

# Annual Securities Report

From April 1, 2011 to March 31, 2012

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 18, 2012
Fiscal year	The 109th term (from April 1, 2011 to March 31, 2012)
Corporate name	Tsugami Corporation
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Telephone number	+81-3-3808-1711 (key number)
Contact person	Yoshihiro Miura, Director, COO, Administration Division
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

Fiscal term	105 <sup>th</sup> term	106 <sup>th</sup> term	107 <sup>th</sup> term	108 <sup>th</sup> term	109 <sup>th</sup> term
Closing month and year	March 2008	March 2009	March 2010	March 2011	March 2012
(1) Consolidated financial data					
Net sales (million yen)	28,495	22,687	15,598	35,932	35,739
Ordinary income (loss) (million yen)	2,756	626	-117	3,504	3,875
Net income (loss) (million yen)	1,629	-873	-244	2,837	2,281
Comprehensive income (million yen)	--	--	--	3,378	2,503
Net assets (million yen)	21,916	19,718	19,882	22,122	27,717
Total assets (million yen)	32,732	25,703	31,147	35,860	50,757
Net assets per share (yen)	319.50	289.07	294.29	331.39	372.21
Net income (loss) per share (yen)	23.03	-12.88	-3.65	42.72	33.88
Net income per share after residual equity adjustment (yen)	22.86	--	--	41.92	33.43
Capital adequacy ratio (%)	66.3	76.0	63.2	60.9	53.9
Earnings on equity (%)	7.24	--	--	13.67	9.27
Price-earnings ratio (times)	14.50	--	--	13.58	27.83
Cash flows from operating activities (million yen)	3,946	439	2,299	2,295	499
Cash flows from investing activities (million yen)	-1,394	-1,803	-1,358	-1,599	-1,915
Cash flows from financing activities (million yen)	-2,696	1,210	-268	-437	2,608
Cash and cash equivalents at the end of the term (million yen)	3,352	3,188	3,842	4,061	5,264
Number of employees (Average number of temporary employees in addition to the above)	591 (464)	580 (404)	570 (182)	899 (192)	1,733 (179)

Fiscal term	105 <sup>th</sup> term	106 <sup>th</sup> term	107 <sup>th</sup> term	108 <sup>th</sup> term	109 <sup>th</sup> term
Closing month and year	March 2008	March 2009	March 2010	March 2011	March 2012
(2) Financial data of the submitting company					
Net sales (million yen)	27,962	22,043	14,818	35,146	37,382
Ordinary income (loss) (million yen)	2,564	625	-393	2,867	3,403
Net income (loss) (million yen)	1,544	-540	-408	2,426	1,916
Capital (million yen)	10,599	10,599	10,599	10,599	12,345
(Number of shares issued) (thousand shares)	(68,019)	(68,019)	(68,019)	(68,019)	(74,919)
Net assets (million yen)	21,137	19,277	19,319	21,241	26,367
Total assets (million yen)	32,031	25,425	29,771	34,091	45,942
Net assets per share (yen)	308.02	282.55	285.88	318.02	353.86
Dividend per share	10.00	10.00	5.00	10.00	10.00
(Of which, interim dividend per share) (yen)	(5.00)	(5.00)	(0.00)	(5.00)	(5.00)
Net income (loss) per share (yen)	21.82	-7.98	-6.09	36.53	28.47
Net income per share after residual equity adjustment (yen)	21.66	--	--	35.85	28.09
Capital adequacy ratio (%)	65.3	75.1	64.2	61.5	56.6
Earnings on equity (%)	7.09	--	--	12.11	8.16
Price-earnings ratio (times)	15.31	--	--	15.88	33.12
Dividend payout ratio (%)	45.83	--	--	27.4	35.1
Number of employees (Average number of temporary employees in addition to the above)	412 (244)	523 (190)	517 (47)	511 (177)	475 (163)

- (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 in the 106th and 107th term, net income per share after residual equity adjustment in the consolidated financial data and the financial data of the submitting company has no value, although there were residual securities.
3. Since net losses were posted in the 106th and 107th term, earnings on equity and the price-earnings ratio in the consolidated financial data and the financial data of the submitting company have no value.
4. Since net losses were posted in the 106th and 107th term, 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 in the consolidated fiscal year under review. The net income per share after residual equity adjustment for the previous consolidated fiscal year 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 Machinery 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 Machinery Co., Ltd. merged. The corporate name of the new company is Tsugami Machinery 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.

