Buildings and structures (net)	5,142	6,396
Machinery, equipment and vehicles	10,486	10,067
Accumulated depreciation	-6,580	-5,895
Machinery, equipment and vehicles (net)	3,906	4,171
Land	564	564
Leased assets	48	55
Accumulated depreciation	-22	-27
Leased assets (net)	25	27
Construction in progress	473	3
Other	1,160	1,243
Accumulated depreciation	-852	-956
Other (net)	307	287
Total tangible fixed assets	10,420	11,451
Intangible fixed assets	328	756
Investments and other assets		
Investment securities	4,247	6,148
Stocks of affiliates	11	11
Investments in affiliates	1,107	1,131
Long-term loans receivable	6	316
Deferred tax assets	1	1
Other	167	*2 149
Total investments and other assets	5,541	7,759
Total fixed assets	16,290	19,967
Deferred assets		
Stock issuance cost	5	0
Total deferred assets	5	0
Total assets	52,250	56,829

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2014)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2015)
Liabilities		
Current liabilities		
Trade notes and accounts payable	10,630	8,276
Short-term borrowings	6,075	6,855
Accrued income tax	1,113	616
Reserve for bonus payment	246	227
Reserve for product warranties	277	448
Other	973	1,427
Total current liabilities	19,316	17,851
Long-term liabilities		
Deferred tax liabilities	327	1,084
Reserve for directors' retirement benefits	14	18
Net defined benefit liability	946	535
Other	58	58
Total long-term liabilities	1,346	1,698
Total liabilities	20,663	19,550
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,889	5,889
Retained earnings	11,424	15,963
Treasury stock	-1,079	-2,738
Total shareholders' equity	28,579	31,460
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,391	2,798
Translation adjustments	1,134	2,123
Remeasurements of defined benefit plans	-123	32
Total accumulated other comprehensive income	2,401	4,953
Subscription rights to shares	605	865
Total net assets	31,587	37,279
Total liabilities and net assets	52,250	56,829

(ii) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (From April 1, 2014 to March 31, 2015)
Net sales	32,225	54,132
Cost of sales	*1 25,122	*1 39,890
Gross profit	7,102	14,241
Selling, general and administrative expenses		
Salaries and allowances	1,325	1,585
Provision for reserve for bonus payments	57	57
Retirement benefit expenses	83	79
Provision for reserve for directors' retirement benefits	4	4
Research and development expenses	*2 1,445	*2 1,278
Insurance premiums	124	177
Provision for allowance for doubtful accounts	29	--
Provision for reserve for product warranties	277	465
Other	2,569	3,338
Total selling, general and administrative expenses	5,918	6,988
Operating income	1,184	7,253
Non-operating income		
Interest received	20	24
Dividends received	55	84
Foreign exchange gains	912	1,071
Reversal of allowance for doubtful accounts	--	32
Insurance benefits received	36	34
Other	107	114
Total non-operating income	1,131	1,360
Non-operating expenses		
Interest paid	141	273
Loss on sale of trade notes	114	143
Payment fee	--	313
Other	127	138
Total non-operating expenses	383	869
Ordinary income	1,932	7,745
Extraordinary income		
Gain on sales of fixed assets	*3 122	*3 25
Gain on sales of investments securities	--	2
Subsidy income	110	37
Total extraordinary income	232	65
Extraordinary expenses		
Loss on retirement of fixed assets	*4 21	*4 19
Loss on sales of fixed assets	*5 13	*5 31
Loss on sales of investment securities	271	--
Impairment loss	--	*6 60
Bad debts written off	0	--
Loss on valuation of investments in capital of subsidiaries and affiliates	12	--
Loss on liquidation of business	--	16
Total extraordinary expenses	320	129
Income before taxes and other adjustments	1,845	7,681
Corporate, inhabitant and enterprise taxes	1,462	2,126
Deferred taxes	38	258
Total corporate and other taxes	1,501	2,384
Income before minority interests	344	5,297
Minority interests in income	--	--
Net income	344	5,297

Consolidated Statements of Comprehensive Income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (From April 1, 2014 to March 31, 2015)
Income before minority interests	344	5,297
Other comprehensive income		
Unrealized gains on marketable securities	299	1,406
Translation adjustments	442	988
Remeasurements of defined benefit plans, net of tax	--	156
Total other comprehensive income	* 741	* 2,551
Comprehensive Income	1,085	7,848
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	1,085	7,848
Comprehensive income attributable to minority shareholders	--	--

(iii) Consolidated statements of changes in net assets

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2013	12,345	5,884	11,956	-471	29,714
Cumulative effects of changes in accounting policies					--
Restated balance	12,345	5,884	11,956	-471	29,714
Change during the fiscal year					
Cash dividends paid			-876		-876
Net income			344		344
Purchase of treasury stock				-697	-697
Disposal of treasury stock		5		88	94
Changes in items other than shareholders' equity during the fiscal year (net)					
Total change during the fiscal year	--	5	-531	-608	-1,134
Balance as of March 31, 2014	12,345	5,889	11,424	-1,079	28,579

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Unrealized gains on marketable securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2013	1,092	691	--	1,783	500	31,998
Cumulative effects of changes in accounting policies						
Restated balance	1,092	691	--	1,783	500	31,998
Change during the fiscal year						
Cash dividends paid						-876
Net income						344
Purchase of treasury stock						-697
Disposal of treasury stock						94
Changes in items other than shareholders' equity during the fiscal year (net)	299	442	-123	618	105	723
Total change during the fiscal year	299	442	-123	618	105	-411
Balance as of March 31, 2014	1,391	1,134	-123	2,401	605	31,587

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	12,345	5,889	11,424	-1,079	28,579
Cumulative effects of changes in accounting policies			108		108
Restated balance	12,345	5,889	11,533	-1,079	28,688
Change during the fiscal year					
Cash dividends paid			-866		-866
Net income			5,297		5,297
Purchase of treasury stock				-1,848	-1,848
Disposal of treasury stock		0		189	189
Changes in items other than shareholders' equity during the fiscal year (net)					
Total change during the fiscal year	--	0	4,430	-1,658	2,771
Balance as of March 31, 2015	12,345	5,889	15,963	-2,738	31,460

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Unrealized gains on marketable securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2014	1,391	1,134	-123	2,401	605	31,587
Cumulative effects of changes in accounting policies						108
Restated balance	1,391	1,134	-123	2,401	605	31,696
Change during the fiscal year						
Cash dividends paid						-866
Net income						5,297
Purchase of treasury stock						-1,848
Disposal of treasury stock						189
Changes in items other than shareholders' equity during the fiscal year (net)	1,406	988	156	2,551	259	2,811
Total change during the fiscal year	1,406	988	156	2,551	259	5,583
Balance as of March 31, 2015	2,798	2,123	32	4,953	865	37,279

(iv) Consolidated statements of cash flows

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (From April 1, 2014 to March 31, 2015)
Cash flows from operating activities		
Income before taxes and other adjustments	1,845	7,681
Depreciation and amortization expenses	1,075	1,160
Share-based compensation expenses	170	315
Impairment loss	--	60
Subsidy income	-110	-37
Increase (decrease) in allowance for doubtful accounts	42	-54
Increase (decrease) in reserve for bonus payment	26	-19
Increase (decrease) in reserve for product warranties	-15	150
Increase (decrease) in net defined benefit liability	16	-138
Interest and dividends received	-75	-108
Interest paid	141	273
Loss (gain) on sales of investment securities	271	-2
Loss on retirement of fixed assets	21	19
Loss (gain) on sales of fixed assets	-108	5
Foreign exchange losses (gains)	-648	-756
Decrease (increase) in trade notes and accounts receivable	-1,159	115
Decrease (increase) in inventories	-2,256	114
Decrease (increase) in advance payments	-92	28
Increase (decrease) in trade notes and accounts payable	3,229	-3,565
Increase (decrease) in advances received	157	149
Decrease (increase) in consumption taxes refund receivable	-301	-90
Other	-146	276
Sub total	2,085	5,581
Interest and dividends received	71	94
Interest paid	-139	-294
Proceeds from subsidy	110	37
Corporate and other taxes paid	-1,413	-2,283
Cash flows from operating activities	714	3,135
Cash flows from investing activities		
Payments into time deposits	-242	-280
Refund of time deposits	247	256
Expenditure for acquisition of tangible fixed assets	-1,092	-1,011
Income from disposal of tangible fixed assets	130	74
Expenditure for acquisition of intangible fixed assets	-16	-434
Income from disposal of investments securities	614	2
Payments of long-term loans receivable	--	-315
Payment for investment in affiliates	-364	--
Other	9	1
Cash flows from investing activities	-713	-1,706
Cash flows from financing activities		
Short-term borrowings	7,075	7,457
Repayment of short-term borrowings	-4,772	-7,683
Redemption of corporate bonds	-300	--
Proceeds from sales of treasury stock	29	133
Purchase of treasury stock	-698	-1,850
Dividends paid	-876	-866
Repayments of lease obligations	-12	-11
Other	--	-0
Cash flows from financing activities	445	-2,822
Translation differences for cash and cash equivalents	302	300
Net increase (decrease) in cash and cash equivalents	748	-1,092
Cash and cash equivalents at the beginning of the term	5,296	6,044
Cash and cash equivalents at the end of the term	* 6,044	* 4,952

Notes

Important Matters that Become Basis of Presenting Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 7

Names of consolidated subsidiaries

TSUGAMI MACHINERY CO., LTD.
TSUGAMI GENERAL SERVICE CO., LTD.
PRECISION TSUGAMI (CHINA) CORPORATION
Shinagawa Precision Machinery (Zhejiang) Co., Ltd.
TSUGAMI KOREA Co., Ltd.
Precision Tsugami (China) Corporation Limited
Precision Tsugami (Hong Kong) Limited

(2) Names of non-consolidated subsidiaries:

Non-consolidated subsidiaries:

TSUGAMI (THAI) CO., LTD.
TSUGAMI GmbH
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED
TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED
TSUGAMI Universal Pte. Ltd.

(Reason for non-consolidation)

The non-consolidated subsidiaries are small in size, and their total assets, sales, net income or loss (amounts to equivalent to the equity holding) and retained earnings (amounts to equivalent to the equity holding) do not have significant material effect on the consolidated financial statements.

2. Application of equity method

(1) Non-consolidated subsidiaries or affiliates accounted for by the equity method : 0

(2) The non-consolidated subsidiaries (TSUGAMI (THAI) CO., LTD., Tsugami GmbH, TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED, TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED and TSUGAMI Universal Pte. Ltd.) as well as the affiliate (REM SALES LLC), have little material effect on the consolidated net income or loss and the consolidated retained earnings, and further, have small significance in the Group as a whole. For the above reason, the equity method is not applied on these companies.

3. Matters Concerning Fiscal year of consolidated subsidiaries, etc.

Among the consolidated subsidiaries, the balance sheet date of PRECISION TSUGAMI (CHINA) CORPORATION, Shinagawa Precision Machinery (Zhejiang) Co., Ltd. and Precision Tsugami (Hong Kong) Limited are December 31.

In preparing the consolidated financial statements, financial statements based on provisional calculations made as of the consolidated closing date were utilized in connection with this company.

4. Matters concerning significant accounting policies

(1) Valuation standard and valuation method of major assets

(i) Securities

Other securities

Securities with fair market value:

Market value method based on the quoted market value on the closing date of the fiscal year (Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.)

Securities without fair market value:

Cost accounting method using the moving average method

(ii) Derivatives

Market value method

(iii) Inventories:

Primarily cost accounting method using the moving average method (The values in the consolidated balance sheet were calculated using the book-value write-down method based on the decline of profitability.).

