

Annual Securities Report

From April 1, 2013 to March 31, 2014

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 23, 2014
Fiscal year	The 111th term (from April 1, 2013 to March 31, 2014)
Corporate name	TSUGAMI CORPORATION
Name and title of representative	Takao Nishijima, Chairman and CEO
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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	107 th term	108 th term	109 th term	110 th term	111 th term
Closing month and year	March 2010	March 2011	March 2012	March 2013	March 2014
Net sales (million yen)	15,598	35,932	35,739	52,812	32,225
Ordinary income (loss) (million yen)	-117	3,504	3,875	6,800	1,932
Net income (loss) (million yen)	-244	2,837	2,281	4,207	344
Comprehensive income (million yen)	--	3,378	2,503	4,885	1,085
Net assets (million yen)	19,882	22,122	27,717	31,998	31,587
Total assets (million yen)	31,147	35,860	50,757	45,919	52,250
Net assets per share (yen)	294.29	331.39	372.21	427.86	428.18
Net income (loss) per share (yen)	-3.65	42.72	33.88	57.16	4.72
Net income per share after residual equity adjustment (yen)	--	41.92	33.43	56.28	4.64
Capital adequacy ratio (%)	63.2	60.9	53.9	68.6	59.3
Earnings on equity (%)	--	13.67	9.27	14.29	1.10
Price-earnings ratio (times)	--	13.58	27.83	9.48	130.68
Cash flows from operating activities (million yen)	2,299	2,295	499	1,914	714
Cash flows from investing activities (million yen)	-1,358	-1,599	-1,915	-2,381	-713
Cash flows from financing activities (million yen)	-268	-437	2,608	303	445
Cash and cash equivalents at the end of the term (million yen)	3,842	4,061	5,264	5,296	6,044
Number of employees (Average number of temporary employees in addition to the above)	570 (182)	899 (192)	1,733 (179)	1,420 (161)	1,832 (130)

(2) Financial data of the submitting company

Fiscal term	107 th term	108 th term	109 th term	110 th term	111 th term
Closing month and year	March 2010	March 2011	March 2012	March 2013	March 2014
Net sales (million yen)	14,818	35,146	37,382	35,852	29,491
Ordinary income (loss) (million yen)	-393	2,867	3,403	6,914	1,330
Net income (loss) (million yen)	-408	2,426	1,916	5,125	-70
Capital (million yen)	10,599	10,599	12,345	12,345	12,345
(Number of shares issued) (thousand shares)	(68,019)	(68,019)	(74,919)	(74,919)	(74,919)
Net assets (million yen)	19,319	21,241	26,367	30,837	29,692
Total assets (million yen)	29,771	34,091	45,942	42,090	41,800
Net assets per share (yen)	285.88	318.02	353.86	412.08	401.99
Dividend per share	5.00	10.00	10.00	12.00	12.00
(Of which, interim dividend per share) (yen)	(0.00)	(5.00)	(5.00)	(6.00)	(6.00)
Net income (loss) per share (yen)	-6.09	36.53	28.47	69.64	-0.97
Net income per share after residual equity adjustment (yen)	--	35.85	28.09	68.56	--
Capital adequacy ratio (%)	64.2	61.5	56.6	72.1	69.6
Earnings on equity (%)	--	12.11	8.16	18.19	--
Price-earnings ratio (times)	--	15.88	33.12	7.78	--
Dividend payout ratio (%)	--	27.4	35.1	17.2	--
Number of employees	517	511	475	452	441
(Average number of temporary employees in addition to the above)	(47)	(177)	(163)	(143)	(111)

- (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 consolidated financial data for the 107th term and net income per share after residual equity adjustment in the financial data of the submitting company for the 107th term and 111th term have no value, although there were residual securities.
3. Since net losses were posted in the 107th term, earnings on equity and the price-earnings ratio in the consolidated financial data have no value.
4. Since net losses were posted in the 107th 111th term, earnings on equity, price-earnings ratio and the dividend payout ratio in the financial data of the submitting company has no value.
5. 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

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

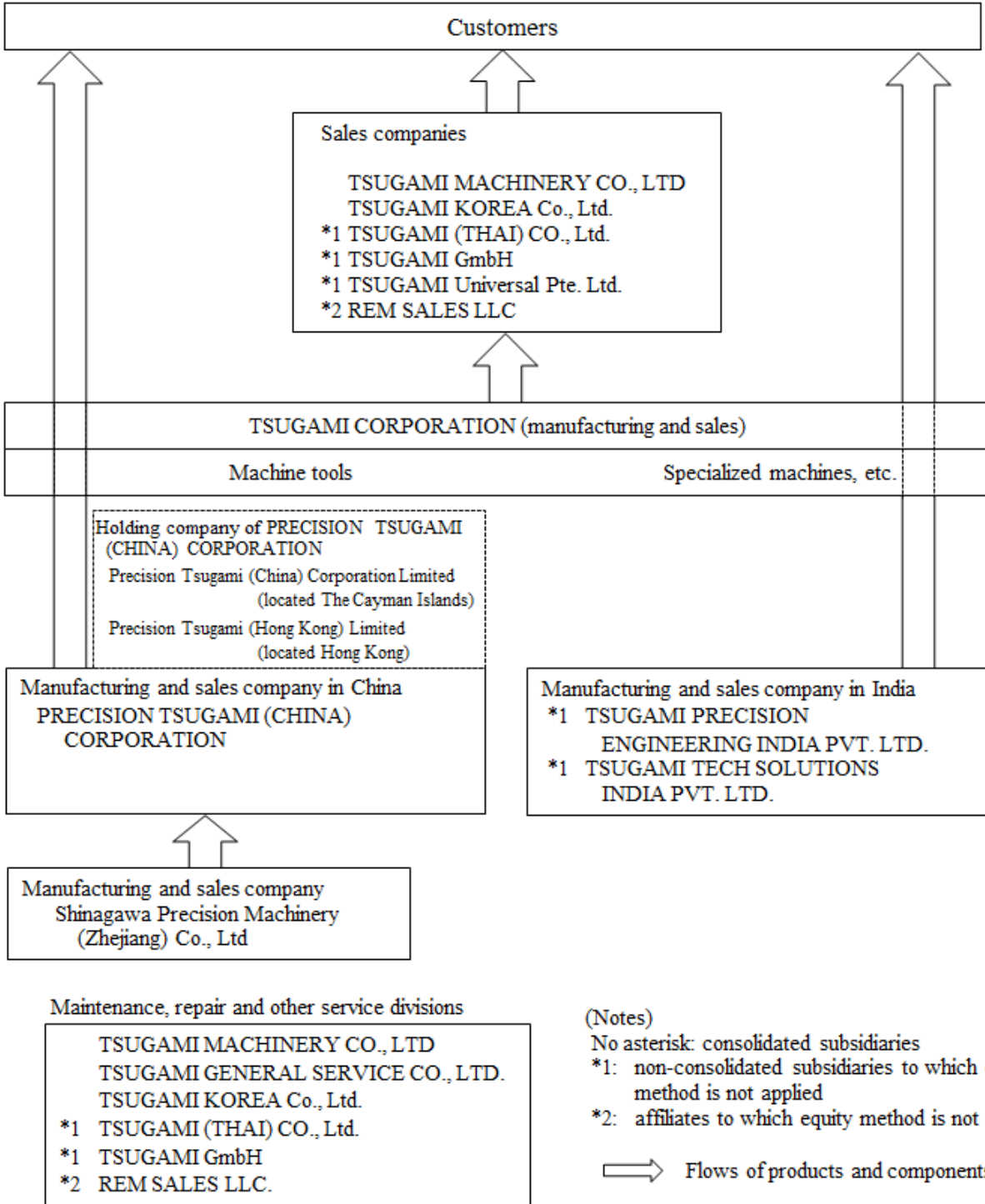
TSUGAMI Korea Co., Ltd. sells products of the Company.

TSUGAMI (Thai) Co., Ltd., TSUGAMI 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.

(2) Business diagram

Businesses operated by the Group are as presented in the following figure.



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	100 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	2 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, 2)	Hong Kong	453 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	18,551 million yen
(2) Ordinary income	246 million yen
(3) Net income	299 million yen
(4) Net assets	5,173 million yen
(5) Total assets	23,467 million yen

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

5. Employees

(1) Group employees

As of March 31, 2014

Business segment	Number of employees	
Japan	482	(130)
China	1,334	(--)
South Korea	16	(--)
Total	1,832	(130)

(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 412 from the end of the previous fiscal year to 1,334 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, 2014

Number of employees	Average age	Average service years	Average annual salary (thousand yen)
441 (111)	42.7	17.4	5,575

(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 (87 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 297.

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 began to show signs of recovery, reflecting the entrenched depreciation of the yen and the economic and monetary policies of the government and the Bank of Japan.

The machine tool industry generally continued to display weakening tendencies. The domestic market did show upward momentum, albeit modestly, and the U.S. and the European markets were recovering moderately. However, the recovery of the Chinese market lagged.

In this environment, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") launched new products and developed its customer base. Despite these efforts, however, net sales declined year on year, primarily because of the absence of reconstruction demand from the flooding in Thailand and the carry-over of IT-related demand to the next fiscal year. Income decreased from the previous fiscal year due to a rise in the cost of sales associated with lower net sales and the weaker yen, and an increase in the amount of taxes with the transfer of shares in preparation for the listing of a local subsidiary in China.

Consolidated net sales for the fiscal year under review decreased 39.0% year on year, to 32,225 million yen.

Consolidated net sales in Japan decreased 4.9% year on year, to 7,360 million yen. Consolidated exports decreased 44.8% year on year, to 24,865 million yen. The export ratio decreased from 85.3% for the previous fiscal year, to 77.2%.

Consolidated operating income decreased 86.0% year on year, to 1,184 million yen. Consolidated ordinary income decreased 71.6% year on year, to 1,932 million yen and consolidated net income decreased 91.8% year on year, to 344 million yen for the fiscal year under review.