### 3. Businesses

The Group consists of TSUGAMI Corporation (“the Company”), nine subsidiaries (of which four 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 and China:

##### (i) Japan

The Company manufactures and sells machine tools, measurement instruments, and other tools. Products are sold also by TSUGAMI Machinery Co., Ltd. and TSUGAMI Precision Co., Ltd., subsidiaries. The Company purchases certain parts and products from subsidiaries TSUGAMI Precision Co., Ltd. and Precision TSUGAMI (China) Corporation.

##### (ii) China

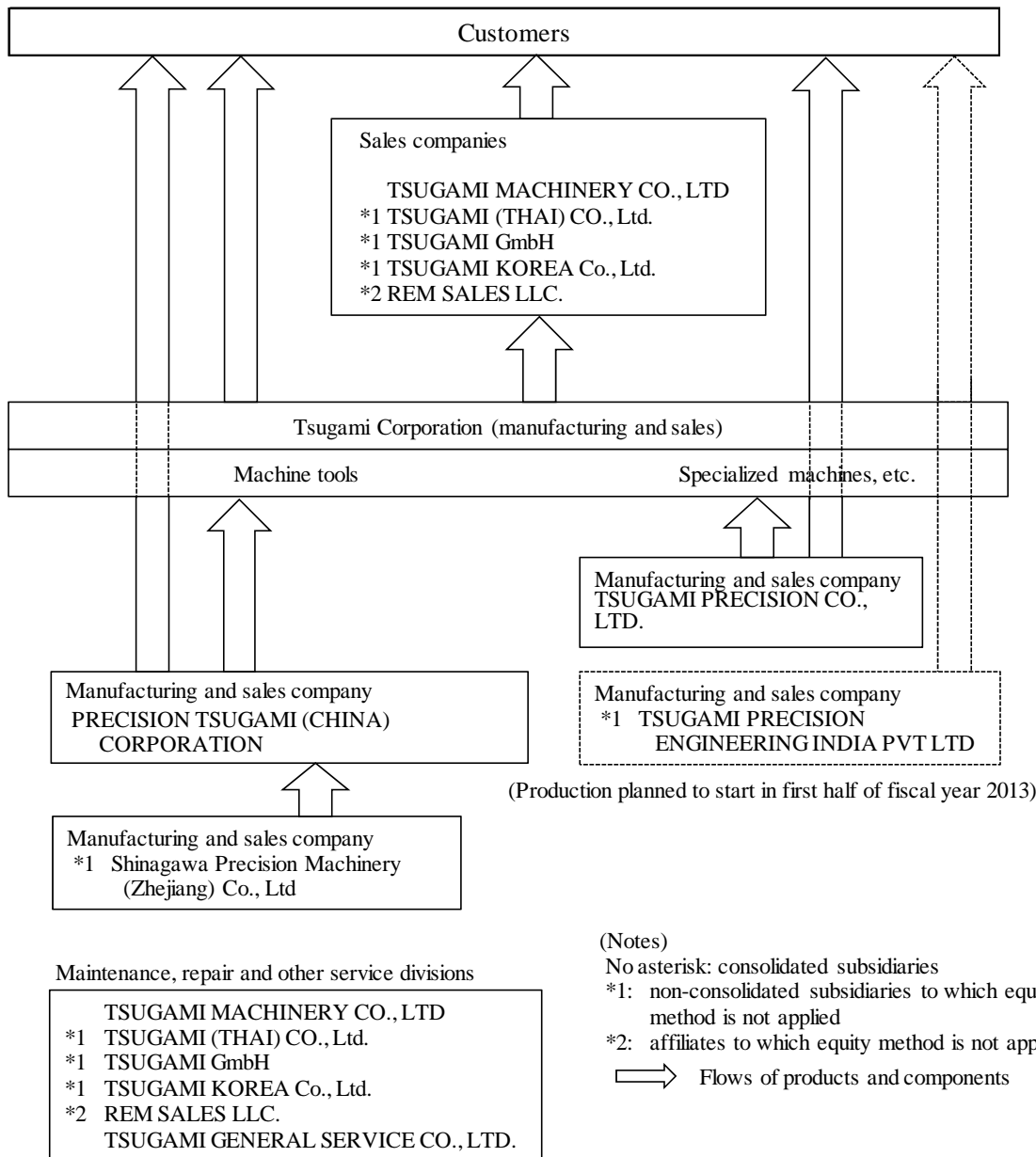
Precision TSUGAMI (China) Corporation manufactures and sells machine tools. It also purchases certain parts from the Company (in Japan) and Shinagawa Precision Machinery (Zhejiang) Co., Ltd. (in China), and sells products to the Company.