(2) Depreciation and amortization methods used for material depreciable and amortizable assets

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

Depreciation is principally computed by the declining-balance method.

However, buildings acquired on or after April 1, 1998, excluding fittings, equipment, and foreign subsidiary, are depreciated on a straight-line basis.

The significant service lives are summarized as follows:

Buildings and structures: 15-38 years

Machinery and transportation vehicle: 9 year

(ii) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method.

However, software for in-house use is amortized on a straight-line basis over the expected usable period, up to five years.

(iii) Leased assets

Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.

(3) Accounting standards for major deferred assets

Stock issuance cost

This is amortized using the straight-line method (3 years).

(4) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.

(ii) Allowance for employees' bonuses

To provide for the payment of employees' bonuses, the Company and its domestic subsidiaries provide accrued bonuses for employees based on the projected amount for the current consolidated fiscal year.

(iii) Allowance for directors' retirement benefits

Certain of the Company's consolidated subsidiaries recorded an allowance for retirement benefits for directors equivalent to the amount payable in accordance with their rules for directors' retirement benefits.

(iv) Allowance for product warranties

To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.

(5) Accounting policies for retirement benefits

(i) Period attribution method of the expected amount of retirement benefits

As a method of attributing the expected amount of retirement benefits to the period before the end of the consolidated fiscal year under review to calculate retirement benefit obligations, we use the projected benefit method.

(ii) Method of expensing net retirement benefit obligation at transition and actuarial gains and losses

Any difference arising as a result of the change of accounting standards (2,180 million yen) is expensed equally, mainly over 15 years.

Also, any actuarial difference is expensed equally from the fiscal year following its accrual over an average remaining service period (5 years) of employees at the time of the accrual using the straight-line method.

(iii) Accounting method of unrecognized actuarial gain or loss and unrecognized prior service cost

Unrecognized actuarial gains and losses and unrecognized prior service costs after tax are recorded as remeasurements of defined benefit plans in the net assets section as a component of accumulated other comprehensive income.

(6) Accounting standards for translating significant assets or liabilities in foreign currencies into yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates at the consolidated closing date. Translation adjustments are accounted for as gains or losses. Assets, liabilities, revenues, and expenses at overseas subsidiaries are translated into yen at spot exchange rates at the consolidated closing date. Translation adjustments are included in "Translation adjustments" in net assets.

(7) Significant hedge accounting method

(i) Hedge accounting method

Deferred hedge accounting was adopted. In addition, a method for translating foreign currency receivables and payables based on yen-value cash flows fixed by forward contracts was adopted for hedging the risk of exchange rate fluctuations in cases where requirements for using the method were fulfilled.

(ii) Hedging instrument and hedged item

Hedge accounting was applied to the following hedging instrument and hedged item during the consolidated fiscal year under review.

Hedging instrument: exchange contracts

Hedged item: foreign currency receivables

(iii) Hedging policy

Hedging was performed within the scope of subject receivables for avoiding the risk of exchange rate fluctuations and establishing profit/loss.

(iv) Method for assessing hedging effectiveness

An assessment of hedging effectiveness is omitted because the hedging instrument and an important requirement for the hedged item are the same and hedging is assumed to completely offset market fluctuations at the point of its launch and in the subsequent period.

(8) Scope of Funds in Consolidated Cash Flow Statements

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with a maturity of three months or less at the date of acquisition that can easily be converted into cash and that have only minor risks of changes in value.

(9) Other important matters for the preparation of consolidated financial statements

Accounting method for consumption taxes

The tax-exclusion method is used for the calculation of consumption tax and local consumption tax, and non-deductible consumption tax and local consumption tax are accounted as expenses.

(Changes in accounting policies)

(Application of Accounting Policies for Retirement Benefits)

We have reviewed the method for calculating retirement benefit obligations and service costs and have changed the method for allocating expected retirement benefits to periods from a fixed-amount method to a projected benefit method and the discount rate from a discount rate based on a number of years approximating to the employees' average remaining service years to a single weighted average discount rate reflecting the estimated periods of benefit payments and amounts for each estimated period by applying the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the "Accounting Standard for Retirement Benefits") and in the text of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on March 26, 2015. Hereinafter the "Guidance on Accounting Standard for Retirement Benefits") from the consolidated fiscal year under review.

The application of the Accounting Standard for Retirement Benefits, etc. follows the transitional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit obligations and service costs to retained earnings at the beginning of the consolidated fiscal year under review.

As a result, the net defined benefit liability declined 168 million yen, and retained earnings rose 108 million yen at the beginning of the consolidated fiscal year under review. The effect on operating income, ordinary income and income before income taxes and other adjustments in the consolidated fiscal year under review is minor.

The effect on net assets per share, net income per share and net income per share after residual equity adjustment is minor.

The effect on segment information is described in "Segment Information" .

(Changes in Method of Presentation)

(Consolidated Statements of Income)

"Rent income" had been posted as a separate item in the previous consolidated fiscal year, was included in "Other" of the Non-operating income in the consolidated fiscal year under review because of the amount decrease in its importance in terms of the amount. To reflect the changes in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.

As a result, "Rent income" of 45 million yen in the Non-operating income in the consolidated statements of income for the previous consolidated fiscal year was include in "Other".

"Dormant expenses" had been posted as a separate item in the previous consolidated fiscal year, was included in "Other" of the Non-operating expenses in the consolidated fiscal year under review because of the amount decrease in its importance in terms of the amount. To reflect the changes in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.

As a result, "Dormant expenses" of 40 million yen in the Non-operating income in the consolidated statements of income for the previous consolidated fiscal year was include in "Other".

(Consolidated Statements of Cash Flows)

"Share-based compensation expenses" , "Increase (decrease) in reserve for bonus payment" and "Increase (decrease) in advances received", which had been included in "Other" of the cash flows from operating activities in the previous consolidated fiscal year, were posted as a separate item in the consolidated fiscal year under review because of an increase in its importance in terms of the amount. To reflect the change in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.

As a result, "Other" of 209 million yen in the cash flows from operating activities in the consolidated statements of cash flows for the previous consolidated fiscal year was divided into "Share-based compensation expenses" of 170 million yen, "Increase (decrease) in reserve for bonus payment" of 26 million yen, "Increase (decrease) in advances received" of 157 million yen and "Other" of 146 million yen.

"Expenditure for acquisition of investment securities" which had been posted as a separate item in the previous consolidated fiscal year, was included in "Other" of the cash flows from investing activities in the consolidated fiscal year under review because of the amount decrease in its importance in terms of the amount. To reflect the changes in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.

As a result, "Expenditure for acquisition of investment securities" of minus 1 million yen in the cash flows from investing activities in the consolidated statements of cash flows for the previous consolidated fiscal year was include in "Other".

(Consolidated Balance Sheet)

1. Amount of discount for bills receivable (Million yen)

	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Amount of discount for bills receivable	978	985
Amount of discount for export bills receivable	2,453	2,269

*2.Amount of allowance for doubtful accounts directly subtracted from assets

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Investments and other assets	--	1

(Consolidated Statement of Income)

*1. Reductions in book value associated with declines in the profitability of inventories owned for ordinary sales

(Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Cost of sales	-10	16

*2.R&D expenses included in selling, general and administrative expenses, and manufacturing cost for the term (Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
	1,445	1,278

*3.Breakdown of gain on sales of fixed assets

(Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Machinery and equipment	1	25
Land	119	--
Vehicles	1	--
Total	122	25

*4. Breakdown of loss on retirement of fixed assets

(Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Buildings	13	10
Machinery and equipment	7	8
Others	0	0
Total	21	19

*5. Breakdown of the loss on sales of fixed assets

(Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Machinery and equipment	13	31

*6. Impairment loss

In the fiscal year under review, the Group posted an impairment loss for the group of assets below.

Location	Use	Type
Nagaoka-shi, Niigata	Assets for lease	Machinery and equipment

The Group's assets for lease are grouped according to each individual asset.

The Group reduced the book value of the assets above to the recoverable amount and posted an impairment loss of 60 million yen in extraordinary expenses. The recoverable amount was measured by the net sale value and was calculated based on the assessed value of fixed assets.

(Consolidated Statements of Comprehensive Income)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
* Recycling and tax effect relating to other comprehensive income (Million yen)		
Unrealized gains on marketable securities:		
Amount arising during fiscal year under review	79	1,899
Recycling	271	--
Before tax effect adjustment	351	1,899
Tax effect	-51	-492
Unrealized gains on marketable securities	299	1,406
Translation adjustments:		
Amount arising during fiscal year under review	442	988
Remeasurements of defined benefit plans, net of tax:		
Amount arising during fiscal year under review	--	102
Recycling	--	139
Before tax effect adjustment	--	241
Tax effect	--	-85
Remeasurements of defined benefit plans, net of tax	--	156
Total other comprehensive income	741	2,551

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (From April 1, 2013 to March 31, 2014)

1. Matters relating to type and number of outstanding shares and treasury stock (Thousand shares)

	Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Outstanding shares				
Common shares	74,919	--	--	74,919
Total	74,919	--	--	74,919
Treasury stock				
Common shares Note1, 2	1,300	1,493	231	2,562
Total	1,300	1,493	231	2,562

(Notes) 1. The increase in common shares of treasury stock of 1,493 thousand shares due to the purchase of 1,484 thousand shares on the Tokyo Stock Exchange, and the purchase of 9 thousand shares of odd-lot shares.

2. The decrease in common shares of treasury stock of 231 thousand shares was due to the exercise of stock options.

2. Matters concerning subscription rights to shares and subscription right to shares for treasury stock

Category	Description of subscription rights to shares	Type of shares to be issued under subscription rights to shares	Number of shares to be issued under subscription rights to shares				Outstanding balance at the end of the consolidated fiscal year (million yen)
			Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year	
Submitting company (parent company)	Subscription rights to shares as stock options	--	--	--	--	--	605
Total		--	--	--	--	--	605

3. Matters relating to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 10, 2013	Common shares	441	6.00	March 31, 2013	May 29, 2013
Board of directors meeting held on November 12, 2013	Common shares	434	6.00	September 30, 2013	November 27, 2013

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution)	Type of shares	Total amount of dividend (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 13, 2014	Common shares	434	Retained earnings	6.00	March 31, 2014	May 28, 2014

Consolidated fiscal year under review (From April 1, 2014 to March 31, 2015)

1. Matters relating to type and number of outstanding shares and treasury stock (Thousand shares)

	Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Outstanding shares				
Common shares	74,919	--	--	74,919
Total	74,919	--	--	74,919
Treasury stock				
Common shares Note1, 2	2,562	3,128	405	5,285
Total	2,562	3,128	405	5,285

(Notes) 1. The increase in common shares of treasury stock of 3,128 thousand shares due to the purchase of 3,123 thousand shares on the Tokyo Stock Exchange, and the purchase of 5 thousand shares of odd-lot shares.