Operating results by business segment are as follows:

- (i) In Japan, net sales stood at 29,733 million yen, down 17.7 % year on year. Operating income was 115 million yen.
- (ii) In China, net sales were 18,429 million yen, down 42.2 % year on year. Operating income was 662 million yen.
- (iii) In South Korea, net sales were 1,161 million yen, up 14.4% year on year. Operating income was 87 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, 2013 to March 31, 2014) (million yen)	Year on year (%)
Japan	24,112	76.6
China	14,447	51.9
South Korea	--	--
Total	38,560	65.0

(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, 2013 to March 31, 2014) (million yen)	Year on year (%)
Japan	19,860	82.7
China	11,238	40.3
South Korea	1,126	114.7
Total	32,225	61.0

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

2. The table below shows sales to a major customer and the ratio of sales to total sales in the previous fiscal year.

	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)		Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Mega Precision Technology Limited	8,848	16.8	774	2.4

4. 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 1,445 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 M06/08J, D, SD, SY and M06JC CNC lathe and the G350-750 CNC precision cylindrical grinding machine.

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 5,406 million yen, to 35,953 million yen, primarily reflecting a increases of 760 million yen in cash and deposit, 1,383 million yen in trade notes and accounts receivable and 2,594 million yen in inventories.

(Fixed assets)

Fixed assets at the end of the fiscal year under review increased 937 million yen, to 16,290 million yen, primarily reflecting a 224 million yen increase in buildings and structures, 389 million yen in machinery, equipment and vehicles and 468 million yen in construction in progress.

(Current liabilities)

Current liabilities at the end of the fiscal year under review increased 6,508 million yen, to 19,316 million yen, mainly attributable to a 3,870 million yen increase in trade notes and accounts payable and a 2,455 million yen increase in short-term borrowings.

(Long-term liabilities)

Long-term liabilities at the end of the fiscal year under review increased 233 million yen, to 1,346 million yen primarily because of a decrease in reserve for retirement benefits of 737 million yen which offset increase in net defined benefit liability of 946 million yen.

(Net assets)

Net assets at the end of the fiscal year under review decreased 411 million yen, to 31,587 million yen, primarily reflecting a increases of 344 million yen in net income, 299 million yen in unrealized gains on marketable securities and 442 million yen in translation adjustments, offsetting decreases of 876 million yen dividends paid and 608 million yen in treasury stock.

(2) Analysis of cash flows

(Cash flows)

Cash and cash equivalents rose by 748 million yen from the end of the previous fiscal year, to 6,044 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 714 million yen (1,914 million yen generated for the previous fiscal year).

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 1,845 million yen, depreciation and amortization expenses of 1,075 million yen and 3,229 million yen increase in trade notes and accounts payable, which offset decreases in cash, such as a 1,159 million yen rise in trade notes and accounts receivable, 2,256 million yen increase in inventories and 1,413 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 713 million yen (2,381 million yen used for the previous fiscal year)..

The cash outflow was primarily attributable to proceeds from sales of investment securities of 614 million yen, which offset decreases in cash that resulted from a 1,092 million yen outlay for the acquisition of tangible fixed assets and a 364 million yen payment for investment in affiliates.

(Cash flows from financing activities)

Cash generated by financing activities was 445 million yen (303 million yen generated for the previous fiscal year)..

The cash inflow resulted mainly from 2,302 million yen increase in short-term borrowings, which offset cash decreases from factors redemptions of corporate bonds of 300 million yen, expenditure for acquisition of treasury stock of 698 million yen and dividends paid of 876 million yen.

(3) Analysis relating to consolidated operating results

Net sales in the fiscal year under review stood at 32,225 million yen, (down 39.0% year on year). Operating income was 1,184 million yen (down 86.0% year on year). A net income was 344 million yen (down 91.8% year on 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 1,738 million yen.

Capital expenditures by business segment are as follows:

Capital expenditures in Japan were 205 million yen, which was allocated primarily to production facilities at Nagaoka factory of the Company.

Capital expenditures in China were 1,521 million yen, which was allocated primarily to production facilities at PRECISION TSUGAMI (CHINA) CORPORATION, a subsidiary.

Capital expenditures in South Korea were 11 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, 2014

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	1,740	387	219 (71,303)	24	219	2,591	352 (87)
Niigata factory (Niigata-shi, Niigata)	Japan	Equipment for producing machine tools	309	17	164 (18,245)	--	22	513	22 (16)
Other (Kawasaki-ku, Kawasaki-shi, Kanagawa)	Japan	Apartments for unmarried employees	135	--	91 (469)	--	0	227	-- (--)

(2) Overseas subsidiary

As of March 31, 2014

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	1,753	3,403	--	--	95	5,252	1,271 (--)
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	China factory (Zhejiang, China)	China	Equipment for producing machine tools	423	149	--	--	32	606	63 (--)

(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, 2014

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	389	7	11 (32,075)	0	11	420	-- (--)
		Real estate for rent	101	0	11 (32,610)	--	1	114	

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	216	--	Self-financing	April 2014	March 2015
PRECISION TSUGAMI (CHINA) CORPORATION	Zhejiang, China	China	Buildings, machinery and equipment	918	--	Self-financing	April 2014	March 2015

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, 2014)	Number of shares issued on the date of the submission of the report (June 23, 2014)	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, 2014 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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	24	24
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	24,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	195	195
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	195,000	195,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	350	350
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	350,000	350,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	62	62
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	62,000	62,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	43	43
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	43,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	314	314
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	314,000	314,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	139	139
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	139,000	139,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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)	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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	145	145
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	145,000	145,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	78	78
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	78,000	78,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
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)	589	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 of the annual shareholders meeting held on June 21, 2013

	At end of fiscal year under review (March 31, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	185	185
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	185,000	185,000
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, 2014)	At end of month preceding date of submission of the report (May 31, 2014)
Number of subscription right to shares	115	111
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	115,000	111,000
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	--	--

(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)
February 1, 2012 (Note 1)	6,000,000	74,019,379	1,518	12,117	1,518	5,656
February 22, 2012 (Note 1)	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, 2014

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	--	41	50	136	117	9	6,993	7,346	--
Number of shares held (unit)	--	28,225	1,678	5,474	17,335	31	21,767	74,510	409,379
Holdings (%)	--	37.9	2.3	7.3	23.3	0.0	29.2	100.0	--

(Note) 1. Treasury stock (2,562,250 shares) includes 2,562 units in the individuals and others category and 250 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, 2014

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	7,934	10.59
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	4,400	5.87
TSUGAMI CORPORATION	12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo	2,562	3.42
Goldman Sachs International Standing agency: Goldman Sachs Japan Co., Ltd.	6-10-1, Roppongi, Minato-ku, Tokyo	2,480	3.31
The Dai-ichi Life Insurance Company, Limited	1-8-12, Harumi, Chuo-ku, Tokyo	2,107	2.81
DMG MORI SEIKI Co., Ltd.	106, Kitakoriyama-cho, Yamatokoriyama-shi, Nara	2,000	2.66
The Chase Manhattan Bank, N.A. London S.L. Omnibus Account (Standing agency: Mizuho Corporate Bank, Ltd., Custody & Proxy Department)	4-16-13, Tsukishima, Chuo-ku, Tokyo	1,883	2.51
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	1,516	2.02
The Hokuetsu Bank, Ltd.	2-2-14, Otedori, Nagaoka-shi, Niigata	1,484	1.98
Total	--	30,959	41.32

- (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. The number of shares held by The Dai-ichi Life Insurance Company, Limited 7 thousand shares in separate pension accounts.
 4. Nomura Securities Co., Ltd. and its joint holders (NOMURA INTERNATIONAL PLC and Nomura Asset Management Co., Ltd.) have sent the Company a copy of a change report relating to a large holding report dated August 22, 2013. According to the copy, they held the shares shown in the table below as of August 15, 2013. 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 (%)
Nomura Securities Co., Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo	Shares -76,854	-0.10
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	Shares 1,689,179	2.25
Nomura Asset Management Co., Ltd.	1-12-1, Nihonbashi, Chuo-ku, Tokyo	Shares 240,000	0.32

5. Asuka Asset Management Co., Ltd. has sent the Company a copy of a change report relating to a large holding report on October 28, 2013. According to the copy, they held the numbers of shares shown in the table below as of October 21, 2013. 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 (%)
Asuka Asset Management Co., Ltd.	1-3-3 Uchisaiwaicho, Chiyoda-ku, Tokyo	Shares 2,634,000	3.52

6. Resona Bank, Limited. has sent the Company a copy of a large holding report on February 7, 2014. According to the copy, they held the numbers of shares shown in the table below as of January 31, 2014. 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 4,122,000	5.50

(8) Voting rights

(i) Shares issued

As of March 31, 2014

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 2,562,000	--	--
Shares with complete voting rights (other shares)	Common shares 71,948,000	71,948	--
Fractional shares	Common shares 409,379	--	--
Total number of shares issued	74,919,379	--	--
Number of voting rights of all shareholders	--	71,948	--

(Note) Shares with complete voting rights (other shares) include 12,000 shares (12 voting rights) under the name of the Japan Securities Depository Center.

(ii) Treasury stock

As of March 31, 2014

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	2,562,000	--	2,562,000	3.42
Total	--	2,562,000	--	2,562,000	3.42

(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.

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \left(\frac{\text{Number of shares outstanding}}{\text{Number of shares outstanding} + \frac{\text{Number of shares newly issued} \times \text{Paid-in value per share}}{\text{Market value}}} \right)}{1}$$

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.

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

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.

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

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	--

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 August 9, 2013 (Acquisition period: from August 9, 2013 to November 11, 2013)	1,500,000	750,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	1,350,000	612,113,000
Number and total value of remaining treasury stock	150,000	137,887,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	10.0	18.4
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 (%)	10.0	18.4

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on October 15, 2013 (Acquisition period: from October 15, 2010 to January 16, 2014)	1,500,000	750,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	134,000	80,059,000
Number and total value of remaining treasury stock	1,366,000	669,941,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	91.1	89.3
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 (%)	91.1	89.3

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	--	--
Number and total value of remaining treasury stock	1,500,000	900,000,000
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	513,000	264,387,000
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	65.8	70.6

(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	9,180	5,029,297
Treasury stock acquired in the current fiscal year	100	53,200

(Note) The treasury stock acquired in the current fiscal year does not include fractional shares repurchased from June 1, 2014 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)	231,000	88,842,000	3,000	1,263,000
Treasury stock held(Note 3)	2,562,250	--	3,072,350	--

(Note) 1. Exercise of subscription rights to shares (231,000 shares, disposal of 88,842,000 yen) in the fiscal year under review.