TSUGAMI (Thai) Co., Ltd., TSUGAMI GmbH, and TSUGAMI Korea Co., 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 Machinery 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, and non-life insurance agency operations in Japan.	100	Checks and maintains buildings and equipment on the premises of plants; carries out the agency of nonlife insurance. There are interlocking officers.
Tsugami Precision Co., Ltd.	Chuo-ku, Tokyo	10 million yen	Manufacturing and sales of machine tools, measuring equipment and prototype standard in Japan.	100	Processes, assembles, and sells products of the Company. There are interlocking officers.
Precision Tsugami (China) Corporation (Note 1, 2)	Zhejiang, China	258 million yuan	Manufacturing and sales of machine tools in China.	100	Processes, assembles, and sells products of the Company. There are interlocking officers.

(Note) 1. Precision Tsugami (China) Corporation is a specified subsidiary.

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	12,118 million yen
(2) Ordinary income	620 million yen
(3) Net income	444 million yen
(4) Net assets	4,798 million yen
(5) Total assets	16,985 million yen

## 5. Employees

### (1) Group employees

As of March 31, 2012

Business segment	Number of employees	
Japan	524	(179)
China	1,209	(--)
Total	1,733	(179)

(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 834 from the end of the previous fiscal year 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, 2012

Number of employees	Average age	Average service years	Average annual salary (thousand yen)
475 (163)	42.9	17.8	5,605

(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 (10 employees) are included. Workers on loan from the Company to other companies (85 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 321.

Labor-management relations are good.

## Section 2. Business Situation

### 1. Overview of operating results

#### (1) Operating results

During the consolidated fiscal year under review, production activities in Japan, which had declined after the Great East Japan Earthquake, began to recover. However, the economy continued to face a challenging situation, reflecting the prolonged strength of the yen, a slowdown in the Chinese economy, which had been supported exports from Japan, and the effect of economic instability in Europe and the United States.

In the machine tool industry, demand from abroad grew, especially from China and other emerging countries in Asia, and there were signs of a recovery in domestic demand. Nonetheless, future uncertainty remained given the persistent economic insecurity.

In this environment, Tsugami Corporation (the “Company”) and its affiliates (the “Group”) launched new products and raised the local content ratio, thereby reducing costs, to deal with the prolonged strength of the yen and make the Group’s products more price competitive. Meanwhile, the Group raised production at Chinese factories in preparation for entering the smartphone market, which took place in the third quarter. The market entry and orders for products for the reconstruction from the flood in Thailand contributed to sales in the late fourth quarter.

To increase the capacity of the Chinese factories and to secure funds for a strong balance sheet, the Group increased capital through a public offering and a third-party allotment in the fourth quarter.

Consolidated net sales for the fiscal year under review decreased 0.5% year on year, to 35,739 million yen.

Consolidated net sales in Japan increased 15.7% year on year, to 11,035 million yen. Consolidated exports decreased 6.4% year on year, to 24,703 million yen. The export ratio decreased from 73.4% for the previous fiscal year, to 69.1%.

Consolidated operating income stood at 4,086 million yen (compared with 3,732 million yen for the previous fiscal year). The Group posted consolidated ordinary income of 3,875 million yen (3,504 million yen for the previous fiscal year) and consolidated net income of 2,281 million yen (2,837 million yen for the previous fiscal year) for the fiscal year under review.

Operating results by business segment are as follows:

- (i) In Japan, net sales stood at 37,647 million yen, up 6.5 % year on year. Operating income was 4,307 million yen.
- (ii) In China, net sales were 11,977 million yen, up 20.6 % year on year. Operating income was 802 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, 2011 to March 31, 2012) (million yen)	Year on year (%)
Japan	37,847	95.2
China	9,577	127.8
Total	47,425	100.4

(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.