2. The decrease in common shares of treasury stock of 405 thousand shares was due to the exercise of stock options.

2. Matters concerning subscription rights to shares and subscription right to shares for treasury stock

Category	Description of subscription rights to shares	Type of shares to be issued under subscription rights to shares	Number of shares to be issued under subscription rights to shares				Outstanding balance at the end of the consolidated fiscal year (million yen)
			Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year	
Submitting company (parent company)	Subscription rights to shares as stock options	--	--	--	--	--	718
Consolidated subsidiary	Subscription rights to shares as stock options	--	--	--	--	--	146
Total		--	--	--	--	--	865

3. Matters relating to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 13, 2014	Common shares	434	6.00	March 31, 2014	May 28, 2014
Board of directors meeting held on November 12, 2014	Common shares	432	6.00	September 30, 2014	November 28, 2014

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution)	Type of shares	Total amount of dividend (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 13, 2015	Common shares	557	Retained earnings	8.00	March 31, 2015	May 29, 2015

(Consolidated Statements of Cash Flows)

*Relationship between the ending balance of cash and cash equivalents and the accounts and their amounts on the Consolidated Balance Sheet (Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Cash and cash accounts	6,227	5,175
Time deposits with maturity of more than 3 months	-182	-223
Cash and cash equivalents	6,044	4,952

(Lease Transactions)

(lessee)

Finance lease transactions without the transfer of ownership

(i) Leased assets

a. Tangible fixed assets

Primary tools, equipment and fixtures in the machine tool business and the specialized machines and other businesses

b. Intangible fixed assets

Software

(ii) Depreciation and amortization methods for leased assets

The methods described in Important Matters that Become the Basis of Presenting Consolidated Financial Statements, 4. Matters concerning significant accounting policies, (2) Depreciation and amortization methods used for material depreciable and amortizable assets apply.

(Financial Instruments)

1. Situation of financial instruments

(1) Policy for financial instruments

The Group raises funds needed for performing operations in Japan and abroad primarily through bank loans. The Group uses derivatives to avoid the risks described below and will not carry out speculative transactions.

(2) Financial instruments, risks associated with them, and risk management for them

Trade notes and accounts receivable, operating receivables, are exposed to the credit risks of customers. Foreign currency operating receivables that are generated in overseas operations are exposed to exchange fluctuation risks but hedged by exchange forward contracts.

Investment securities are primarily shares in companies with which the Company has business relationships and are exposed to the risks of market price fluctuation. The due dates of most trade notes and accounts payable, which are operating payables, are within four months.

The primary purpose of borrowings, bonds, and lease obligations relating to finance lease transactions is raising operating funds, and the redemption date is a maximum of three years after the closing date.

The derivatives are exchange forward contracts whose purpose is hedging exchange fluctuation risks relating to foreign currency operating receivables. The departments in charge of derivatives trading carry out and manage derivatives trading with the approval of deciding officers and in accordance with internal rules.

Please refer to 4. Matters concerning significant accounting policies, (7) Significant hedge accounting method of "Important Matters that Becomes Basis of Presenting Consolidated Financial Statements" to find out information about the hedging instruments, hedged items, hedging policy, and method of valuating the effectiveness of hedging.

Operating payables and borrowings are exposed to liquidity risks. The Group manages the liquidity risk by the departments in charge of funds working out monthly cash management plans.

(3) Supplementary explanation on fair values of financial instruments

The fair values of financial instruments are values based on market values, or if there are no market values, values reasonably calculated. Since variables are included in the calculation of fair values, they may change depending on assumptions. The values of contracts relating to derivatives trading stated in the notes to derivatives trading do not show market risks relating to derivatives trading by themselves.

2. Matters relating to fair values of financial instruments

The table below shows the balance sheet amounts and fair values of financial instruments, and the difference between them. Financial instruments whose fair values are very difficult to estimate are not included in the table. (Please refer to Note 2.)

Previous consolidated fiscal year (As of March 31, 2014)

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	6,227	6,227	--
(2) Trade notes and accounts receivable	6,686	6,686	--
(3) Investment securities	4,245	4,245	--
Total assets	17,159	17,159	--
(1) Trade notes and accounts payable	10,630	10,630	--
(2) Short-term borrowings	6,075	6,075	--
(3) Accrued income tax	1,113	1,113	--
Total liabilities	17,818	17,818	--
Derivatives*	--	--	--

* Net receivables or payables generated in derivatives trading are shown in the table. Figures in parentheses show net payables.

Consolidated fiscal year under review (As of March 31, 2015)

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	5,175	5,175	--
(2) Trade notes and accounts receivable	7,054	7,054	--
(3) Investment securities	6,146	6,146	--
Total assets	18,376	18,376	--
(1) Trade notes and accounts payable	8,276	8,276	--
(2) Short-term borrowings	6,855	6,855	--
(3) Accrued income tax	616	616	--
Total liabilities	15,747	15,747	--
Derivatives*	--	--	--

* Net receivables or payables generated in derivatives trading are shown in the table. Figures in parentheses show net payables.

(Note) 1. Methods used for estimating the fair values of financial instruments and matters relating to securities and derivatives trading

Assets

(1) Cash and deposits and (2) Trade notes and accounts receivable

These financial instruments are settled in the short term, and their fair values approximate their book value. The fair values are therefore deemed equal to their book values.

(3) Investment securities

The fair values of investment securities are determined by reference to quoted market prices on the stock exchanges.

Liabilities

(1) Trade notes and accounts payable and (2) Short-term borrowings (3) Accrued income tax

These financial instruments are settled in the short term, and their fair values approximate their book value. The fair values are therefore deemed equal to their book values.

Derivatives

Please refer to the notes to derivatives trading.

2. Financial instruments whose fair values are very difficult to estimate (Million yen)

Classification	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Unlisted shares	2	1
Shares in affiliates	11	11

Since these financial instruments do not have any market prices, and their fair values are very difficult to estimate, they are not included in (3) Investment securities.

3. Scheduled redemption amounts of monetary receivables after the consolidated closing date.

Previous consolidated fiscal year (As of March 31, 2014)

	Within one year (million yen)	Longer than one year, within five years (million yen)	Longer than five years, within ten years (million yen)	Over ten years (million yen)
Cash and deposits*	6,216	--	--	--
Trade notes and accounts receivable	6,686	--	--	--
Total	12,903	--	--	--

*Cash is excluded.

Consolidated fiscal year under review (As of March 31, 2015)

	Within one year (million yen)	Longer than one year, within five years (million yen)	Longer than five years, within ten years (million yen)	Over ten years (million yen)
Cash and deposits*	5,164	--	--	--
Trade notes and accounts receivable	7,054	--	--	--
Total	12,218	--	--	--

*Cash is excluded.

4. Scheduled repayment of corporate bonds, lease obligations and other interest-bearing debt after the consolidated closing date.

Previous consolidated fiscal year (As of March 31, 2014)

	Within one year (million yen)	Longer than one year, within two years (million yen)	Longer than two years, within three years (million yen)	Longer than three years, within four years (million yen)	Longer than four years, within five years (million yen)	Over five years (million yen)
Short-term borrowings	6,075	--	--	--	--	--
Total	6,075	--	--	--	--	--

Consolidated fiscal year under review (As of March 31, 2015)

	Within one year (million yen)	Longer than one year, within two years (million yen)	Longer than two years, within three years (million yen)	Longer than three years, within four years (million yen)	Longer than four years, within five years (million yen)	Over five years (million yen)
Short-term borrowings	6,855	--	--	--	--	--
Total	6,855	--	--	--	--	--

(Securities)

1. Other securities

Previous consolidated fiscal year (As of March 31, 2014)

(Million yen)

	Classification	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Carrying amounts on the consolidated balance sheet exceeding the acquisition cost	(1)Shares	4,245	2,237	2,008
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	4,245	2,237	2,008
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1)Shares	--	--	--
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	--	--	--
Total		4,245	2,237	2,008

(Note) Since unlisted stocks (whose consolidated balance sheet amount is 2 million yen) have no market prices, and their fair values are very difficult to estimate, they are omitted.

Consolidated fiscal year under review (As of March 31, 2015)

(Million yen)

	Classification	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Carrying amounts on the consolidated balance sheet exceeding the acquisition cost	(1)Shares	6,146	2,238	3,907
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	6,146	2,238	3,907
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1)Shares	--	--	--
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	--	--	--
Total		6,146	2,238	3,907

(Note) Since unlisted stocks (whose consolidated balance sheet amount is 1 million yen) have no market prices, and their fair values are very difficult to estimate, they are omitted.

2. Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

(Million yen)

Classification	Amount of sale	Total profit on sale	Total loss on sale
Shares	609	--	271

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

(Million yen)

Classification	Amount of sale	Total profit on sale	Total loss on sale
Shares	2	2	--

(Derivatives Trading)

Not applicable.

(Pension and Severance Cost)

1. Outline of retirement and severance benefits plans adopted by the companies

The Company and its consolidated subsidiaries adopt funded and unfunded defined benefit pension plans and defined contribution pension plans to provide for employees' retirement benefits.

Under defined benefit corporate pension plans (all of which are funded), a lump-sum grant and pension based on salary and length of service is paid.

Under retirement lump-sum grant plans (all of which are non-funded), a lump-sum grant based on salary and length of service is paid as retirement benefit.

For the defined benefit pension plans and retirement lump-sum grant plans of certain domestic and overseas consolidated subsidiaries, net defined benefit liability and retirement benefit cost is calculated by the simplified method.

The defined contribution plans adopted by certain domestic consolidated subsidiaries are SME retirement benefit mutual aid schemes.

2. Defined benefit plans (including those for which simplified method is adopted)

(1) Reconciliation of beginning and ending balances of the projected benefit obligations (Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Projected benefit obligations at beginning of year	2,247	2,229
Cumulative effects of changes in accounting policies	--	-168
Restated balance	2,247	2,060
Service cost	131	140
Interest cost	33	30
Actuarial loss (gain)	22	19
Benefits paid	-205	-178
Projected benefit obligations at end of year	2,229	2,072

(2) Reconciliation of beginning and ending balances of pension assets (Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Pension assets at beginning of year	1,108	1,283
Expected return on pension assets	21	25
Actuarial gain (loss)	60	121
Employer contributions	210	209
Benefits paid	-118	-103
Pension assets at end of year	1,283	1,536

(3) Reconciliation of beginning and ending balances of projected benefit obligations and pension assets and net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet (Million yen)

	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Projected benefit obligations (funded plans)	1,356	1,372
Pension assets	-1,283	-1,536
	72	-164
Projected benefit obligations (unfunded plans)	872	700
Net liability and asset recognized in the consolidated balance sheet	945	535
Net defined benefit liability	946	535
Net defined benefit asset (Note)	-0	--
Net liability and asset recognized in the consolidated balance sheet	945	535

(Note) Net defined benefit asset is included in "Others" under "Investments and other assets."

(4) Breakdown of retirement benefit expenses (Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Service cost	131	140
Interest cost	33	30
Expected return on pension assets	-21	-25
Unsettled difference at change of accounting principle	139	139
Recognized actuarial gain or loss	32	0
Retirement benefit expenses for defined benefit plans	314	284

(Note) Net retirement benefit costs of consolidated subsidiaries using the simplified method are accounted for as "Service costs."

(5) Remeasurements of defined benefit plans, net of tax

The amounts recognized as remeasurements of defined benefit plans, net of tax (before the effect of tax), are as follows:

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Net retirement benefit obligation when change is made	--	-139
Actuarial gains and losses	--	-102
Total	--	-241

(6) Remeasurements of defined benefit plans

The amounts recognized as remeasurements of defined benefit plans (before the effect of tax) are as follows:

	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Unamortized net retirement benefit obligation at transition	139	0
Unrecognized actuarial gains and losses	52	49
Total	192	49

(7) Matters relating to pension assets

(i) Significant components of pension assets

The significant components of pension assets by asset category are as follows:

	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Bonds	20.4%	17.0%
Stock	26.8%	24.4%
General accounts	50.3%	56.4%
Others	2.5%	2.2%
Total	100.0%	100.0%

(ii) Determination method of expected long-term rate of return

The expected long-term rate of return on pension assets is determined based on the current and expected future distribution of pension assets and the current and expected future long-term rate of return of various assets of which pension assets are composed.