Exercise of subscription rights to shares (3,000 shares, disposal of 1,263,000 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, 2014 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, 2014 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, 2014, the Company has decided to pay an annual dividend of 12 yen per share according to its initial plan, including interim dividend of 6 yen per share and a year-end dividend of 6 yen per share)

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, 2015 the Company plans to pay an annual dividend of 12 yen per share (an interim dividend of 6 yen and a year-end dividend of 6 yen).

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, 2011

Resolution	Total amount of dividend (million yen)	Dividend per share (yen)
Resolution of Board of Directors on November 12, 2013	434	6.00
Resolution of Board of Directors on May 13, 2014	434	6.00

4. Trends in Stock Prices

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

Fiscal term	107 th term	108 th term	109 th term	110 th term	111 th term
Closing month and year	March 2010	March 2011	March 2012	March 2013	March 2014
Highest (yen)	662	788	990	983	677
Lowest (yen)	143	409	259	457	426

(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 2013	November	December	January 2014	February	March
Highest (yen)	507	605	633	672	646	635
Lowest (yen)	426	489	573	551	531	533

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

5. 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, Manufacturing	Kiyoshi Tauchi	April 24, 1951	Mar. 1970 Joined the Company Apr. 2005 Executive Officer and Leader of the Parts Manufacture Group of the Production Headquarters of the Company Apr. 2008 Executive Officer and General Manager of the Quality Assurance Division of the Company Apr. 2009 Managing Executive Officer and General Manager of the Manufacturing Planning Division of the Company Oct. 2010 Senior Executive Officer(Production) Apr. 2011 Senior Executive Officer, General Manager of the Production Division Jun. 2011 Director, Senior Executive Officer and General Manager of the Production Division Apr. 2012 Representative Director, COO, Manufacturing (current positions)	(Note 3)	13
Representative Director	COO, Plant Manager	Toshiharu Nijima	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 (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., President of TSUGAMI Universal Pte. 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. (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 LTD. (current position)</p> <p>Jun. 2008 Director of the Company (current position)</p> <p>Feb. 2014 Director of OSG 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		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 (current position) Jun. 2014 Statutory Auditor of the Company (current position)	(Note 5)	--
Statutory Auditor		Ryuichi Kimura	December 30, 1962	Apr. 1986 Joined Tokyo Seimitsu Co., Ltd. Mar. 2005 Executive Officer of the Semiconductor Company and General Manager of Tokyo and Osaka Sales Offices of Tokyo Seimitsu Co., Ltd. Jun. 2005 Director of Tokyo Seimitsu Co., Ltd. Apr. 2007 Managing Executive Officer of the Semiconductor Company and General Manager of Tokyo and Osaka Sales Offices of Tokyo Seimitsu Co., Ltd. Aug. 2007 President of the Semiconductor Company of Tokyo Seimitsu Co., Ltd. Jun. 2011 Representative Director, President of Semiconductor Company of Tokyo Seimitsu Co., Ltd. (current position) Statutory Auditor of the Company (current position)	(Note 6)	--
Total						67

- (Note) 1. Directors Takeo Nakagawa, Shigeru Nishiyama and Kunio Shimada are outside directors.
 2. Statutory Auditors Morikuni Uchigasaki, Hideo Teramoto and Ryuichi Kimura are outside statutory auditors.
 3. One year from the closing of the annual shareholders meeting held on June 20, 2014
 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 17, 2011

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 nine directors (including three outside directors) and five statutory auditors (including three outside statutory auditors) as of June 23, 2014.

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 president 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 president, 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

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.

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. Systems for ensuring the appropriate implementation of the operations by the Group, consisting of the Company and its subsidiaries

The Company is the senior entity in the Group.

- a. With respect to compliance, the Tsugami Group Code of Conduct also applies to the Company's subsidiaries.
- b. Representatives of subsidiaries shall attend monthly corporate management meetings to enable consideration of internal control between the Company and the subsidiaries, and shall ensure the appropriate execution of their operations by sharing information.
- c. The internal audit division (the Audit Office) shall confirm that the subsidiaries operate in compliance with laws and ordinances, internal rules, and other rules for compliance.

- vi. Systems for accommodating statutory auditors' requests for assistant employees and the independence of said employees from directors

When requested to do so by statutory auditors, the Company may assign employees to assist statutory auditors. In this case, to ensure the independence of assistant employees from directors, the appointment of assistant employees shall be determined after holding detailed discussions with the Board of Statutory Auditors. The assistant employees shall not concurrently engage in the execution of business operations.

- vii. Systems for reporting by directors and employees to statutory auditors, and other systems associated with reporting to statutory auditors

Directors and employees shall report the following items to statutory auditors:

- a. Matters associated with facts identified as important facts that will significantly impact on the Company
- b. Matters associated with facts identified as activities that violate or are likely to violate the laws and ordinances or the Articles of Incorporation
- c. Results of internal audit conducted by the internal audit division (the Audit Office)
- d. Management of the whistle-blowing system and the details of whistle-blowing

- viii. Other systems for securing the effectiveness of audit by statutory auditors

- a. Statutory auditors shall hold regular meetings with representative directors, and exchange views on important audit issues.
- b. Statutory auditors shall hold regular meetings with independent auditors, and exchange views and information, in addition to requesting independent auditors for their reports when necessary.
- c. Statutory auditors shall maintain close contact with the internal audit division (the Audit Office), and may request the internal audit division to carry out investigation when necessary.

- ix. Systems for ensuring the reliability of financial reporting

- a. To ensure the reliability of the Group's financial reporting and the effective and appropriate submission of the internal control reports that are stipulated in the Financial Instruments and Exchange Act, the Company shall develop an internal control reporting system.
- b. To ensure consistency between the internal control system and the Financial Instruments and Exchange Act and other related laws and ordinances, the Company shall continuously evaluate the system and make the necessary corrections.
- c. The internal audit division (the Audit Office) shall be responsible for monitoring and evaluating the implementation of this system, and for providing support for improving the implementation of the system.

- x. Systems for getting rid of antisocial forces

- a. The basic policy of the Company is to systematically stand firm against antisocial forces that threaten the order of society and the sound activities of companies and to eliminate all relationships with them. The basic policy is stated in the Tsugami Group Code of Conduct.
- b. The Company shall deal with undue claims of antisocial forces in cooperation with specialist outside institutions including the police, lawyers, and corporate defense councils.

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. 11 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 Ltd., 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.

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, Managing Executive Officer, Deputy Chief General Manager for Group Management Headquarters of The Dai-ichi Life Insurance Company, Limited which has 2.1 million shares in the Company. The Company has 387 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 Ryuichi Kimura is a Representative Director, President of Semiconductor Company of Tokyo Seimitsu Co., Ltd., which has 4,592,000 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)	232	171	61	--	--	7
Statutory Auditor (excluding Outside Auditor)	23	16	6	--	--	2
Outside officer	49	37	11	--	--	7

- (Note) 1. The above figures include one director, one outside director and one statutory auditor who retired at the close of the 110th annual shareholders meeting held on June 25, 2013. With respect to the number of officers and the amount of remuneration, as outside director Mr. Kenji Yamada assumed office as statutory auditor after resigning as outside director at the close of the shareholders meeting, and Mr. Toshio Honma assumed office as director after resigning as statutory auditor at the close of the shareholder meeting, their term of office as directors are included in those for directors and their term of office as statutory auditors are included in those for statutory auditors.
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 4,247 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	2,019	To strengthen the business relationship
Tornos Holdings SA	1,344,094	758	To strengthen the business relationship with the business partner
FANUC LTD.	50,000	724	To strengthen the business relationship
Yamazen Corporation	500,000	309	To strengthen the business relationship
Yuasa Trading Co., Ltd.	1,000,000	200	To strengthen the business relationship
The Hokuetsu Bank, Ltd.	506,354	115	To strengthen the business relationship
DMG MORI SEIKI CO., LTD.	100,000	111	To strengthen the business relationship
The Hachijuni Bank, Ltd.	196,000	111	To strengthen the business relationship
THK Co., Ltd.	59,000	107	To strengthen the business relationship
The Daishi Bank, Ltd.	241,000	92	To strengthen the business relationship
Mitsubishi UFJ Financial Group, Inc.	134,800	75	To strengthen the business relationship
DAIKIN INDUSTRIES, LTD	13,400	49	To strengthen the business relationship
The Dai-ichi Life Insurance Company, Limited	387	48	To strengthen the business relationship
Minebea Co., Ltd	100,000	31	To strengthen the business relationship
Teikoku Tsushin Kogyo Co., Ltd.	80,000	15	To strengthen the business relationship
TOMITA CO., LTD.	5,492	2	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	1,876	To strengthen the business relationship
FANUC LTD.	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

(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	32	--	33	4
Consolidated subsidiaries	--	--	--	--
Total	32	--	33	4

(ii) Other important compensation

Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)

PRECISION TSUGAMI (CHINA) CORPORATION, a consolidated subsidiary, paid 3 million yen for audit certification work to Ernst & Young Hua Ming Certified Public Accountants, which belongs to the same network as the accounting auditor for the Company.

Consolidated fiscal year under review (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.

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

Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)

Not applicable.

Consolidated fiscal year under review (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.

(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; hereinafter the "Regulations for Consolidated Financial Statements").

Pursuant to Article 3, Paragraph 2 of the Supplementary Provisions of the Cabinet Office Ordinance Partially Amending the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements (Cabinet Office Ordinance No. 61 dated September 21, 2012), comparative information included in the consolidated financial statements for the fiscal year (from April 1, 2013 to March 31, 2014) is prepared in accordance with the Regulations for Consolidated Financial Statements before the amendment.