### (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, 2011 to March 31, 2012) (million yen)	Year on year (%)
Japan	26,161	92.0
China	9,577	127.8
Total	35,739	99.5

(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, 2010 to March 31, 2011)		Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Keiaisha Co., Ltd.	4,544	12.7	1,818	5.1

3. 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 847 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 B026/32-II CNC high-precision automatic lathe, the FTG18TL CNC high-precision grinding machine and the VA1 vertical machining center.

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

### (1) Analysis relating to the consolidated financial position

#### (Current assets)

Current assets at the end of the fiscal year under review rose 13,529 million yen, to 37,108 million yen (23,578 million yen at the end of the previous fiscal year), primarily reflecting an increase of 1,203 million yen in cash and deposits, of 2,807 million yen in trade notes and accounts receivable and of 8,089 million yen in inventories toward the increase in sales to the smartphone market.

#### (Fixed assets)

Fixed assets at the end of the fiscal year under review increased 1,353 million yen, to 13,616 million yen (12,263 million yen at the end of the previous fiscal year). The primary reason for the increase was a 666 million yen rise in construction in progress and 471 million yen in investments in affiliates.

#### (Current liabilities)

Current liabilities at the end of the fiscal year under review climbed 9,705 million yen, to 21,476 million yen (11,771 million yen at the end of the previous fiscal year), mainly attributable to a 8,492 million yen increase in trade notes and accounts payable and a 1,039 million yen rise in accrued income tax.

#### (Long-term liabilities)

Long-term liabilities at the end of the fiscal year under review declined 403 million yen, to 1,563 million yen (1,966 million yen at the end of the previous fiscal year) primarily because of a decrease in corporate bonds of 300 million yen and decrease in deferred tax liabilities of 59 million yen.

#### (Net assets)

Net assets at the end of the fiscal year under review climbed 5,594 million yen, to 27,717 million yen (net assets of 22,122 million yen for the previous fiscal year), primarily reflecting a 1,745 million yen increase in common stocks and a 1,726 million yen increase in capital surplus for issuance of new shares, and a 1,572 million yen increase in retained earnings.

### (2) Analysis of cash flows

#### (Cash flows)

Cash and cash equivalents rose by 1,203 million yen from the end of the previous consolidated fiscal year, to 5,264 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 by operating activities was 499 million yen (2,295 million yen generated for the previous fiscal year). The result mainly reflected net income before taxes and other adjustments of 3,738 million yen, depreciation and amortization expenses of 760 million yen and an increase in trade notes and accounts payable of 8,410 million yen. These factors offset a decrease in cash, reflecting an increase in trade notes and accounts receivable of 2,745 million yen, and increase in inventories of 8,123 million yen.

#### (Cash flows from investing activities)

Cash used for investing activities was 1,915 million yen (1,599 million yen used for the previous fiscal year). Key factors in this result included expenditure for the acquisition of tangible fixed assets of 1,450 million yen and payment for investment (in the establishment of production company in India) of 467 million yen.

#### (Cash flows from financing activities)

Cash generated by financing activities was 2,608 million yen (437 million yen used for the previous fiscal year). The cash inflow resulted mainly from increase in cash, increasing proceeds from issuance of common stocks of 3,469 million yen, which offset cash decreases from factors including redemptions of corporate bonds of 300 million yen and dividends paid of 661 million yen.



(3) Analysis relating to consolidated operating results

Net sales in the fiscal year under review stood at 35,739 million yen, (down0.5% year on year). Operating income was 4,086 million yen (3,732 million yen at the end of the previous fiscal year). A net income was 2,281 million yen (2,837 million yen at the end of the previous fiscal year).

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

### Section 3. Facilities

#### 1. Overview of capital investment

Capital expenditures of the Group were 1,571 million yen.

Capital expenditures by business segment are as follows:

Capital expenditures in Japan were 262 million yen, which was allocated primarily to production facilities at Nagaoka and Shinshu factories of the Company.

Capital expenditures in China were 1,340 million yen, which was allocated primarily to production facilities at Precision Tsugami (China) Corporation, a subsidiary.

The Group's own funds was appropriated for the capital expenditures.

#### 2. Major facilities

The table below shows major facilities of the Group.