(8) Matters relating to assumptions used for actuarial computation

The weighted-average assumptions used for the actuarial computation at the end of the fiscal year were primarily as follows:

	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Discount rate	1.5%	1.5%
Expected long-term rate of return	2.0%	2.0%
Expected rate of salary increase	3.1%	3.1%

(Stock Options)

1. Expenses posted in relation to stock options

(Million yen)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Cost of sales	27	24
Selling, general and administrative expenses	143	291

2. Description and change in the scale of stock options

(1) Description of stock options

	2005 First compensation-type subscription rights to shares	2006 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 4 Statutory auditors 4 Employees of the Company 7	The Company's directors 4 Statutory auditors 4
Number of stock options by share type (Note 1)	Common shares 220,000 shares	Common shares 78,000 shares
Grant date	July 1, 2005	July 20, 2006
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 1, 2005 to June 30, 2025	July 21, 2006 to July 20, 2026

	2006 Stock compensation-type stock options Plan B	2007 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Titled executive officers 8 Employees with similar positions 3	The Company's directors 4 Statutory auditors 4
Number of stock options by share type (Note 1)	Common shares 72,000 shares	Common shares 101,000 shares
Grant date	July 20, 2006	July 9, 2007
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 21, 2006 to July 20, 2026	July 10, 2007 to July 9, 2027

	2007 Stock compensation-type stock options Plan B	2008 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Titled executive officers 11 Employee of the Company 1	The Company's directors 7 Statutory auditors 4
Number of stock options by share type (Note 1)	Common shares 89,000 shares	Common shares 100,000 shares
Grant date	July 9, 2007	July 7, 2008
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 10, 2007 to July 9, 2027	July 8, 2008 to July 7, 2028

	2008 Stock compensation-type stock options Plan B	2009 Sixth general-type subscription rights to shares
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Titled executive officers 18	The Company's directors 5 Statutory auditors 1 Employees of the Company 123 Directors of subsidiaries of the Company 7
Number of stock options by share type (Note 1)	Common shares 51,000 shares	Common shares 800,000 shares
Grant date	July 7, 2008	July 6, 2009
Vesting conditions	(Note 2)	Not applicable
Target period of service	Not applicable	July 6, 2009 to July 6, 2011
Exercise period	July 8, 2008 to July 7, 2028	July 7, 2011 to June 30, 2014

	2009 Stock compensation-type stock options Plan A	2009 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 7 Statutory auditors 4	Titled executive officers and employees with similar positions 14
Number of stock options by share type (Note 1)	Common shares 191,000 shares	Common shares 111,000 shares
Grant date	July 6, 2009	July 6, 2009
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 7, 2009 to July 6, 2029	July 7, 2009 to July 6, 2029

	2010 Seventh general-type subscription rights to shares	2010 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Employees of the Company 63 Directors of subsidiaries of the Company 7	The Company's directors 7 Statutory auditors 4
Number of stock options by share type (Note 1)	Common shares 350,000 shares	Common shares 101,000 shares
Grant date	July 5, 2010	July 5, 2010
Vesting conditions	Not applicable	(Note 2)
Target period of service	July 5, 2010 to July 5, 2012	Not applicable
Exercise period	July 6, 2012 to June 30, 2015	July 6, 2010 to July 5, 2030

	2010 Stock compensation-type stock options Plan B	2011 Eighth general-type subscription rights to shares
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Executive officers and employees with similar positions 20	Employees of the Company 81
Number of stock options by share type (Note 1)	Common shares 100,000 shares	Common shares 350,000 shares
Grant date	July 5, 2010	July 4, 2011
Vesting conditions	(Note 2)	Not applicable
Target period of service	Not applicable	July 4, 2011 to July 4, 2013
Exercise period	July 6, 2010 to July 5, 2030	July 5, 2013 to June 30, 2016

	2011 Stock compensation-type stock options Plan A	2011 Stock compensation-type stock options Plan B
Company	The Company	
Positions and numbers of officers to receive stock options	The Company's directors 5 Outside directors 2 Statutory auditors 4	Executive officers and employees with similar positions 14
Number of stock options by share type (Note 1)	Common shares 165,000 shares	Common shares 100,000 shares
Grant date	July 4, 2011	
Vesting conditions	(Note 2)	
Target period of service	Not applicable	
Exercise period	July 5, 2011 to July 4, 2031	

	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A
Company	The Company	
Positions and numbers of officers to receive stock options	Employees of the Company 64 Directors of subsidiaries of the Company 3	The Company's directors 9 Statutory auditors 4
Number of stock options by share type (Note 1)	Common shares 200,000 shares	Common shares 160,000 shares
Grant date	July 2, 2012	
Vesting conditions	Not applicable	
Target period of service	July 2, 2012 to July 2, 2014	
Exercise period	July 3, 2014 to June 30, 2017	

	2012 Stock compensation-type stock options Plan B	2013 10th general-type subscription rights to shares
Company	The Company	
Positions and numbers of officers to receive stock options	Executive officers and employees with similar positions 19	Employees of the Company 59 Directors of subsidiaries of the Company 2
Number of stock options by share type (Note 1)	Common shares 110,000 shares	Common shares 200,000 shares
Grant date	July 2, 2012	
Vesting conditions	(Note 2)	
Target period of service	Not applicable	
Exercise period	July 3, 2012 to July 2, 2032	

	2013 Stock compensation-type stock options Plan A	2013 Stock compensation-type stock options Plan B
Company	The Company	
Positions and numbers of officers to receive stock options	The Company's directors 6 Outside directors 3 Statutory auditors 4	Executive officers and employees with similar positions 23
Number of stock options by share type (Note 1)	Common shares 190,000 shares	Common shares 120,000 shares
Grant date	July 8, 2013	
Vesting conditions	(Note 2)	
Target period of service	Not applicable	
Exercise period	July 9, 2013 to July 8, 2033	

	2014 11th general-type subscription rights to shares	2014 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Employees of the Company 63	The Company's directors 6 Outside directors 3 Statutory auditors 5
Number of stock options by share type (Note 1)	Common shares 200,000 shares	Common shares 190,000 shares
Grant date	July 7, 2014	July 7, 2014
Vesting conditions	Not applicable	(Note 2)
Target period of service	July 7, 2014 to July 7, 2016	Not applicable
Exercise period	July 8, 2016 to June 30, 2019	July 8, 2014 to July 7, 2034

	2014 Stock compensation-type stock options Plan B	2014 Stock options Group A
Company	The Company	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)
Positions and numbers of officers to receive stock options	Executive officers and employees with similar positions 19	Consolidated subsidiary's directors 6 Consolidated subsidiary's statutory auditors 1 Consolidated subsidiary's employees 4
Number of stock options by share type (Note 1)	Common shares 110,000 shares	Common shares 4,845,000 shares
Grant date	July 7, 2014	March 14, 2014
Vesting conditions	(Note 2)	Not applicable
Target period of service	Not applicable	March 14, 2014 to March 16, 2015
Exercise period	July 8, 2014 to July 7, 2034	March 17, 2015 to March 16, 2020

	2014 Stock options Group B
Company	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)
Positions and numbers of officers to receive stock options	Consolidated subsidiary's employees 44
Number of stock options by share type (Note 1)	Common shares 3,781,000 shares
Grant date	March 14, 2014
Vesting conditions	Not applicable
Target period of service	March 14, 2014 to March 16, 2017
Exercise period	March 17, 2017 to March 16, 2020

(Note) 1. The number of stock options is converted to the number of shares.

2. In principle, a holder of subscription rights to shares may exercise them when the holder no longer holds a position as the Company's director, corporate auditor, executive officer, and/or employee with a similar title. In this case, the holder may only exercise the subscription rights to shares within a period of seven days from the next day of the date when he/she loses the above titles.

(2) Change in the scale of stock options

The stock options that existed in the consolidated fiscal year under review ended March 31, 2015 are counted. The number of stock options is converted to the number of shares.

(i) Number of stock options

	2005 First compensation-type subscription rights to shares	2006 Stock compensation-type stock options Plan A	2006 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	59,000	22,000	19,000
Vested	--	--	--
Exercised	--	--	--
Lapsed	--	--	--
Unexercised	59,000	22,000	19,000

	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B	2008 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	29,000	36,000	37,000
Vested	--	--	--
Exercised	--	--	--
Lapsed	--	--	--
Unexercised	29,000	36,000	37,000

	2008 Stock compensation-type stock options Plan B	2009 Sixth general-type subscription rights to shares	2009 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	24,000	195,000	93,000
Vested	--	--	--
Exercised	--	195,000	--
Lapsed	--	--	--
Unexercised	24,000	--	93,000

	2009 Stock compensation-type stock options Plan B	2010 Seventh general-type subscription rights to shares	2010 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	75,000	350,000	62,000
Vested	--	--	--
Exercised	--	38,000	4,000
Lapsed	--	--	--
Unexercised	75,000	312,000	58,000

	2010 Stock compensation-type stock options Plan B	2011 Eighth general-type subscription rights to shares	2011 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	43,000	314,000	139,000
Vested	--	--	--
Exercised	--	83,000	6,000
Lapsed	--	--	--
Unexercised	43,000	231,000	133,000

	2011 Stock compensation-type stock options Plan B	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	200,000	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	200,000	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	66,000	--	145,000
Vested	--	200,000	--
Exercised	--	42,000	5,000
Lapsed	--	--	--
Unexercised	66,000	158,000	140,000

	2012 Stock compensation-type stock options Plan B	2013 10th general-type subscription rights to shares	2013 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	200,000	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	200,000	--
After vesting date (shares)			
End of previous fiscal year	78,000	--	185,000
Vested	--	--	--
Exercised	10,000	--	5,000
Lapsed	--	--	--
Unexercised	68,000	--	180,000

	2013 Stock compensation-type stock options Plan B	2014 11th general-type subscription rights to shares	2014 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	200,000	190,000
Lapsed	--	--	--
Vested	--	--	190,000
Non-vested	--	200,000	--
After vesting date (shares)			
End of previous fiscal year	115,000	--	--
Vested	--	--	190,000
Exercised	14,000	--	--
Lapsed	5,000	--	--
Unexercised	96,000	--	190,000

	2014 Stock compensation-type stock options Plan B	2014 Stock options Group A	2014 Stock options Group B
Company	The Company	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	110,000	1,085,000	3,781,000
Lapsed	--	--	--
Vested	110,000	1,085,000	--
Non-vested	--	--	3,781,000
After vesting date (shares)			
End of previous fiscal year	--	--	--
Vested	110,000	1,085,000	--
Exercised	3,000	--	--
Lapsed	2,000	--	--
Unexercised	105,000	1,085,000	--

(ii) Unit price information

(Yen)

	2005 First compensation-type subscription rights to shares	2006 Stock compensation-type stock options Plan A	2006 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Exercise price	1	1	1
Average stock price at the time of exercise	--	--	--
Fair valuation of unit price (grant date)	--	608	608

(Yen)

	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B	2008 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Exercise price	1	1	1
Average stock price at the time of exercise	--	--	--
Fair valuation of unit price (grant date)	513	513	279

(Yen)

	2008 Stock compensation-type stock options Plan B	2009 Sixth general-type subscription rights to shares	2009 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Exercise price	1	225	1
Average stock price at the time of exercise	--	544	--
Fair valuation of unit price (grant date)	279	31	123

(Yen)

	2009 Stock compensation-type stock options Plan B	2010 Seventh general-type subscription rights to shares	2010 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Exercise price	1	667	1
Average stock price at the time of exercise	--	739	549
Fair valuation of unit price (grant date)	123	182	532

(Yen)

	2010 Stock compensation-type stock options Plan B	2011 Eighth general-type subscription rights to shares	2011 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Exercise price	1	481	1
Average stock price at the time of exercise	--	641	549
Fair valuation of unit price (grant date)	532	163	408

(Yen)