- (2) The Company's 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 Financial Statements").

Pursuant to Article 2, Paragraph 2 of the Supplementary Provisions of the Cabinet Office Ordinance Partially Amending the Regulations Concerning the Terminology, Forms and Preparation Methods of Financial Statements (Cabinet Office Ordinance No. 61 dated September 21, 2012), comparative information included in the financial statements for the fiscal year (from April 1, 2013 to March 31, 2014) is prepared in accordance with the Regulations for Financial Statements before the amendment.

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, 2013 to March 31, 2014) and the financial statements for the 111th fiscal year (from April 1, 2013 to March 31, 2014) 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, 2013)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	5,467	6,227
Trade notes and accounts receivable	5,303	6,686
Products and other commodities	7,320	7,374
Goods in process	3,471	4,631
Raw materials and supplies	7,572	8,953
Consumption taxes receivable	568	876
Deferred tax assets	588	577
Other	333	746
Allowance for doubtful accounts	-77	-120
Total current assets	30,547	35,953
Fixed assets		
Tangible fixed assets		
Buildings and structures	9,303	9,836
Accumulated depreciation	-4,386	-4,693
Buildings and structures (net)	4,917	5,142
Machinery, equipment and vehicles	9,845	10,486
Accumulated depreciation	-6,327	-6,580
Machinery, equipment and vehicles (net)	3,517	3,906
Land	568	564
Leased assets	36	48
Accumulated depreciation	-27	-22
Leased assets (net)	8	25
Construction in progress	5	473
Other	999	1,160
Accumulated depreciation	-693	-852
Other (net)	306	307
Total tangible fixed assets	9,322	10,420
Intangible fixed assets	320	328
Investments and other assets		
Investment securities	4,775	4,247
Stocks of affiliates	11	11
Investments in affiliates	755	1,107
Long-term loans receivable	8	6
Deferred tax assets	1	1
Other	*2 158	167
Total investments and other assets	5,710	5,541
Total fixed assets	15,353	16,290
Deferred assets		
Stock issuance cost	13	5
Corporate bonds issuance expenses	5	--
Total deferred assets	18	5
Total assets	45,919	52,250

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2013)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2014)
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,759	10,630
Short-term borrowings	3,619	6,075
Corporate bonds due for redemption within one year	300	--
Accrued income tax	829	1,113
Reserve for bonus payment	220	246
Reserve for product warranties	292	277
Other	786	973
Total current liabilities	12,808	19,316
Long-term liabilities		
Deferred tax liabilities	316	327
Reserve for retirement benefits	737	--
Reserve for directors' retirement benefits	16	14
Net defined benefit liability	--	946
Other	41	58
Total long-term liabilities	1,112	1,346
Total liabilities	13,920	20,663
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus	5,884	5,889
Retained earnings	11,956	11,424
Treasury stock	-471	-1,079
Total shareholders' equity	29,714	28,579
Accumulated other comprehensive income		
Unrealized gains on marketable securities	1,092	1,391
Translation adjustments	691	1,134
Remeasurements of defined benefit plans	--	-123
Total accumulated other comprehensive income	1,783	2,401
Subscription rights to shares	500	605
Total net assets	31,998	31,587
Total liabilities and net assets	45,919	52,250

(ii) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (From April 1, 2013 to March 31, 2014)
Net sales	52,812	32,225
Cost of sales	*1 38,113	*1 25,122
Gross profit	14,699	7,102
Selling, general and administrative expenses		
Salaries and allowances	1,203	1,325
Provision for reserve for bonus payments	60	57
Retirement benefit expenses	75	83
Provision for reserve for directors' retirement benefits	4	4
Research and development expenses	*2 1,502	*2 1,445
Insurance premiums	149	124
Provision for allowance for doubtful accounts	6	29
Provision for reserve for product warranties	274	277
Other	2,975	2,569
Total selling, general and administrative expenses	6,251	5,918
Operating income	8,447	1,184
Non-operating income		
Interest received	16	20
Dividends received	54	55
Rent income	14	45
Foreign exchange gains	--	912
Insurance benefits received	38	36
Other	22	62
Total non-operating income	146	1,131
Non-operating expenses		
Interest paid	81	141
Loss on sale of trade notes	74	114
Dormant expenses	59	40
Foreign exchange losses	1,443	--
Other	134	87
Total non-operating expenses	1,793	383
Ordinary income	6,800	1,932
Extraordinary income		
Gain on sales of fixed assets	*3 1	*3 122
Gain on sales of investment securities	0	--
Subsidy income	50	110
Total extraordinary income	51	232
Extraordinary expenses		
Loss on retirement of fixed assets	*4 77	*4 21
Loss on sales of fixed assets	--	*5 13
Loss on devaluation of investment securities	34	--
Loss on sales of investment securities	4	271
Impairment loss	63	--
Bad debts written off	--	0
Loss on valuation of investments in capital of subsidiaries and affiliates	--	12
Total extraordinary expenses	180	320
Income before taxes and other adjustments	6,671	1,845
Corporate, inhabitant and enterprise taxes	2,572	1,462
Deferred taxes	-108	38
Total corporate and other taxes	2,464	1,501
Income before minority interests	4,207	344
Minority interests in income	--	--
Net income	4,207	344

Consolidated Statements of Comprehensive Income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (From April 1, 2013 to March 31, 2014)
Income before minority interests	4,207	344
Other comprehensive income		
Unrealized gains on marketable securities	-21	299
Deferred gains (losses) on hedges	-1	--
Translation adjustments	701	442
Total other comprehensive income	* 677	* 741
Comprehensive Income	4,885	1,085
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	4,885	1,085
Comprehensive income attributable to minority shareholders	--	--

(iii) Consolidated statements of changes in net assets

Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2012	12,345	5,884	8,535	-499	26,264
Change during the fiscal year					
Cash dividends paid			-809		-809
Net income			4,207		4,207
Change of scoop of consolidation			29		29
Purchase of treasury stock				-3	-3
Disposal of treasury stock			-5	31	25
Changes in items other than shareholders' equity during the fiscal year (net)					
Total change during the fiscal year	--	--	3,421	28	3,449
Balance as of March 31, 2013	12,345	5,884	11,956	-471	29,714

	Accumulated other comprehensive income					Subscription rights to shares	Total net assets
	Unrealized gains on marketable securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2012	1,114	1	-9	--	1,106	345	27,717
Change during the fiscal year							
Cash dividends paid							-809
Net income							4,207
Change of scoop of consolidation							29
Purchase of treasury stock							-3
Disposal of treasury stock							25
Changes in items other than shareholders' equity during the fiscal year (net)	-21	-1	701	--	677	154	831
Total change during the fiscal year	-21	-1	701	--	677	154	4,281
Balance as of March 31, 2013	1,092	--	691	--	1,783	500	31,998

Consolidated fiscal year under review (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
Change during the fiscal year					
Cash dividends paid			-876		-876
Net income			344		344
Change of scoop of consolidation					--
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	Deferred gains (losses) on hedges	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
Change during the fiscal year							
Cash dividends paid							-876
Net income							344
Change of scoop of consolidation							--
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

(iv) Consolidated statements of cash flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (From April 1, 2013 to March 31, 2014)
Cash flows from operating activities		
Income before taxes and other adjustments	6,671	1,845
Depreciation and amortization expenses	981	1,075
Subsidy income	-50	-110
Increase (decrease) in allowance for doubtful accounts	17	42
Increase (decrease) in reserve for retirement benefits	-37	--
Increase (decrease) in reserve for product warranties	144	-15
Increase (decrease) in net defined benefit liability	--	16
Interest and dividends received	-70	-75
Interest paid	81	141
Loss (gain) on sales of investment securities	4	271
Loss on retirement of fixed assets	77	21
Loss (gain) on sales of fixed assets	-1	-108
Foreign exchange losses (gains)	-447	-648
Decrease (increase) in trade notes and accounts receivable	5,866	-1,159
Decrease (increase) in inventories	2,006	-2,256
Decrease (increase) in advance payments	480	-92
Increase (decrease) in trade notes and accounts payable	-11,712	3,229
Decrease (increase) in consumption taxes refund receivable	749	-302
Other	261	209
Sub total	5,023	2,085
Interest and dividends received	70	71
Interest paid	-79	-139
Proceeds from subsidy	50	110
Corporate and other taxes paid	-3,151	-1,413
Cash flows from operating activities	1,914	714
Cash flows from investing activities		
Payments into time deposits	-387	-242
Refund of time deposits	356	247
Expenditure for acquisition of tangible fixed assets	-2,238	-1,092
Income from disposal of tangible fixed assets	10	130
Expenditure for acquisition of intangible fixed assets	-141	-16
Expenditure for acquisition of investment securities	-1	-1
Income from disposal of investments securities	68	614
Payment for investment in affiliates	-75	-364
Other	27	10
Cash flows from investing activities	-2,381	-713
Cash flows from financing activities		
Short-term borrowings	10,919	7,075
Repayment of short-term borrowings	-9,504	-4,772
Redemption of corporate bonds	-300	-300
Proceeds from sales of treasury stock	11	29
Purchase of treasury stock	-3	-698
Dividends paid	-809	-876
Repayments of lease obligations	-10	-12
Cash flows from financing activities	303	445
Translation differences for cash and cash equivalents	167	302
Net increase (decrease) in cash and cash equivalents	3	748
Cash and cash equivalents at the beginning of the term	5,264	5,296
Increase in cash and cash equivalents from newly consolidated subsidiary	27	--
Cash and cash equivalents at the end of the term	* 5,296	* 6,044

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

"Of the subsidiaries above, we have established Precision Tsugami (China) Corporation Limited and Precision Tsugami (Hong Kong) Limited as holding companies in the consolidated fiscal year under review. They are included in the scope of consolidation.

TSUGAMI PRECISION CO., LTD. was excluded from the scope of consolidation, as it merged with TSUGAMI GENERAL SERVICE CO., LTD. on April 1, 2013.

(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., Precision Tsugami (China) Corporation Limited 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.

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.

(3) Accounting standards for major deferred assets

(i) Stock issuance cost

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

(ii) Corporate bonds issuance expenses

This is amortized using the straight-line method during the period required for maturity of corporate bonds (5 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 fixed amount per period standard."

- (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.

- (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 changed the method of recording retirement benefits, so that the amount obtained by subtracting the amount of pension assets from retirement benefit obligations is recorded as net defined benefit liability and unrecognized actuarial gains and losses are recorded as net defined benefit liability, by applying the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012. Hereinafter the "Accounting Standard for Retirement Benefits") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on May 17, 2012. Hereinafter the "Guidance on Accounting Standard for Retirement Benefits") from the end of the consolidated fiscal year under review (however, excluding provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits and the text of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits).

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 the effect of the change is recorded as remeasurements of defined benefit plans in the total accumulated other comprehensive income at the end of the consolidated fiscal year under review.

As a result, a net defined benefit asset of 0 million yen and net defined benefit liability of 946 million yen were recorded, and the total accumulated other comprehensive income declined 123 million yen at the end of the consolidated fiscal year under review.

Net asset per share declined 1.71 yen.

(Accounting standards, etc. not yet applied)

- Accounting Standard for Retirement Benefits (ASBJ Statement No.26 on May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25 on May 17, 2012)

(1) Overview

The accounting method of unrecognized actuarial differences and unsettled difference at change of accounting principle, the calculation method of retirement benefit obligations and service costs, expanded disclosure, etc. were revised.

(2) Planned date of application

The revision of the calculation method of retirement benefit obligations and service costs will be applied from the beginning of the fiscal year ending March 31, 2015. As the transitional handling of these accounting standards, etc. is set forth, they will not be applied retroactively to financial statements in prior years.

(3) Impact of the application of the accounting standards, etc.

The impact of the revision of the calculation method of retirement benefit obligations and service costs on the consolidated financial statements is currently under evaluation.

(Changes in Method of Presentation)

(Consolidated Statements of Income)

"Dormant expenses" which had been included in "Other" of the Non-operating expenses in the previous consolidated fiscal year, was posted as a separate item in the consolidated fiscal year under review because of the amount exceeded 10% of total Non-operating income. 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 194 million yen in the Non-operating expenses in the Consolidated statements of income for the previous consolidated fiscal year was divided into "Dormant expenses" of 59 million yen and "Other" of 134 million yen.

(Consolidated Statements of Cash Flows)

"Loss (gain) on devaluation of investment securities" and "Impairment loss", which had been posted as a separate item in the previous consolidated fiscal year, was included in "Other" of the cash flows from operating 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, "Loss (gain) on devaluation of investment securities" of 34 million yen and "Impairment loss" of 63 million yen in the cash flows from operating activities in the consolidated statements of cash flows for the previous consolidated fiscal year was include in "Other".

"Proceeds from transfer of business" 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, "Proceeds from transfer of business" of 65 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, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Amount of discount for bills receivable	896	978
Amount of discount for export bills receivable	2,255	2,453

*2.Amount of allowance for doubtful accounts directly subtracted from assets (Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Investments and other assets	116	--

(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, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Cost of sales	-66	-10

*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, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
	1,502	1,445

*3.Breakdown of gain on sales of fixed assets (Million yen)

	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Machinery and equipment	1	1
Land	--	119
Vehicles	--	1
Total	1	122

*4. Breakdown of loss on retirement of fixed assets (Million yen)

	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Buildings	44	13
Machinery and equipment	33	7
Others	0	0
Total	77	21

*5. Breakdown of the loss on sales of fixed assets (Million yen)

	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Machinery and equipment	--	13

(Consolidated Statements of Comprehensive Income)

* Recycling and tax effect relating to other comprehensive income	(Million yen)	
	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Unrealized gains on marketable securities		
Amount arising during fiscal year under review	-108	79
Recycling	38	271
Before tax effect adjustment	-69	351
Tax effect	47	-51
Unrealized gains on marketable securities	-21	299
Deferred gains (losses) on hedges		
Amount arising during fiscal year under review	-2	--
Before tax effect adjustment	-2	--
Tax effect	0	--
Deferred gains or losses on hedges	-1	--
Translation adjustments :		
Amount arising during fiscal year under review	701	442
Total other comprehensive income	677	741

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (From April 1, 2012 to March 31, 2013)

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 (Note 1, 2)	1,382	5	88	1,300
Total	1,382	5	88	1,300

(Notes) 1. The increase in common shares of treasury stock of 5 thousand shares due to the purchase of odd-lot shares.

2. The decrease in common shares of treasury stock of 88 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	--	--	--	--	--	500
Total		--	--	--	--	--	500

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, 2012	Common shares	367	5.00	March 31, 2012	May 29, 2012
Board of directors meeting held on November 14, 2012	Common shares	441	6.00	September 30, 2012	November 28, 2012

(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 10, 2013	Common shares	441	Retained earnings	6.00	March 31, 2013	May 29, 2013

Consolidated fiscal year under review (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	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 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, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Cash and cash accounts	5,467	6,227
Time deposits with maturity of more than 3 months	-171	-182
Cash and cash equivalents	5,296	6,044

(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.

Of finance lease transactions without the transfer of ownership, the lease transactions whose start dates are before March 31, 2008, are accounted for by the method for ordinary lease transactions. Details of the transactions are as follows:

(1) Acquisition cost equivalent, accumulated depreciation equivalent, and fiscal year-end outstanding balance equivalent of leased assets (Million yen)

	Previous consolidated fiscal year (As of March 31, 2013)		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent
Machinery, equipment and vehicles	10	10	--
Others	37	37	--
Total	48	48	--

Consolidated fiscal year under review (As of March 31, 2014)

Not applicable.

(Note) Since the rate of unexpired lease fees at the end of the fiscal year to the tangible fixed assets at the end of the fiscal year is low, interest expense is included in the calculation of the acquisition cost equivalent.

(2) Equivalent of unexpired lease fees at end of fiscal year

Not applicable.

(3) Lease fees paid, reversal of leased assets impairment account, depreciation equivalent and impairment loss

(Million yen)

	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Lease fees paid	0	--
Depreciation equivalent	0	--

(4) Method of calculating depreciation equivalent

The depreciation equivalent is calculated using the straight-line method over the lease terms as service lives, assuming no residual value.

(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, (6) 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, 2013)

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	5,467	5,467	--
(2) Trade notes and accounts receivable	5,303	5,303	--
(3) Investment securities	4,773	4,773	--
Total assets	15,543	15,543	--
(1) Trade notes and accounts payable	6,759	6,759	--
(2) Short-term borrowings	3,619	3,619	--
(3) Accrued income tax	829	829	--
(4) Corporate bonds due to redemption within one year	300	301	1
Total liabilities	11,508	11,510	1
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, 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	--
(4) Corporate bonds due to redemption within one year	--	--	--
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.

(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.

(4) Corporate bonds due for redemption within one year and (5) Corporate bonds

The corporate bonds issued by the Company are private placement bonds and do not have market prices. The fair value is estimated by discounting the principal and interest, using a rate that takes the remaining term of the bond and the credit risk into consideration.

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, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Unlisted shares	2	2
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, 2013)

	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*	5,458	--	--	--
Trade notes and accounts receivable	5,303	--	--	--
Total	10,761	--	--	--

*Cash is excluded.

Consolidated fiscal year under review (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.

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, 2013)

	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	3,619	--	--	--	--	--
Corporate bonds due for redemption within one year	300	--	--	--	--	--
Total	3,919	--	--	--	--	--

Consolidated fiscal year under review (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	--	--	--	--	--
Corporate bonds due for redemption within one year	--	--	--	--	--	--
Total	6,075	--	--	--	--	--

(Securities)

1. Other securities

Previous consolidated fiscal year (As of March 31, 2013)

(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	3,931	2,139	1,792
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	3,931	2,139	1,792
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1)Shares	841	976	-135
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	841	976	-135
Total		4,773	3,116	1,656

(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, 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.

2. Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)

(Million yen)

Classification	Amount of sale	Total profit on sale	Total loss on sale
Shares	73	0	4

Consolidated fiscal year under review (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

(Derivatives Trading)

Not applicable.

(Pension and Severance Cost)

Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)

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

The Group adopts retirement lump-sum grant plans and defined-benefit corporate pension plans. With the enforcement of the Defined-Benefit Corporate Pension Act, the Company and certain domestic consolidated subsidiaries changed their pension plans from qualified pension plans to defined-benefit corporate pension plans in January 2010.

2. Projected benefit obligations and their breakdowns

(Million yen)

(1) Projected benefit obligations	-2,247
(2) Pension assets	1,108
(3) Unfunded obligations for retirement and severance benefits(1)+(2)	-1,138
(4) Unsettled difference at change of accounting principle	278
(5) Unrecognized actuarial gain or loss	123
(6) Unrecognized prior service cost	--
(7) Net accrued retirement benefits reflected in consolidated balance sheets (3)+(4)+(5)+(6)	-736
(8) Prepaid pension cost	1
(9) Allowance for retirement benefits (7)-(8)	-737

(Note) Some of consolidated subsidiaries with retirement benefits systems use the simplified method to calculate projected benefit obligations.

3. Breakdown of retirement benefit expenses

(Million yen)

(1) Service cost	106
(2) Interest cost	32
(3) Expected return on pension assets	-18
(4) Unsettled difference at change of accounting principle	139
(5) Recognized actuarial gain or loss	25
(6) Others	--
(7) Retirement benefit expenses (1)+(2)+(3)+(4)+(5)+(6)	284

(Note) Net retirement benefit costs of consolidated subsidiaries using the simplified method are accounted for as (1) "Service costs."