	2011 Stock compensation-type stock options Plan B	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Exercise price	1	589	1
Average stock price at the time of exercise	--	690	549
Fair valuation of unit price (grant date)	408	196	459

(Yen)

	2012 Stock compensation-type stock options Plan B	2013 10th general-type subscription rights to shares	2013 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Exercise price	1	575	1
Average stock price at the time of exercise	626	--	549
Fair valuation of unit price (grant date)	459	180	445

(Yen)

	2013 Stock compensation-type stock options Plan B	2014 11th general-type subscription rights to shares	2014 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Exercise price	1	584	1
Average stock price at the time of exercise	625	--	--
Fair valuation of unit price (grant date)	445	166	452

(Yen)

	2014 Stock compensation-type stock options Plan B
Company	The Company
Exercise price	1
Average stock price at the time of exercise	682
Fair valuation of unit price (grant date)	452

(HKD)

	2014 Stock options Group A	2014 Stock options Group B
Company	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)
Exercise price	1.50	1.50
Average stock price at the time of exercise	--	--
Fair valuation of unit price (grant date)	1.55	1.44

3. Method of estimating a fair unit price of stock options

The following is the method of estimating a fair unit price of the 2014 stock options granted in the fiscal year:

The Company

(i) Valuation technique used: Black-Scholes method

(ii) Major fundamental figures and estimation method

	2014 General-type subscription rights to shares	2014 Compensation-type subscription rights to shares Plan A and Plan B
Stock price volatility (Note 1)	49.262%	44.717%
Expected remaining period (Note 2)	3.5 years	10.0 years
Projected dividend (Note 3)	12.00 yen per share	12.00 yen per share
Risk-free interest rate (Note 4)	0.087%	0.560%

(Note) 1. The stock price volatility for the 2014 general-type subscription rights to shares was calculated based on the closing price on the last trading day of each month in the past 3.5 years (from January 2011 to June 2014). The stock price volatility for the 2014 Plan A and Plan B compensation-type subscription rights to shares was calculated based on the closing price on the last trading day of each month in the past 10 years (from June 2004 to June 2014).

2. Since accumulated data is insufficient, reasonably estimating a remaining period is difficult. We thus estimate a period based on the assumption that stock options will be exercised at the mid-point of the exercise period.
3. The projected dividend is based on the actual dividend for the fiscal year ended March 31, 2014.
4. The rate is the yield of the government bond for the expected remaining period.

Precision Tsugami (China) Corporation Limited

(i) Valuation technique used: Binomial model

(ii) Major fundamental figures and estimation method

	2014 Stock options Group A	2014 Stock options Group B
Stock price on the date of calculation (Note 1)	2.98HKD	2.98HKD
Period up to the maturity options	For 6.0 years (Options may not be exercised for the first one-year period)	For 6.0 years (Options may not be exercised for the first three-year period)
Risk free rate (Note 2)	1.432%	1.432%
Expected volatility (Note 3)	49.296%	49.296%
Expected dividend rate (Note 4)	5.74%	5.74%

(Note) 1. The base date for calculation is March 14, 2014. The price is calculated using the DCF method based on the income projections of the target company.

2. The rate is calculated based on the yield of a government bond whose residual period is equal to the option maturity period on the base calculation date.
3. The rate is calculated based on the actual average volatility of comparable listed companies for the most recent period equal to a period from the base calculation date until the option maturity, which is chosen for the measurement of the stock price.
4. The rate is calculated based on the income projections of the target company.

4. Method of estimating the number of vested stock options

Estimating the number of lapsed stock options is basically difficult. The Company has thus applied a method that reflects only the number of actually lapsed stock options.

(Deferred Tax Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

	(Million yen)	
	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Deferred tax assets		
Allowance for doubtful accounts	41	14
Reserve for bonus payment	64	62
Net defined benefit liability	268	165
Reserve for product warranties	86	125
Loss on devaluation of investment securities	142	125
Loss on devaluation of affiliates' stock	8	7
Loss on devaluation of inventories	14	15
Impairment loss	56	68
Accrued enterprise taxes	98	40
Accrued sales commission	23	24
Unrealized income of inventories	108	105
Stock-based compensation expenses	155	172
Non-qualified contribution in-kind	996	875
Other	175	94
Deferred tax assets subtotal	<u>2,237</u>	<u>1,896</u>
Valuation reserve	<u>-1,393</u>	<u>-1,288</u>
Deferred tax assets total	<u>843</u>	<u>607</u>
Deferred tax liabilities		
Unrealized gains on marketable securities	-616	-1,109
Reserve profit of overseas subsidiaries	24	-138
Other	-0	--
Deferred tax liabilities total	<u>-592</u>	<u>-1,247</u>
Net deferred tax assets (liabilities)	<u>250</u>	<u>-639</u>

2. Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause

	Previous consolidated fiscal year (As of March 31, 2014)	Consolidated fiscal year under review (As of March 31, 2015)
Legally effective tax rate	38.0%	35.6%
(Adjustments)		
Differences from applicable tax rates for overseas subsidiaries	-2.2%	-6.0%
Experiment and research expenses	-4.1%	-0.7%
Tax sparing	-4.9%	-2.3%
Items permanently excluded from nontaxable expenses, including entertainment costs	2.6%	1.7%
Increase (decrease) in valuation reserve	-1.1%	0.9%
Change of tax rate	1.6%	0.7%
Tax refund	-7.3%	--
Non-qualified contribution in-kind	57.6%	--
Other	1.1%	1.1%
Actual effective tax rate after applying tax effect	<u>81.3%</u>	<u>31.0%</u>

3. Revisions to the amount of deferred tax assets and deferred tax liabilities due to changes in corporate tax rates

The Act on Partial Revision of the Income Tax Act, Etc. (Act No. 9 of 2015) and the Act on Partial Revision of the Local Tax Act, Etc. (Act No. 2 of 2015) were officially announced on March 31, 2015. Corporate tax rates, etc. will be lowered, etc. in consolidated fiscal years starting on or after April 1, 2015. In relation to these amendments, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities will be lowered from the previous rate of 35.6% to 32.1% for the temporary differences that are expected to be eliminated in the consolidated fiscal year starting on April 1, 2015, and to 31.3% for the temporary differences that are expected to be eliminated in the consolidated fiscal year starting April 1, 2016.

Due to the changes in the tax rates, the amount of deferred tax liabilities (the amount after subtracting the amount of deferred tax assets) fell by 108 million yen. The deferred taxes increased by 48 million yen and the unrealized gains on marketable securities rose by 152 million yen. The remeasurements of defined benefit plans rose by 4 million yen.

(Business Combination)

Not applicable.

(Asset Retirement Obligations)

Not stated because of the insignificant amount.

(Real estate for rent, etc.)

Not stated because of the insignificant amount.

(Segment Information)

Segment Information

1. Summary of reportable segments

The Company's reportable segments are its constituent units that disclose financial information separately. They fall under the scope of periodic reviews the Company's Board of Directors performs to determine the distribution of its management resources and to assess its operating results.

The Group manufactures and sells machine tools in Japan and abroad. The Group consists of geographic segments based on its manufacturing and sales organizations. The Company's reportable segments are Japan, China and South Korea, which are the areas where Group companies are located.

2. Basis of calculating net sales, income or loss, assets, liabilities and other items by reportable segment

The accounting methods for the reportable segments are the same as those described in "Important Matters that Become Basis of Presenting Consolidated Financial Statements."

Segment income is based on operating income for each reportable segment.

Intersegment revenue and transfers are based on market prices.

As described in "Changes in Accounting Policy," the Group changed the method for calculating retirement benefit obligations and services costs from the beginning of the consolidated fiscal year under review. As a result, the method for calculating the retirement benefit obligations and service costs of reportable segments has similarly changed.

This change had no material impact on segment income.

3. Information relating to net sales income or loss, assets, liabilities and other items by reportable segment.

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

(Million yen)

	Reportable segment				Adjustment (Note) 1 (Note) 2 (Note) 3	Consolidated financial statement amount (Note) 4
	Japan	China	South Korea	Total		
Net sales						
Net sales to external customers	19,860	11,238	1,126	32,225	--	32,225
Intersegment net sales or transfers to other accounts	9,872	7,191	35	17,099	-17,099	--
Total	29,733	18,429	1,161	49,324	-17,099	32,225
Segment income	115	662	87	864	319	1,184
Segment assets	29,506	24,168	785	54,460	-2,210	52,250
Other items						
Depreciation and amortization	509	558	17	1,086	-10	1,075
Increases in tangible fixed assets and intangible fixed assets	205	1,876	11	2,093	-354	1,738

(Note) 1. "Adjustment" of segment income of 319 million yen is the adjustment of unrealized income.

2. "Adjustment" of segment assets of minus 2,210 million yen includes Company-wide assets of 9,303 million yen and an effect of intersegment adjustments of minus 11,513 million yen.

Company-wide assets are primarily assets that do not belong to any reportable segment (cash and deposits and investment securities).

3. "Adjustment" of increases in tangible fixed assets and intangible fixed assets of minus 354 million yen is the effect of intersegment adjustments.

4. Segment income is adjusted in accordance with operating income on the consolidated financial statements.

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015) (Million yen)

	Reportable segment				Adjustment (Note) 1 (Note) 2 (Note) 3	Consolidated financial statement amount (Note) 4
	Japan	China	South Korea	Total		
Net sales						
Net sales to external customers	23,758	29,249	1,124	54,132	--	54,132
Intersegment net sales or transfers to other accounts	11,637	9,683	54	21,375	-21,375	--
Total	35,395	38,932	1,179	75,507	-21,375	54,132
Segment income	1,485	5,749	24	7,259	-5	7,253
Segment assets	25,514	27,002	844	53,361	3,468	56,829
Other items						
Depreciation and amortization	417	744	12	1,174	-13	1,160
Increases in tangible fixed assets and intangible fixed assets	269	1,487	29	1,786	-60	1,725

(Note) 1. "Adjustment" of segment income of minus 5 million yen is the adjustment of unrealized income.

2. "Adjustment" of segment assets of 3,468 million yen includes Company-wide assets of 9,918 million yen and an effect of intersegment adjustments of minus 6,450 million yen.

Company-wide assets are primarily assets that do not belong to any reportable segment (cash and deposits and investment securities).

3. "Adjustment" of increases in tangible fixed assets and intangible fixed assets of minus 60 million yen is the effect of intersegment adjustments.

4. Segment income is adjusted in accordance with operating income on the consolidated financial statements.

Related information

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

1. Information by product and service

Not stated because sales of machine tools to external customers exceeded 90% of net sales on the consolidated statements of income.

2. Information by area

(1) Net sales

Not stated because similar information is stated in the segment information.

(2) Tangible fixed assets

Not stated because similar information is stated in the segment information.

3. Information by major customer

Not stated because sales for specific customer less than 10% of net sales on the consolidated statements of income.

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

1. Information by product and service

Not stated because sales of machine tools to external customers exceeded 90% of net sales on the consolidated statements of income.

2. Information by area

(1) Net sales

Not stated because similar information is stated in the segment information.

(2) Tangible fixed assets

Not stated because similar information is stated in the segment information.

3. Information by major customer

Not stated because sales for specific customer less than 10% of net sales on the consolidated statements of income.

Information on impairment loss on fixed assets by reportable segment

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

No corresponding item existed.

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	60	--	--	--	60

Information on the amortization of goodwill and unamortized balance by reportable segment

No corresponding item existed.

Information on gain on negative goodwill by reportable segment

No corresponding item existed.

Related Party information

Transaction with the Company's directors and major shareholders

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

The statement of transactions with related parties is omitted, since the amount did not reach the disclosure standard.

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

The statement of transactions with related parties is omitted, since the amount did not reach the disclosure standard.