4. Matters relating to the basis of calculation for projected benefit obligations

(1) Periodic allocation method for projected benefits

Periodic straight-line base

(2) Discount rates

1.5 %

(3) Expected return on assets

2.0 %

(4) Method and years during which an actuarial gain or loss is amortized

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

(5) Years during which unsettled differences at change of accounting principles were accounted for

15 years

Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)

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 asset or 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)

Projected benefit obligations at beginning of year	2,247
Service cost	131
Interest cost	33
Actuarial loss (gain)	22
Benefits paid	-205
Projected benefit obligations at end of year	2,229

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

Pension assets at beginning of year	1,108
Expected return on pension assets	21
Actuarial gain (loss)	60
Employer contributions	210
Benefits paid	-118
Pension assets at end of year	1,283

(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)

Projected benefit obligations (funded plans)	1,356
Pension assets	-1,283
	72
Projected benefit obligations (unfunded plans)	872
Net liability and asset recognized in the consolidated balance sheet	945
Net defined benefit liability	946
Net defined benefit asset (Note)	-0
Net liability and asset recognized in the consolidated balance sheet	945

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

(4) Breakdown of retirement benefit expenses	(Million yen)
Service cost	131
Interest cost	33
Expected return on pension assets	-21
Unsettled difference at change of accounting principle	139
Recognized actuarial gain or loss	32
	314

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

(5) Remeasurements of defined benefit plans

The amounts recognized as remeasurements of defined benefit plans before the effect of income taxes are as follows:

	(Million yen)
Unsettled difference at change of accounting principle	139
Unrecognized actuarial gain or loss	52
Total	192

(6) Matters relating to pension assets

(i) Significant components of pension assets

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

Bonds	20.4%
Stock	26.8%
General accounts	50.3%
Others	2.5%
Total	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.

(7) 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:

Discount rate	1.5%
Expected long-term rate of return	2.0%

(Stock Options)

1. Expenses posted in relation to stock options

(Million yen)

	Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Cost of sales	39	27
Selling, general and administrative expenses	129	143

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
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
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
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
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
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
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
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
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	July 4, 2011
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 5, 2011 to July 4, 2031	July 5, 2011 to July 4, 2031

	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A
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	July 2, 2012
Vesting conditions	Not applicable	(Note 2)
Target period of service	July 2, 2012 to July 2, 2014	Not applicable
Exercise period	July 3, 2014 to June 30, 2017	July 3, 2012 to July 2, 2032

	2012 Stock compensation-type stock options Plan B	2013 10th general-type subscription rights to shares
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	July 8, 2013
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	July 8, 2013 to July 8, 2015
Exercise period	July 3, 2012 to July 2, 2032	July 9, 2015 to June 30, 2018

	2013 Stock compensation-type stock options Plan A	2013 Stock compensation-type stock options Plan B
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	July 8, 2013
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 9, 2013 to July 8, 2033	July 9, 2013 to July 8, 2033

(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, 2014 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
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
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	48,000	37,000
Vested	--	--	--
Exercised	--	12,000	--
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
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	41,000	248,000	93,000
Vested	--	--	--
Exercised	17,000	53,000	--
Lapsed	--	--	--
Unexercised	24,000	195,000	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
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	87,000	350,000	62,000
Vested	--	--	--
Exercised	12,000	--	--
Lapsed	--	--	--
Unexercised	75,000	350,000	62,000

	2010 Stock compensation-type stock options Plan B	2011 Eighth general-type subscription rights to shares	2011 Stock compensation-type stock options Plan A
Before vesting date (shares)			
End of previous fiscal year	--	350,000	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	350,000	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	61,000	--	149,000
Vested	--	350,000	--
Exercised	18,000	36,000	10,000
Lapsed	--	--	--
Unexercised	43,000	314,000	139,000

	2011 Stock compensation-type stock options Plan B	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A
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	94,000	--	155,000
Vested	--	--	--
Exercised	28,000	--	10,000
Lapsed	--	--	--
Unexercised	66,000	--	145,000

	2012 Stock compensation-type stock options Plan B	2013 10th general-type subscription rights to shares	2013 Stock compensation-type stock options Plan A
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	200,000	190,000
Lapsed	--	--	5,000
Vested	--	--	185,000
Non-vested	--	200,000	--
After vesting date (shares)			
End of previous fiscal year	108,000	--	--
Vested	--	--	185,000
Exercised	30,000	--	--
Lapsed	--	--	--
Unexercised	78,000	--	185,000

	2013 Stock compensation-type stock options Plan B
Before vesting date (shares)	
End of previous fiscal year	--
Granted	120,000
Lapsed	--
Vested	120,000
Non-vested	--
After vesting date (shares)	
End of previous fiscal year	--
Vested	120,000
Exercised	5,000
Lapsed	--
Unexercised	115,000

(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
Exercise price	1	1	1
Average stock price at the time of exercise	--	--	--
Fair valuation of unit price (grant date)	--	608	608

	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B	2008 Stock compensation-type stock options Plan A
Exercise price	1	1	1
Average stock price at the time of exercise	--	539	--
Fair valuation of unit price (grant date)	513	513	279

	2008 Stock compensation-type stock options Plan B	2009 Sixth general-type subscription rights to shares	2009 Stock compensation-type stock options Plan A
Exercise price	1	225	1
Average stock price at the time of exercise	539	560	--
Fair valuation of unit price (grant date)	279	31	123

	2009 Stock compensation-type stock options Plan B	2010 Seventh general-type subscription rights to shares	2010 Stock compensation-type stock options Plan A
Exercise price	1	667	1
Average stock price at the time of exercise	539	--	--
Fair valuation of unit price (grant date)	123	182	532

	2010 Stock compensation-type stock options Plan B	2011 Eighth general-type subscription rights to shares	2011 Stock compensation-type stock options Plan A
Exercise price	1	481	1
Average stock price at the time of exercise	539	590	562
Fair valuation of unit price (grant date)	532	163	408

	2011 Stock compensation-type stock options Plan B	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A
Exercise price	1	589	1
Average stock price at the time of exercise	539	--	562
Fair valuation of unit price (grant date)	408	196	459

	2012 Stock compensation-type stock options Plan B	2013 10th general-type subscription rights to shares	2013 Stock compensation-type stock options Plan A
Exercise price	1	575	1
Average stock price at the time of exercise	525	--	--
Fair valuation of unit price (grant date)	459	180	445

	2013 Stock compensation-type stock options Plan B
Exercise price	1
Average stock price at the time of exercise	537
Fair valuation of unit price (grant date)	445

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

The following is the method of estimating a fair unit price of the 2013 stock options granted in the fiscal year:

(i) Valuation technique used Black-Scholes method

(ii) Major fundamental figures and estimation method

	2013 General-type subscription rights to shares	2013 Compensation-type subscription rights to shares Plan A and Plan B
Stock price volatility (Note 1)	53.403%	44.752%
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)	0.190%	0.867%

(Note) 1. The stock price volatility for the 2013 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 2010 to June 2013). The stock price volatility for the 2013 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 2003 to June 2013).

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, 2013.
4. The rate is the yield of the government bond for the expected remaining period.

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, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Deferred tax assets		
Allowance for doubtful accounts	70	41
Reserve for bonus payment	66	64
Reserve for retirement benefits	264	--
Net defined benefit liability	--	268
Reserve for product warranties	53	86
Loss on devaluation of investment securities	142	142
Loss on devaluation of affiliates' stock	8	8
Loss on devaluation of inventories	140	14
Impairment loss	56	56
Accrued enterprise taxes	59	98
Accrued sales commission	23	23
Unrealized income of inventories	231	108
Stock-based compensation expense	129	155
Non-qualified contribution in-kind	--	996
Other	24	175
Deferred tax assets subtotal	1,268	2,237
Valuation reserve	-417	-1,393
Deferred tax assets total	851	843
Deferred tax liabilities		
Unrealized gains on marketable securities	-564	-616
Reserve profit of overseas subsidiaries	-13	24
Other	-0	-0
Deferred tax liabilities total	-578	-592
Net deferred tax assets(liabilities)	272	250

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, 2013)	Consolidated fiscal year under review (As of March 31, 2014)
Legally effective tax rate	Since the difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the legally effective tax rate, notes are omitted.	38.0%
(Adjustments)		
Differences from applicable tax rates for overseas subsidiaries		-2.2%
Experiment and research expenses		-4.1%
Tax sparing		-4.9%
Items permanently excluded from nontaxable expenses, including entertainment costs		2.6%
Change of tax rate		1.6%
Tax refund		-7.3%
Non-qualified contribution in-kind		57.6%
Other		0.1%
Actual effective tax rate after applying tax effect		81.3%

3. Revision of amount of deferred tax assets and deferred tax liabilities as a result of tax rate change

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014) was passed on March 31, 2014, as a result of which the Company is no longer subject to the special corporation tax for reconstruction effective the fiscal year starting on or after April 1, 2014. In conjunction with this, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities in respect of the temporary differences expected to be reversed in the fiscal year that started on April 1, 2014 is changed from the previous 38.0% to 35.6%.

As a consequence of this tax rate change, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by 29 million yen, and income taxes-deferred increased by the same amount.

(Business Combination)

Jointly controlled transaction

1. Outline of transaction

(i) Name of the company to be combined and its main business

Company to be combined: PRECISION TSUGAMI (CHINA) CORPORATION (“PTC”)

Main business: Manufacture and sale of industrial machinery in China

(ii) Date of the business combination

January 7, 2014

(iii) Legal form of the business combination

Equity contribution in kind of the Company’s equity in Chinese subsidiary PTC to Precision Tsugami (China) Corporation Limited (the Company’s wholly owned subsidiary) and Precision Tsugami (Hong Kong) Limited (the Company’s wholly owned second-tier subsidiary).

(iv) Other matters relating to outline of transaction

The Company plans to list the shares of its Chinese subsidiary PTC on stock markets in Asia to further promote the localization of its business in China and to secure business funding and increase brand recognition.

2. Outline of accounting procedures conducted

This transaction was handled as a jointly controlled transaction, based on Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on December 26, 2008), Accounting Standard for Business Divestiture (ASBJ Statement No. 7 issued on December 26, 2008), and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 issued on December 26, 2008).

(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.

Precision Tsugami (China) Corporation Limited and Precision Tsugami (Hong Kong) Limited, holding companies, which were included in the scope of consolidation from the consolidated fiscal year under review, are included in "China."

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.

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

Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)

(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	23,997	27,833	981	52,812	--	52,812
Intersegment net sales or transfers to other accounts	12,116	4,077	34	16,228	-16,228	--
Total	36,113	31,911	1,015	69,040	-16,228	52,812
Segment income	2,772	5,761	139	8,673	-226	8,447
Segment assets	28,689	20,374	653	49,717	-3,798	45,919
Other items						
Depreciation and amortization	595	389	4	989	-7	981
Increases in tangible fixed assets and intangible fixed assets	842	1,490	27	2,359	-37	2,322

(Note) 1. "Adjustment" of segment income of minus 226 million yen is the elimination of unrealized income.

2. "Adjustment" of segment assets of minus 3,798 million yen includes Company-wide assets of 6,966 million yen and an effect of intersegment adjustments of minus 10,764 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 37 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, 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	552	17	1,086	-10	1,069
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.

Related information

Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)

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

Name	Net Sales (million yen)	Related Business Segment
Mega Precision Technology Limited	8,848	China

Consolidated fiscal year under review (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.

Information on impairment loss on fixed assets by reportable segment

Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)

(Million yen)

	Japan	China	Corporate or elimination	Total
Impairment loss	63	--	--	63

Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)

No corresponding item existed.

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, 2012 to March 31, 2013)

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, 2013 to March 31, 2014)

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, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Net assets per share	427.86 yen	428.18 yen
Net income per share	57.16 yen	4.72 yen
Net income per share after residual equity adjustment	56.28 yen	4.64 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, 2012 to March 31, 2013)	Consolidated fiscal year under review (from April 1, 2013 to March 31, 2014)
Net income per share		
Net income (million yen)	4,207	344
Net income that does not belong to common shareholders (million yen)	--	--
Net income on common shares (million yen)	4,207	344
Average number of shares during the period (thousand shares)	73,603	72,900
Net income per share after residual equity adjustment		
Adjustment in net income (million yen)	--	--
Increase in common shares (thousand shares)	1,163	1,255
(Stock option) (thousand shares)	(1,163)	(1,255)
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 18, 2010 (Number of shares: 350,000)	
	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 15, 2012 (Number of shares: 200,000)	
	-----	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 21, 2013 (Number of shares: 200,000)

(Important Post-Balance Sheet Events)

Resolution on stock option

The company resolved to issue subscription rights to shares at the 111th annual shareholders meeting and at the Board of Directors meeting, held on June 20, 2014 respectively.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 18. Stock options based on a resolution at the annual shareholders meeting held on June 20, 2014.

(v) Consolidated supplementary schedule

Schedule of bonds

Corporate name	Issue	Issue date	Balance at beginning of the fiscal year (million yen)	Balance at end of the fiscal year under review (million yen)	Interest rate (%)	Collateral	Maturity period
Tsugami Corporation	First unsecured bond (Notes)	December 29, 2008	300 (300)	-- (--)	0.98	None	December 27, 2013
Total	--	--	300 (300)	-- (--)	--	--	--

(Note) Numbers in parentheses are redemption amounts scheduled within a year.

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	3,619	6,075	2.96	--
Lease obligations to be repaid within a year	9	11	--	--
Lease obligations (excluding those to be repaid within a year)	6	22	--	From 2015 to 2018
Total	3,635	6,109	--	--

- (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	7	6	6	2

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, 2013 to June 30, 2013	First half From April 1, 2013 to September 30, 2013	First nine months From April 1, 2013 to December 31, 2013	Full year under review From April 1, 2013 to March 31, 2014
Net sales (million yen)	6,992	15,551	23,653	32,225
Income before taxes and other adjustments (million yen)	997	1,177	1,865	1,845
Net income (million yen)	834	883	1,311	344
Net income per share (yen)	11.33	12.05	17.94	4.72

(Quarterly)	First quarter From April 1, 2013 to June 30, 2013	Second quarter From July 1, 2013 to September 30, 2013	Third quarter From October 1, 2013 to December 31, 2013	Fourth quarter From January 1, 2014 to March 31, 2014
Net income per share (yen)	11.33	0.67	5.90	-13.37

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, 2013)	Figures at the end of the fiscal year under review (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	1,678	4,174
Trade notes receivable	*1 223	*1 73
Accounts receivable	*1 9,168	*1 10,058
Products and other commodities	3,247	3,196
Goods in process	2,834	2,519
Raw materials and supplies	2,549	2,476
Deferred tax assets	411	354
Advance paid	17	19
Accounts due	*1 4,044	*1 868
Other current assets	*1 3,839	*1 4,797
Allowance for doubtful accounts	-136	-184
Total current assets	27,876	28,355
Fixed assets		
Tangible fixed assets		
Buildings	2,960	2,799
Structures	101	88
Machinery and equipment	845	412
Vehicles	6	4
Tools, furniture and fixtures	191	177
Land	568	564
Leased assets	8	25
Total tangible fixed assets	4,683	4,683
Intangible fixed assets		
Software	59	49
Telephone subscription rights	10	10
Leased assets	6	6
Total intangible fixed assets	75	66
Investments and other assets		
Investment securities	4,775	4,247
Stocks of affiliates	132	3,506
Investments in affiliates	3,982	958
Long-term loans receivable from subsidiary	451	490
Long-term loans to employees	1	1
Other intangible fixed assets	94	94
Total investments and other assets	9,437	9,299
Total fixed assets	14,195	13,439
Deferred assets		
Stock issuance cost	13	5
Bond issuance expenses	5	--
Total deferred assets	18	5
Total assets	42,090	41,800

(Million yen)

	Figures at the end of the previous fiscal year (As of March 31, 2013)	Figures at the end of the fiscal year under review (As of March 31, 2014)
Liabilities		
Current liabilities		
Trade notes payable	4,541	6,101
Accounts payable	*1 1,915	*1 2,963
Short-term borrowings	2,000	--
Corporate bonds due for redemption within one year	300	--
Accounts payable	113	153
Accrued expenses payable	233	208
Accrued income tax	585	1,012
Reserve for bonus payment	158	162
Reserve for product warranties	140	155
Other current liabilities	189	192
Total current liabilities	10,177	10,949
Long-term liabilities		
Deferred tax liabilities	301	350
Reserve for retirement benefits	732	748
Other long-term liabilities	41	58
Total long-term liabilities	1,076	1,158
Total liabilities	11,253	12,108
Net assets		
Shareholders' equity		
Common stock	12,345	12,345
Capital surplus		
Capital legal reserve	5,884	5,884
Other capital surplus	--	5
Total capital surplus	5,884	5,889
Retained earnings		
Other retained earnings		
Deferred retained earnings	11,486	10,540
Total retained earnings	11,486	10,540
Treasury stock	-471	-1,079
Total shareholders' equity	29,245	27,695
Valuation and translation adjustments		
Unrealized gains on marketable securities	1,092	1,391
Total valuation and translation adjustments	1,092	1,391
Subscription rights to shares	500	605
Total net assets	30,837	29,692
Total liabilities and net assets	42,090	41,800

(ii) Non-consolidated statements of income

(Million yen)

	Previous fiscal year (From April 1, 2012 to March 31, 2013)	Fiscal year under review (From April 1, 2013 to March 31, 2014)
Net sales	*1 35,852	*1 29,491
Cost of sales	29,140	25,464
Gross profit	6,711	4,026
Selling, general and administrative expenses	*2 4,249	*2 4,114
Operating income	2,461	-87
Non-operating income		
Interest received	79	96
Dividends received	*1 3,840	*1 115
Rent income	29	51
Foreign exchange gains	705	1,251
Insurance benefits received	36	36
Other	33	72
Total non-operating income	4,724	1,624
Non-operating expenses		
Interest paid	35	10
Leased asset expenses	20	36
Amortization of stock issuance cost	7	7
Sales discount	1	2
Loss on sale of trade notes	45	67
Other	161	82
Total non-operating expenses	271	206
Ordinary income	6,914	1,330
Extraordinary income		
Gain on sales of fixed assets	14	163
Gain on sales of investment securities	0	--
Total extraordinary income	14	163
Extraordinary expenses		
Loss on retirement of fixed assets	77	5
Impairment loss	63	--
Loss on sales of investment securities	4	271
Loss on devaluation of investment securities	34	--
Loss on valuation of investments in capital of subsidiaries and affiliates	--	12
Total extraordinary expenses	180	290
Income before taxes and other adjustments	6,748	1,203
Corporate, inhabitant and enterprise taxes	1,622	1,220
Deferred taxes	--	54
Total corporate and other taxes	1,622	1,274
Net income	5,125	-70

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

Previous consolidated fiscal year (from April 1, 2012 to March 31, 2013)

(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, 2012	12,345	5,884	--	5,884	7,176	-499	24,906
Change during the fiscal year							
Cash dividends paid					-809		-809
Net income					5,125		5,125
Purchase of treasury stock						-3	-3
Disposal of treasury stock			--	--	-5	31	25
Changes in items other than shareholders' equity during the fiscal year (net)							
Total change during the fiscal year	--	--	--	--	4,310	28	4,338
Balance as of March 31, 2013	12,345	5,884	--	5,889	11,486	-471	29,245

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Unrealized gains on marketable securities	Deferred gains (losses) on hedges	Total valuation and translation		
Balance as of March 31, 2012	1,114	1	1,115	345	26,367
Change during the fiscal year					
Cash dividends paid					-809
Net income					5,125
Purchase of treasury stock					-3
Disposal of treasury stock					25
Changes in items other than shareholders' equity during the fiscal year (net)	-21	-1	-23	154	130
Total change during the fiscal year	-21	-1	-23	154	4,469
Balance as of March 31, 2013	1,092	--	1,092	500	30,837

Consolidated fiscal year under review (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
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	Deferred gains (losses) on hedges	Total valuation and translation		
Balance as of March 31, 2013	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

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.

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

(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).

Corporate bonds issuance expenses

This is amortized using the straight-line method during the period required for maturity of corporate bonds (5 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 Method of Presentation)

The non-consolidated balance sheets, statements of income, statements of changes in net assets, schedule of tangible fixed assets and schedule of allowance were prepared in accordance with Article 127, Paragraph 1 of the Regulations for Financial Statements.