(Per Share information)

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Net assets per share	428.18 yen	522.94 yen
Net income per share	4.72 yen	74.37 yen
Net income per share after residual equity adjustment	4.64 yen	72.92 yen

(Note) The bases for the calculation of net income per share and net income per share after residual equity adjustment are as follows.

	Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)	Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)
Net income per share		
Net income (million yen)	344	5,297
Net income that does not belong to common shareholders (million yen)	--	--
Net income on common shares (million yen)	344	5,297
Average number of shares during the period (thousand shares)	72,900	71,227
Net income per share after residual equity adjustment		
Adjustment in net income (million yen)	--	--
Increase in common shares (thousand shares)	1,255	1,411
(Stock option) (thousand shares)	(1,255)	(1,411)
Summary of residual shares not included in the calculation of net income per share after residual equity adjustment because of no dilutive effect	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 21, 2013 (Number of shares: 200,000)	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 20, 2014 (Number of shares: 200,000) (Consolidated subsidiary) Two types of subscription rights to shares as stock options (Number of the subscription rights to shares: 4,845,000 and 3,781,000)

(Important Post-Balance Sheet Events)

Resolution on stock option

The company resolved to issue subscription rights to shares at the 112th annual shareholders meeting and at the Board of Directors meeting, held on June 18, 2015 respectively.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 20. Stock options based on a resolution at the annual shareholders meeting held on June 18, 2015.

(v) Consolidated supplementary schedule

Schedule of bonds

No corresponding item existed.

Schedule of borrowings

Classification	Balance at beginning of the fiscal year (million yen)	Balance at end of the fiscal year under review (million yen)	Average interest rate (%)	Repayment term
Short-term borrowings	6,075	6,855	3.37	--
Lease obligations to be repaid within a year	11	9	--	--
Lease obligations (excluding those to be repaid within a year)	22	23	--	From 2016 to 2019
Total	6,109	6,887	--	--

(Note) 1. The average interest rate is the weighted average rate for the borrowings at the end of the term.

2. The average interest rate of lease obligations is omitted, since lease obligations before the subtraction of the equivalent of interest included in total lease fees are posted in the consolidated balance sheets.

3. The table below shows scheduled repayments of lease obligations (excluding those to be repaid within a year) with five years of the consolidated closing date.

(Million yen)

	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years
Lease obligations	8	8	4	1

Schedule of asset retirement obligations

Not stated under the provision of Article 92-2 of the Regulations for Consolidated Financial Statements, since asset retirement obligations are a hundredth or less of the sum of liabilities and net assets at the beginning and end of the fiscal year under review.

(2) Other

Quarterly information for the fiscal year under review

(Accumulated total)	First quarter From April 1, 2014 to June 30, 2014	First half From April 1, 2014 to September 30, 2014	First nine months From April 1, 2014 to December 31, 2014	Full year under review From April 1, 2014 to March 31, 2015
Net sales (million yen)	12,670	29,703	41,950	54,132
Income before taxes and other adjustments (million yen)	1,647	4,826	6,642	7,681
Net income (million yen)	1,094	3,405	4,596	5,297
Net income per share (yen)	15.17	47.21	64.09	74.37

(Quarterly)	First quarter From April 1, 2014 to June 30, 2014	Second quarter From July 1, 2014 to September 30, 2014	Third quarter From October 1, 2014 to December 31, 2014	Fourth quarter From January 1, 2015 to March 31, 2015
Net income per share (yen)	15.17	32.06	16.75	10.05

2. Non-Consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

(i) Non-consolidated balance sheets

(Million yen)

	Figures at the end of the previous fiscal year (As of March 31, 2014)	Figures at the end of the fiscal year under review (As of March 31, 2015)
Assets		
Current assets		
Cash and deposits	4,174	2,889
Trade notes receivable	*1 73	*1 159
Accounts receivable	*1 10,058	*1 8,430
Products and other commodities	3,196	4,360
Goods in process	2,519	1,779
Raw materials and supplies	2,476	2,439
Deferred tax assets	354	235
Advance payments	0	2,059
Consumption taxes receivable	574	1,017
Other current assets	*1 5,111	*1 111
Allowance for doubtful accounts	-184	-67
Total current assets	28,355	23,415
Fixed assets		
Tangible fixed assets		
Buildings	2,799	2,655
Structures	88	74
Machinery and equipment	412	435
Vehicles	4	2
Tools, furniture and fixtures	177	147
Land	564	564
Leased assets	25	27
Total tangible fixed assets	4,073	3,907
Intangible fixed assets		
Software	49	32
Telephone subscription rights	10	10
Leased assets	6	3
Total intangible fixed assets	66	45
Investments and other assets		
Investment securities	4,247	6,148
Shares in affiliates	3,506	4,015
Investments in affiliates	958	1,077
Long-term loans receivable from affiliates (net)	490	348
Long-term loans to employees	1	1
Other intangible fixed assets	94	91
Total investments and other assets	9,299	11,681
Total fixed assets	13,439	15,635
Deferred assets		
Stock issuance cost	5	--
Total deferred assets	5	--
Total assets	41,800	39,050

	Figures at the end of the previous fiscal year (As of March 31, 2014)	Figures at the end of the fiscal year under review (As of March 31, 2015)
Liabilities		
Current liabilities		
Trade notes payable	6,101	3,987
Accounts payable	*1 2,963	*1 1,746
Accounts payable - other	*1 153	*1 151
Accrued expenses payable	208	201
Accrued income tax	1,012	404
Reserve for product warranties	155	184
Reserve for bonus payment	162	168
Other	*1 192	*1 148
Total current liabilities	10,949	6,992
Long-term liabilities		
Deferred tax liabilities	350	929
Reserve for retirement benefits	748	575
Other	58	58
Total long-term liabilities	1,158	1,563
Total liabilities	12,108	8,556
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus		
Capital legal reserve	5,884	5,884
Other capital surplus	5	5
Total capital surplus	5,889	5,889
Retained earnings		
Other retained earnings		
Deferred retained earnings	10,540	11,480
Total retained earnings	10,540	11,480
Treasury stock	-1,079	-2,738
Total shareholders' equity	27,695	26,977
Valuation and translation adjustments		
Unrealized gains on marketable securities	1,391	2,798
Total valuation and translation adjustments	1,391	2,798
Subscription rights to shares	605	718
Total net assets	29,692	30,494
Total liabilities and net assets	41,800	39,050

(ii) Non-consolidated statements of income

(Million yen)

	Previous fiscal year (From April 1, 2013 to March 31, 2014)	Fiscal year under review (From April 1, 2014 to March 31, 2015)
Net sales	*1 29,491	*1 34,992
Cost of sales	*1 25,464	*1 30,005
Gross profit	4,026	4,986
Selling, general and administrative expenses	*2 4,114	*2 3,806
Operating income	-87	1,179
Non-operating income		
Interest received	96	79
Dividends received	115	164
Rent income	51	51
Reversal of allowance for doubtful accounts	--	76
Foreign exchange gains	1,251	1,108
Insurance benefits received	36	33
Other	72	72
Total non-operating income	*1 1,624	*1 1,584
Non-operating expenses		
Interest paid	10	18
Leased asset expenses	36	32
Sales discount	2	6
Amortization of stock issuance cost	7	5
Loss on sale of trade notes	67	69
Payment fee	--	30
Other	82	79
Total non-operating expenses	206	241
Ordinary income	1,330	2,522
Extraordinary income		
Gain on sales of fixed assets	163	25
Gain on sales of investment securities	--	2
Total extraordinary income	163	27
Extraordinary expenses		
Loss on retirement of fixed assets	5	4
Impairment loss	--	60
Loss on sales of investment securities	271	--
Loss on valuation of investments in capital of subsidiaries and affiliates	12	--
Total extraordinary expenses	290	65
Income before taxes and other adjustments	1,203	2,484
Corporate, inhabitant and enterprise taxes	1,220	641
Deferred taxes	54	145
Total corporate and other taxes	1,274	786
Net income	-70	1,698

(iii) Non-consolidated statements of changes in net assets

Previous consolidated fiscal year (from April 1, 2013 to March 31, 2014)

(Million yen)

	Shareholders' equity						
	Common stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity
		Capital legal reserve	Other capital surplus	Total capital surplus	Other retained earnings		
					Deferred retained earnings		
Balance as of March 31, 2013	12,345	5,884	--	5,884	11,486	-471	29,245
Cumulative effects of changes in accounting policies							
Restated balance	12,345	5,884	--	5,884	11,486	-471	29,245
Change during the fiscal year							
Cash dividends paid					-876		-876
Net income					-70		-70
Purchase of treasury stock						-697	-697
Disposal of treasury stock			5	5		88	94
Changes in items other than shareholders' equity during the fiscal year (net)							
Total change during the fiscal year	--	--	5	5	-946	-608	-1,549
Balance as of March 31, 2014	12,345	5,884	5	5,889	10,540	-1,079	27,695

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Unrealized gains on marketable securities	Total valuation and translation adjustments		
Balance as of March 31, 2013	1,092	1,092	500	30,837
Cumulative effects of changes in accounting policies				
Restated balance	1,092	1,092	500	30,837
Change during the fiscal year				
Cash dividends paid				-876
Net income				-70
Purchase of treasury stock				-697
Disposal of treasury stock				94
Changes in items other than shareholders' equity during the fiscal year (net)	299	299	105	405
Total change during the fiscal year	299	299	105	-1,144
Balance as of March 31, 2014	1,391	1,391	605	29,692

Consolidated fiscal year under review (from April 1, 2014 to March 31, 2015)

(Million yen)

	Shareholders' equity						
	Common stock	Capital surplus			Retained earnings	Treasury stock	Total shareholders' equity
		Capital legal reserve	Other capital surplus	Total capital surplus	Other retained earnings Deferred retained earnings		
Balance as of March 31, 2014	12,345	5,884	5	5,889	10,540	-1,079	27,695
Cumulative effects of changes in accounting policies					108		108
Restated balance	12,345	5,884	5	5,889	10,648	-1,079	27,804
Change during the fiscal year							
Cash dividends paid					-866		-866
Net income					1,698		1,698
Purchase of treasury stock						-1,848	-1,848
Disposal of treasury stock			0	0		189	189
Changes in items other than shareholders' equity during the fiscal year (net)							
Total change during the fiscal year	--	--	0	0	832	-1,658	-826
Balance as of March 31, 2015	12,345	5,884	5	5,889	11,480	-2,738	26,977

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Unrealized gains on marketable securities	Total valuation and translation adjustments		
Balance as of March 31, 2014	1,391	1,391	605	29,692
Cumulative effects of changes in accounting policies				108
Restated balance	1,391	1,391	605	29,801
Change during the fiscal year				
Cash dividends paid				-866
Net income				1,698
Purchase of treasury stock				-1,848
Disposal of treasury stock				189
Changes in items other than shareholders' equity during the fiscal year (net)	1,406	1,406	113	1,519
Total change during the fiscal year	1,406	1,406	113	693
Balance as of March 31, 2015	2,798	2,798	718	30,494

Significant accounting policies

1. Valuation standards for securities

(1) Stocks of subsidiaries and affiliates

Cost accounting method using the moving average method

(2) Other securities

Securities with fair market value:

Market value method based on the quoted market value on the closing date of the fiscal year (Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.)

Securities without fair market value:

Cost accounting method using the moving average method

2. Valuation standard and method for derivatives

Market value method

3. Valuation standard and method for inventories

Primarily cost accounting method using the moving average method (The values in the balance sheet were calculated using the book-value write-down method based on the decline of profitability.)

4. Depreciation method for fixed assets

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

Depreciation is principally computed by the declining-balance method.

However, buildings acquired on or after April 1, 1998, excluding fittings and equipment are depreciated on a straight-line basis.

The significant service lives are summarized as follows:

Buildings: 15-38 years

Machinery and equipment: 9 years

Tools, furniture and fixtures: 5 years

(2) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method.

(3) Leased assets

Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.

Among finance lease transactions other than those that are deemed to transfer the ownership of leased assets to lessees, the lease transactions whose start dates are prior to March 31, 2008, are accounted for by the method for ordinary lease transactions.

(4) Long-term prepaid expenses

This is computed using the straight-line method.

5. Accounting standards for major deferred assets

Stock issuance cost

This is amortized using the straight-line method (3 years).

6. Accounting standards for translating assets or liabilities in foreign currencies into yen

Monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates at the closing date.

7. Accounting standards for allowances

(1) Allowance for doubtful accounts

To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectability of certain doubtful accounts.

(2) Allowance for employees' bonuses

To provide for the payment of employees' bonuses, the Company provides accrued bonuses for employees based on the projected amount for the fiscal year under review.

(3) Allowance for retirement benefits

To prepare for the payment of employee retirement benefits, the Company provides accrued retirement benefits based on projected benefits obligations and the fair value of pension assets at end of the fiscal year under review.

In addition, any difference arising as a result of the change of accounting standards (2,086 million yen) is expensed equally, mainly over 15 years. Also, any actuarial difference is expensed equally from the fiscal year following its accrual over an average remaining service period (5 years) of employees at the time of the accrual using the straight-line method.

(4) Allowance for product warranties

To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.

8. Hedge accounting method

(1) Hedge accounting method

Deferred hedge accounting was adopted. In addition, a method for translating foreign currency receivables and payables based on yen-value cash flows fixed by forward contracts was adopted for hedging the risk of exchange rate fluctuations in cases where requirements for using the method were fulfilled.

(2) Hedging instrument and hedged item

Hedge accounting was applied to the following hedging instrument and hedged item during the fiscal year under review.

Hedging instrument: exchange contracts

Hedged item: foreign currency receivables

(3) Hedging policy

Hedging was performed within the scope of subject receivables for avoiding the risk of exchange rate fluctuations and establishing profit/loss.

(4) Method for assessing hedging effectiveness

An assessment of hedging effectiveness is omitted because the hedging instrument and an important requirement for the hedged item are the same and hedging is assumed to completely offset market fluctuations at the point of its launch and in the subsequent period.

9. Other important matters for the preparation of financial statements

(1) Accounting policy for retirement benefits

Unrecognized actuarial gain or loss and unsettled difference at change of accounting principle in relation to retirement benefits are accounted for by a different method than the method used in the consolidated financial statements.

(2) Accounting method for consumption taxes

The tax-exclusion method is used for the calculation of consumption tax and local consumption tax, and consumption tax and local consumption tax not subject to deduction are treated as expenses in the consolidated fiscal year under review.

(Changes in Accounting Policy)

(Application of Accounting Policies for Retirement Benefits)

We have reviewed the method for calculating retirement benefit obligations and service costs and have changed the method for allocating expected retirement benefits to periods from a fixed-amount method to a projected benefit method and the discount rate from a discount rate based on a number of years approximating to the employees' average remaining service years to a single weighted average discount rate reflecting the estimated periods of benefit payments and amounts for each estimated period by applying the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the "Accounting Standard for Retirement Benefits") and in the text of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on March 26, 2015.) from the fiscal year under review.

The application of the Accounting Standard for Retirement Benefits, etc. follows the transitional treatment set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, and we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit obligations and service costs to deferred retained earnings at the beginning of the fiscal year under review.

As a result, the net defined benefit liability declined 168 million yen, and deferred retained earnings rose 108 million yen at the beginning of the fiscal year under review. The effect on operating income, ordinary income and income before income taxes and other adjustments in the fiscal year under review is minor. The effect on net assets per share, net income per share and net income per share after residual equity adjustment is minor.

(Changes in Method of Presentation)

(Consolidated Balance sheets)

"Consumption taxes receivable" which had been included in "Accounts due" of the current assets in the previous consolidated fiscal year, was posted as a separate item in the consolidated fiscal year under review because of an increase in its importance in terms of the amount. "Accounts due" had been posted as a separate item in the previous consolidated fiscal year, was included in "Other" of the Current asset in the consolidated fiscal year under review because of the amount decrease in its importance in terms of the amount. To reflect the changes in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.

"Advances paid" had been posted as a separate item in the previous consolidated fiscal year, was included in "Other" of the current assets in the consolidated fiscal year under review because of the amount decrease in its importance in terms of the amount. To reflect the changes in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.

"Advance payments" which had been included in "Other" of the current assets in the previous consolidated fiscal year, was posted as a separate item in the consolidated fiscal year under review because of an increase in its importance in terms of the amount. To reflect the changes in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.

As a result, "Accounts due" of 868 million yen, "Advances paid" of 19 million yen and "Other" of 4,797 million yen in the current assets in the previous consolidated fiscal year was divided into "Consumption taxes receivable" of 574 million yen, "Advance payments" of 0 million yen and "Other" of 5,111 million yen.

(Non-consolidated balance sheets)

*1. Notes relating to subsidiaries and affiliates

The following shows major transactions with subsidiaries and affiliates that are included in accounts other than those posted as independent items. (Million yen)

	Previous fiscal year (As of March 31, 2014)	Fiscal year under review (As of March 31, 2015)
Short-term monetary receivables	11,393	6,992
Short-term monetary payables	803	74

2. Debt guarantee

The Company has provided a debt guarantee of borrowings from a financial institution for the affiliate shown below.

	Previous fiscal year (As of March 31, 2014)	Fiscal year under review (As of March 31, 2015)
PRECISION TSUGAMI (CHINA) CORPORATION (Guaranteed item: Borrowed money)	6,075	--

3. Amount of discount for bills receivable

	Previous fiscal year (As of March 31, 2014)	Fiscal year under review (As of March 31, 2015)
Amount of discount for bills receivable	978	985
Amount of discount for export bills receivable	2,453	2,269

(Non-consolidated statements of income)

*1. Net sales and Dividends received in relation to transactions with subsidiaries and affiliates

	Previous fiscal year (from April 1, 2013 to March 31, 2014)	Fiscal year under review (from April 1, 2014 to March 31, 2015)
Net sales	14,208	15,727
Amount of purchases	7,122	10,100
Amount of transactions other than business transactions	177	179

*2. Selling expenses accounted for approximately 23% of total expenses in the previous fiscal year and approximately 27% in the fiscal year under review. General and administrative expenses accounted for approximately 77% of total expenses in the previous fiscal year and approximately 73% in the fiscal year under review.

The major components of selling, general and administrative expenses and their amounts are as follows:

	Previous fiscal year (from April 1, 2013 to March 31, 2014)	Fiscal year under review (from April 1, 2014 to March 31, 2015)
Salaries and allowances	648	651
Provision for bonuses	35	26
Retirement benefit expenses	67	62
Research and development expenses	1,397	1,091
Depreciation	16	13
Provision of allowance for doubtful accounts	37	--
Provision for product warranties	155	184

(Securities)

Previous fiscal year (As of March 31, 2014)

Shares in subsidiaries (whose balance sheet amount is 3,494 million yen) and shares in affiliates (whose balance sheet amount is 11 million yen) do not have any market prices, and determining their fair values is considered very difficult. They are therefore omitted.

Fiscal year under review (As of March 31, 2015)

Shares in subsidiaries (whose balance sheet amount is 4,003 million yen) and shares in affiliates (whose balance sheet amount is 11 million yen) do not have any market prices, and determining their fair values is considered very difficult. They are therefore omitted.

(Deferred Tax Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause	(Million yen)	
	Previous fiscal year (As of March 31, 2014)	Fiscal year under review (As of March 31, 2015)
Deferred tax assets		
Allowance for doubtful accounts	66	22
Reserve for bonus payment	57	53
Reserve for retirement benefits	266	180
Reserve for product warranties	55	59
Loss on devaluation of investment securities	142	125
Loss on devaluation of stocks of subsidiaries and affiliates	8	7
Loss on devaluation of inventories	14	15
Impairment loss	56	68
Accrued enterprise taxes	96	39
Stock-based compensation expense	155	172
Additional amount relating to transfer of shares	996	875
Other	96	78
Deferred tax assets subtotal	2,012	1,698
Valuation reserve	-1,392	-1,282
Deferred tax assets total	620	415
Deferred tax liabilities		
Unrealized gains on marketable securities	-616	-1,109
Deferred tax liabilities total	-616	-1,109
Net deferred tax assets (liabilities)	3	-694

2. Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause

	Previous fiscal year (As of March 31, 2014)	Fiscal year under review (As of March 31, 2015)
Legally effective tax rate	38.0%	35.6%
(Adjustments)		
Experiment and research expenses	-6.3%	-2.2%
Foreign withholding tax	2.3%	--%
Tax sparing	-7.5%	-7.0%
Items permanently excluded from nontaxable expenses, including entertainment costs	4.0%	5.4%
Items permanently excluded from gross revenue including dividends received	-2.7%	-1.7%
Increase (decrease) in valuation reserve	-1.3%	2.7%
Change of tax rate	2.2%	2.0%
Tax refund	-11.2%	--%
Non-qualified contribution in-kind	88.3%	--%
Income taxes for prior periods	--%	-3.2%
Other	0.1%	-0.0%
Actual effective tax rate after applying tax effect accounting	105.9%	31.6%

3. Revisions to the amount of deferred tax assets and deferred tax liabilities due to changes in corporate tax rates

The Act on Partial Revision of the Income Tax Act, Etc. (Act No. 9 of 2015) and the Act on Partial Revision of the Local Tax Act, Etc. (Act No. 2 of 2015) were officially announced on March 31, 2015. Corporate tax rates, etc. will be lowered, etc. in consolidated fiscal years starting on or after April 1, 2015. In relation to these amendments, the effective statutory tax rate used for calculating deferred tax assets and deferred tax liabilities will be lowered from the previous rate of 35.6% to 32.1% for the temporary differences that are expected to be eliminated in the fiscal year starting on April 1, 2015, and to 31.3% for the temporary differences that are expected to be eliminated in the consolidated fiscal year starting April 1, 2016.

Due to the changes in the tax rates, the amount of deferred tax liabilities (the amount after subtracting the amount of deferred tax assets) fell by 102 million yen. The deferred taxes increased by 50 million yen and the unrealized gains on marketable securities rose by 152 million yen.

(Business Combination)

Not applicable.

(Important post-balance sheet events)

Resolution on stock option

The company resolved to issue subscription rights to shares at the 112th annual shareholders meeting and at the Board of Directors meeting, held on June 18, 2015 respectively.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 20. Stock options based on a resolution at the annual shareholders meeting held on June 18, 2015 and 21. Stock options based on a resolution at the Board of Directors meeting held on June 18, 2015.