The notes in each of the items listed in Article 127, Paragraph 2 of the Regulations for Financial Statements were changed to the notes on matters listed in the Corporate Accounting Rules in each item.

The following matters were omitted:

- Schedule of the cost of goods manufactured specified in Article 75 of the Regulations for Financial Statements is omitted in accordance with the proviso of said Article, Paragraph 2.
- Notes on allowance in relation to investments and other assets specified in Article 34 of the Regulations for Financial Statements under which Article 20 of said Regulations applies mutatis mutandis are omitted in accordance with said Article, Paragraph 3.
- Notes concerning writedown of inventories specified in Article 80 of the Regulations for Financial Statements are omitted in accordance with said Article, Paragraph 3.
- Notes on research and development expenses specified in Article 86 of the Regulations for Financial Statements are omitted in accordance with said Article, Paragraph 2.
- Notes concerning impairment loss specified in Article 95-3-2 of the Regulations for Financial Statements are omitted in accordance with said Article, Paragraph 2.
- Notes concerning treasury stock specified in Article 107 of the Regulations for Financial Statements are omitted in accordance with said Article, Paragraph 2.
- Notes concerning lease transactions specified in Article 8-6 of the Regulations for Financial Statements are omitted in accordance with said Article, Paragraph 4.
- Notes concerning asset retirement obligations specified in Article 8-28 of the Regulations for Financial Statements are omitted in accordance with said Article, Paragraph 2.
- Notes on net assets per share specified in Article 68-4 of the Regulations for Financial Statements are omitted in

accordance with said Article, Paragraph 3.

- Notes concerning net income (loss) per share specified in Article 95-5-2 of the Regulations for Financial Statements are omitted in accordance with said Article, Paragraph 3.
- Notes concerning diluted earnings per share specified in Article 95-5-3 of the Regulations for Financial Statements are omitted in accordance with said Article, Paragraph 4.
- Schedule of securities specified in Article 121, Paragraph 1, Item 1 of the Regulations for Financial Statements is omitted in accordance with said Article, Paragraph 3.

(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, 2013)	Fiscal year under review (As of March 31, 2014)
Short-term monetary receivables	13,978	11,393
Short-term monetary payables	406	803

2. Debt guarantee

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

(Million yen)

	Previous fiscal year (As of March 31, 2013)	Fiscal year under review (As of March 31, 2014)
PRECISION TSUGAMI (CHINA) CORPORATION	1,619	6,075
(Guaranteed item: Borrowed money)		

3. Amount of discount for bills receivable

(Million yen)

	Previous fiscal year (As of March 31, 2013)	Fiscal year under review (As of March 31, 2014)
Amount of discount for bills receivable	636	978
Amount of discount for export bills receivable	2,255	2,453

(Non-consolidated statements of income)

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

(Million yen)

	Previous fiscal year (from April 1, 2012 to March 31, 2013)	Fiscal year under review (from April 1, 2013 to March 31, 2014)
Net sales	16,176	14,208
Dividends received	3,785	60

- *2. Selling expenses accounted for approximately 22% of total expenses in the previous fiscal year and approximately 23% in the fiscal year under review. General and administrative expenses accounted for approximately 78% of total expenses in the previous fiscal year and approximately 77% in the fiscal year under review.

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

(Million yen)

	Previous fiscal year (from April 1, 2012 to March 31, 2013)	Fiscal year under review (from April 1, 2013 to March 31, 2014)
Salaries and allowances	765	648
Provision for bonuses	52	35
Retirement benefit expenses	67	67
Research and development expenses	1,346	1,397
Depreciation	18	16
Provision of allowance for doubtful accounts	--	37
Provision for product warranties	140	155

(Securities)

Previous fiscal year (As of March 31, 2013)

Shares in subsidiaries (whose balance sheet amount is 120 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, 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.

(Deferred Tax Accounting)

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

	Previous fiscal year (As of March 31, 2013)	(Million yen) Fiscal year under review (As of March 31, 2014)
Deferred tax assets		
Allowance for doubtful accounts	94	66
Reserve for bonus payment	60	57
Reserve for retirement benefits	263	--
Net defined benefit liability	--	266
Reserve for product warranties	53	55
Loss on devaluation of investment securities	142	142
Loss on devaluation of stocks of subsidiaries and affiliates	8	8
Loss on devaluation of inventories	140	14
Impairment loss	56	56
Accrued enterprise taxes	57	96
Stock-based compensation expense	129	155
Additional amount relating to transfer of shares	--	996
Other	79	96
Deferred tax assets subtotal	1,086	2,012
Valuation reserve	-411	-1,392
Deferred tax assets total	674	620
Deferred tax liabilities		
Unrealized gains on marketable securities	-564	-616
Deferred tax liabilities total	-564	-616
Net deferred tax assets (liabilities)	109	3

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, 2013)	Fiscal year under review (As of March 31, 2014)
Legally effective tax rate	38.0%	38.0%
(Adjustments)		
Experiment and research expenses	-0.8%	-6.3%
Foreign withholding tax	5.7%	2.3%
Tax sparing	--	-7.5%
Items permanently excluded from nontaxable expenses, including entertainment costs	0.1%	4.0%
Items permanently excluded from gross revenue including dividends received	-20.4%	-2.7%
Increase (decrease) in valuation reserve	1.1%	-1.3%
Change of tax rate	0.2%	2.2%
Tax refund	--	-11.2%
Non-qualified contribution in-kind	1.1%	88.3%
Other	0.1%	0.1%
Actual effective tax rate after applying tax effect accounting	24.0%	105.9%

3. Revision of amount of deferred tax assets and deferred tax liabilities as a result of tax rate change

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014) was passed on March 31, 2014, as a result of which the Company is no longer subject to the special corporation tax for reconstruction effective the fiscal year starting on or after April 1, 2014. In conjunction with this, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities in respect of the temporary differences expected to be reversed in the fiscal year that started on April 1, 2014 is changed from the previous 38.0% to 35.6%.

As a consequence of this tax rate change, the amount of deferred tax assets decreased by 26 million yen, and income taxes-deferred increased by the same amount.

(Business Combination)

Notes are omitted as information is stated in the Business Combination section of the Notes to the Consolidated Financial Statements.

(Important post-balance sheet events)

Resolution on stock option

The company resolved to issue subscription rights to shares at the 111th annual shareholders meeting and at the Board of Directors meeting, held on June 20, 2014 respectively.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 18. Stock options based on a resolution at the annual shareholders meeting held on June 20, 2014.

(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	2,960	4	1	164	2,799	3,948
Structures	101	3	--	16	88	383
Machinery and equipment	845	37	311	159	412	5,492
Vehicles	6	--	--	2	4	34
Tools, furniture and fixtures	191	115	0	129	177	734
Land	568	--	3	--	564	--
Leased assets	8	24	--	7	25	22
Total tangible fixed assets	4,683	186	316	479	4,073	10,616
Intangible fixed assets						
Software	59	13	--	24	49	87
Telephone subscription rights	10	--	--	--	10	--
Leased assets	6	5	--	4	6	15
Total intangible fixed assets	75	19	--	28	66	102

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

Tools, furniture and fixtures Nagaoka factory Machine tool manufacturing tools, etc. 113 Million yen

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

Machinery and equipment Nagaoka factory removed to subsidiary 301 Million yen

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	255	187	255	187
Reserve for product warranties	158	162	158	162
Reserve for bonus payment	140	155	140	155

(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
110th fiscal year (from April 1, 2012 to March 31, 2013) Submitted to the director general of the Kanto Finance Bureau on June 24, 2013
- (2) Internal control report and its attached documents
Submitted to the director general of the Kanto Finance Bureau on June 24, 2013
- (3) Quarterly reports and confirmation documents
1st quarter of the 111th fiscal year (from April 1, 2013 to June 30, 2013) Submitted to the director general of the Kanto Finance Bureau on August 9, 2013
2nd quarter of the 111th fiscal year (from July 1, 2013 to September 30, 2013) Submitted to the director general of the Kanto Finance Bureau on November 14, 2013
3rd quarter of the 111th fiscal year (from October 1, 2013 to December 31, 2013) Submitted to the director general of the Kanto Finance Bureau on February 13, 2014
- (4) Extraordinary report
Submitted to the director general of the Kanto Finance Bureau on June 25, 2013
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 25, 2013
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, 2013
A reissued report relating to the extraordinary report (Issuing of Subscription rights to shares) submitted on June 25, 2013
- (6) Report on state of purchase of treasury stock
Reporting period (from August 9, 2013 to August 31, 2013) Submitted to Director General of Kanto Finance Bureau on September 12, 2013
Reporting period (from September 1, 2013 to September 30, 2013) Submitted to Director General of Kanto Finance Bureau on October 11, 2013
Reporting period (from October 1, 2013 to October 31, 2013) Submitted to Director General of Kanto Finance Bureau on November 14, 2013
Reporting period (from November 1, 2013 to November 30, 2013) Submitted to Director General of Kanto Finance Bureau on December 12, 2013
Reporting period (from December 1, 2013 to December 31, 2013) Submitted to Director General of Kanto Finance Bureau on January 14, 2014
Reporting period (from January 1, 2014 to January 31, 2014) Submitted to Director General of Kanto Finance Bureau on February 13, 2014
Reporting period (from February 1, 2014 to February 28, 2014) Submitted to Director General of Kanto Finance Bureau on March 13, 2014
Reporting period (from March 1, 2014 to March 31, 2014) Submitted to Director General of Kanto Finance Bureau on April 14, 2014
Reporting period (from April 1, 2014 to April 30, 2014) Submitted to Director General of Kanto Finance Bureau on May 14, 2014
Reporting period (from May 1, 2014 to May 31, 2014) Submitted to Director General of Kanto Finance Bureau on June 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 20, 2014

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, 2013 to March 31, 2014, 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, 2014 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, 2014 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, 2014 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 20, 2014

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 111th fiscal year from April 1, 2013 to March 31, 2014.

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, 2014 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.