(iv) Supplementary schedule

Schedule of tangible fixed assets and other assets

(Million yen)

	Assets at beginning of the fiscal year under review	Increase in the fiscal year under review	Decrease in the fiscal year under review	Depreciation or amortization in the fiscal year under review	Assets at end of the fiscal year under review	Accumulated depreciation or amortization at end of the fiscal year under review
Tangible fixed assets						
Buildings	2,799	11	4	151	2,655	4,090
Structures	88	--	--	14	74	397
Machinery and equipment	412	226	96 (60)	106	435	4,245
Vehicles	4	--	--	1	2	36
Tools, furniture and fixtures	177	76	0	106	147	777
Land	564	--	--	--	564	--
Leased assets	25	8	--	7	27	27
Total tangible fixed assets	4,073	322	101 (60)	386	3,907	9,575
Intangible fixed assets						
Software	49	9	--	26	32	
Telephone subscription rights	10	--	--	--	10	
Leased assets	6	--	--	3	3	
Total intangible fixed assets	66	9	--	29	45	

(Note) 1. The following is major items that were added in the fiscal year under review:

Machinery and equipment Nagaoka factory Machine tool manufacturing equipment 165 million yen

2. The following is major items that were reduced in the fiscal year under review:

Machinery and equipment Nagaoka factory Decrease from sale 35 million yen

3. The figure in parentheses at the Decrease in the fiscal year under review column is the amount of impairment loss.

Schedule of allowances

(Million yen)

Classification	Assets at beginning of the fiscal year under review	Increase in fiscal year under review	Decrease in fiscal year under review (other reasons)	Assets at end of fiscal year under review
Allowance for doubtful accounts	187	69	187	69
Reserve for product warranties	162	168	162	168
Reserve for bonus payment	155	184	155	184

(2) Details of major items in assets and liabilities

Information is omitted as consolidated financial statements were prepared.

(3) Other

Not applicable.

Section 6. Outline of Stock-Related Administration of Submitting Company

Fiscal year	From April 1 to March 31
Annual shareholders meeting	In June
Record date	March 31
Record dates for dividends	September 30 March 31
Number of shares per unit	1,000 shares
Fractional share repurchase Handling place	(Special purpose account) Securities Transfer Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholders' list	(Special purpose account) Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo
Contact place	-----
Repurchase fee	Amount specified separately that is equivalent to brokerage commissions for stock trading
Publication of announcements	Notices will be posted in electric format. However, notices will be published in the <i>Kanpou</i> (Government Newsletter) when it is impossible to make electric notification for unavoidable reasons.
Benefits to shareholders	None

(Note) Under the Articles of Incorporation, holders of shares less than one unit do not have any rights other than the rights stipulated in each item of Paragraph 2 of Article 189 of the Companies Act, the right to demand specified in Article 166, Paragraph 1 of the Companies Act, and the right to receive allotments of shares for subscription and invitation to subscription in accordance with the number of shares owned by each shareholder.

Section 7. Reference Information on Submitting Company

1. Information on the parent company of the submitting company

The Company does not have any parent company stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other reference information

The Company has submitted the following documents from the beginning of the fiscal year under review to the date of submission of the annual securities report:

- (1) Annual securities report, and its attached documents and confirmation documents
111th fiscal year (from April 1, 2013 to March 31, 2014) Submitted to the director general of the Kanto Finance Bureau on June 23, 2014
- (2) Internal control report and its attached documents
Submitted to the director general of the Kanto Finance Bureau on June 23, 2014
- (3) Quarterly reports and confirmation documents
1st quarter of the 112th fiscal year (from April 1, 2014 to June 30, 2014) Submitted to the director general of the Kanto Finance Bureau on August 8, 2014
2nd quarter of the 111th fiscal year (from July 1, 2014 to September 30, 2014) Submitted to the director general of the Kanto Finance Bureau on November 13, 2014
3rd quarter of the 111th fiscal year (from October 1, 2014 to December 31, 2014) Submitted to the director general of the Kanto Finance Bureau on February 12, 2015
- (4) Extraordinary report
Submitted to the director general of the Kanto Finance Bureau on June 24, 2014
An extraordinary report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, Etc.
Submitted to the director general of the Kanto Finance Bureau on June 24, 2014
An extraordinary report under Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, Etc. (Results of exercise of voting rights at the annual shareholders meeting)
- (5) Reissued extraordinary report
Submitted to the director general of the Kanto Finance Bureau on July 10, 2014
A reissued report relating to the extraordinary report (Issuing of Subscription rights to shares) submitted on June 24, 2014
- (6) Report on state of purchase of treasury stock
Reporting period (from June 1, 2014 to June 30, 2014) Submitted to Director General of Kanto Finance Bureau on July 14, 2014
Reporting period (from July 1, 2014 to July 31, 2014) Submitted to Director General of Kanto Finance Bureau on August 12, 2014
Reporting period (from August 1, 2014 to August 31, 2014) Submitted to Director General of Kanto Finance Bureau on September 12, 2014
Reporting period (from September 1, 2014 to September 30, 2014) Submitted to Director General of Kanto Finance Bureau on October 14, 2014
Reporting period (from October 1, 2014 to October 31, 2014) Submitted to Director General of Kanto Finance Bureau on November 13, 2014
Reporting period (from November 1, 2014 to November 30, 2014) Submitted to Director General of Kanto Finance Bureau on December 12, 2014
Reporting period (from December 1, 2014 to December 31, 2014) Submitted to Director General of Kanto Finance Bureau on January 14, 2015
Reporting period (from January 1, 2015 to January 31, 2015) Submitted to Director General of Kanto Finance Bureau on February 12, 2015
Reporting period (from February 1, 2015 to February 28, 2015) Submitted to Director General of Kanto Finance Bureau on March 12, 2015
Reporting period (from March 1, 2015 to March 31, 2015) Submitted to Director General of Kanto Finance Bureau on April 14, 2015
Reporting period (from April 1, 2015 to April 30, 2015) Submitted to Director General of Kanto Finance Bureau on May 14, 2015
Reporting period (from May 1, 2015 to May 31, 2015) Submitted to Director General of Kanto Finance Bureau on June 12, 2015
- (7) Correction report of reports on repurchase of own share certificates
Submitted to the Chief of the Kanto Local Finance Bureau on December 5, 2014.
This was a correction report of the report on the repurchase of own share certificates submitted on November 13, 2014.

Chapter 2. Information on the Guarantee Company of the Submitting Company

Not applicable.

Audit Report and Internal Control Audit Report of Independent Auditor

June 18, 2015

Board of Directors
Tsugami Corporation

Ernst & Young ShinNihon LLC

Designated and engagement partner with limited
liability
Certified public accountant Akira Igarashi

Designated and engagement partner with limited
liability
Certified public accountant Naoki Nomoto

(Financial statements audit)

We have audited the consolidated financial statements—balance sheets, statements of income, statements of changes in net assets, statements of cash flows, and supplementary schedules—of Tsugami Corporation for the fiscal year from April 1, 2014 to March 31, 2015, which are stated in the Financial Status section, for audit certification under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Responsibility of management for consolidated financial statements

Management is responsible for preparing and appropriately presenting consolidated financial statements in compliance with business accounting standards generally accepted in Japan. This includes the development and operation of internal control which management deems necessary for preparing and appropriately presenting consolidated financial statements that do not have material misstatements due to wrong doing or error.

Responsibility of the auditor

This audit corporation is responsible for expressing its opinions on the consolidated financial statements from an independent position based on audits it conducted. We conducted our audits in accordance with auditing standards generally accepted in Japan. Such auditing standards require this audit corporation to formulate an audit plan to obtain reasonable assurance for the absence of material misstatements in these consolidated financial statements and conduct audits based on the audit plan.

In the audits, procedures to obtain audit evidence for the amounts and disclosure of consolidated financial statements are conducted. The audit procedures are selected and applied based on an evaluation of the risk of material misstatements in these consolidated financial statements due to wrongdoing or error. Although the purpose of the audits is not to express our opinions on the effectiveness of internal control, we examine the internal control related to the preparation and appropriate presentation of consolidated financial statements to design appropriate audit procedures in accordance with circumstances for implementing the risk evaluation. The audits also include an examination of the presentation of consolidated financial statements as a whole, including accounting policies adopted by management and the application method thereof and an evaluation of estimates made by management.

We believe that we have obtained sufficient and appropriate audit evidence that will become a basis upon which to express our opinion.

Auditor's opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tsugami Corporation and subsidiaries As of March 31, 2015 and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

(Internal control audit)

We have audited the internal control report of Tsugami Corporation As of March 31, 2015 for audit certification under the provision of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act.

Responsibility of management for internal control report

Management is responsible for development and operation of internal control, and preparing and appropriately presenting internal control report in accordance with assessing standards generally accepted in Japan concerning internal control over financial reporting.

The internal control over financial reporting might not be able to prevent or detect misstatements in financial reporting completely.

Responsibility of the auditor

This audit corporation is responsible for expressing its opinions on the internal control report from an independent position based on audits it conducted. We conducted our internal control audit in accordance with auditing standards generally accepted in Japan concerning internal control over financial reporting. Such auditing standards require this audit corporation to formulate an audit plan to obtain reasonable assurance for the absence of material misstatements in this internal control report and conduct audits based on the audit plan.

In the audits, procedures to obtain audit evidence for the assessment results of internal control over financial reporting in internal control report are conducted. The audit procedures are selected and applied based on a significance of effect on the reliability of financial reports. The audits also include an examination of the presentation of internal control report as a whole, including statements made by management about the scope of the assessment of internal control over financial reporting, assessment procedure, and assessment results. We believe that we have obtained sufficient and appropriate audit evidence that will become a basis upon which to express our opinion.

Auditor's opinion

In our opinion, the internal control report in which Tsugami Corporation states that the internal control over financial reporting As of March 31, 2015 is valid presents fairly, in all material respects, the Company's evaluation of its internal control over financial reporting, in conformity with standards for assessment concerning internal control over financial reporting generally accepted in Japan.

Interest

The Company, the auditing corporation, and the engagement partners have no interests between them that should be stated under the provisions of the Certified Public Accountants Act.

1. The reports above are an electronic presentation of the original audit report. The Company (company submitting the annual securities report) keeps the original separately.
2. XBRL data are not included in the scope of consolidated financial statements.

Independent Auditor's Report

June 18, 2015

Board of Directors
Tsugami Corporation

Ernst & Young ShinNihon LLC

Designated and engagement partner with limited
liability
Certified public accountant Akira Igarashi

Designated and engagement partner with limited
liability
Certified public accountant Naoki Nomoto

We have audited the financial statements—balance sheets, statements of income, statements of changes in net assets, and supplementary schedules—of Tsugami Corporation for the 112th fiscal year from April 1, 2014 to March 31, 2015.

Responsibility of management for financial statements

Management is responsible for preparing and appropriately presenting consolidated financial statements in compliance with business accounting standards generally accepted in Japan. This includes the development and operation of internal control which management deems necessary for preparing and appropriately presenting consolidated financial statements that do not have material misstatements due to wrong doing or error.

Responsibility of the auditor

This audit corporation is responsible for expressing its opinions on the financial statements from an independent position based on audits it conducted. We conducted our audits in accordance with auditing standards generally accepted in Japan. Such auditing standards require this audit corporation to formulate an audit plan to obtain reasonable assurance for the absence of material misstatements in these financial statements and conduct audits based on the audit plan.

In the audits, procedures to obtain audit evidence for the amounts and disclosure of financial statements are conducted. The audit procedures are selected and applied based on an evaluation of the risk of material misstatements in these financial statements due to wrongdoing or error. Although the purpose of the audits is not to express our opinions on the effectiveness of internal control, we examine the internal control related to the preparation and appropriate presentation of financial statements to design appropriate audit procedures in accordance with circumstances for implementing the risk evaluation. The audits also include an examination of the presentation of financial statements as a whole, including accounting policies adopted by management and the application method thereof and an evaluation of estimates made by management.

We believe that we have obtained sufficient and appropriate audit evidence that will become a basis upon which to express our opinion.

Auditor's opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tsugami Corporation and subsidiaries As of March 31, 2015 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

Interest

The Company, the auditing corporation, and the engagement partners have no interests between them that should be stated under the provisions of the Certified Public Accountants Act.

1. The reports above are an electronic presentation of the original audit report. The Company (company submitting the annual securities report) keeps the original separately.
2. XBRL data are not included in the scope of financial statements.