##### (1) Submitting company

As of March 31, 2012

Factory (location)	Business segment	Facilities	Book value (million yen)						Number of employees
			Buildings	Machinery and equipment	Land (m <sup>2</sup> )	Leased assets	Other	Total	
Nagaoka factory (Nagaoka-shi, Niigata)	Japan	Equipment for producing machine tools	1,923	605	232 (71,339)	9	248	3,019	381 (143)
Shinshu factory (Saku-shi, Nagano)	Japan	Equipment for producing machine tools	559	77	22 (64,685)	2	19	681	21 (--)
Niigata factory (Niigata-shi, Niigata)	Japan	Equipment for producing machine tools	56	1	164 (18,245)	--	7	230	--
Other (Kawasaki-ku, Kawasaki-shi, Kanagawa)	Japan	Apartments for unmarried employees	150	--	91 (469)	--	0	242	--

##### (2) Overseas subsidiary

As of March 31, 2012

Corporate name	Factory (location)	Business segment	Facilities	Book value (million yen)						Number of employees
				Buildings	Machinery and equipment	Land (m <sup>2</sup> )	Leased assets	Other	Total	
Precision Tsugami (China) Corporation	China factory (Zhejiang, China)	China	Equipment for producing machine tools	555	1,477	-- (--)	--	67	2,100	1,209 (--)

(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. 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	570	--	Self-financing	April 2012	March 2013
Niigata factory of the Company	Niigata-shi, Niigata	Japan	Factory building	308	--	Self-financing	February 2012	June 2012
Precision Tsugami (China) Corporation	Zhejiang, China	China	Buildings, machinery and equipment	550	--	Self-financing	April 2012	March 2013

## 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, 2012)	Number of shares issued on the date of the submission of the report (June 18, 2012)	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, 2012 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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription rights to shares	71	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	71,000	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 Company Law.

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

	At end of fiscal year under review (March 31, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription rights to shares	25	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	25,000	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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription right to shares	54	48
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	54,000	48,000
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription right to shares	43	41
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	41,000
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription right to shares	298	298
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	298,000	298,000
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription right to shares	87	87
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	87,000	87,000
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription right to shares	68	61
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	68,000	61,000
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
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)	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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription right to shares	149	149
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	149,000	149,000
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, 2012)	At end of month preceding date of submission of the report (May 31, 2012)
Number of subscription right to shares	100	94
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	100,000	94,000
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	--	--

(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.

- 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)
March 24, 2008 (Note 1)	-11,000,000	68,019,379	--	10,599	--	4,138
February 1, 2012 (Note 2)	6,000,000	74,019,379	1,518	12,117	1,518	5,656
February 22, 2012 (Note 2)	900,000	74,919,379	227	12,345	227	5,884

(Note) 1. The decreases were because of retirement of treasury stock.

2. Public offering: 6,000 thousand shares

Issue price: 528 yen

Amount to be paid: 506 yen

Amount incorporated into capital: 253 yen

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, 2012

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	--	43	38	141	86	9	7,235	7,552	--
Number of shares held (unit)	--	25,322	2,185	5,848	19,695	34	21,386	74,470	449,379
Holdings (%)	--	34.0	2.9	7.9	26.5	0.1	28.7	100.0	--

(Note) 1. Treasury stock (1,382,906 shares) includes 1,382 units in the individuals and others category and 906 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, 2012

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	7,569	10.10
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
Morgan Stanley and Company LLC Standing agency: Morgan Stanley MUFG, Ltd.	1585 BROADWAY NEW YORK, NEW YORK 10036, U.S.A (Yebisu Garden Place Tower, 4-20-3 Ebisu, Shibuya-ku)	3,188	4.25
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	2,940	3.92
The Dai-ichi Life Insurance Company, Limited	1-8-12, Harumi, Chuo-ku, Tokyo	2,424	3.23
SSBT OD05 OMNIBUS ACCOUNT - TREATY CLIENTS Standing agency: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo Branch	338 PITT STREET SYDNEY NSW 2000 AUSTRALIA (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	2,348	3.13
Mori Seiki Co., Ltd.	106, Kitakoriyama-cho, Yamatokoriyama-shi, Nara	2,200	2.93
Goldman Sachs International Standing agency: Goldman Sachs Japan Co., Ltd.	Peterborough Court, 133 Fleet Street, London EC4A 2BB UK (6-10-1, Roppongi, Minato-ku, Tokyo)	2,023	2.70
Nomura International plc A/C Japan Flow Standing agency: Nomura Securities Co., Ltd.	1 ANGEL LANE, LONDON, EC4R 3AB, UNITED KINGDOM (1-9-1, Nihonbashi, Chuo-ku, Tokyo)	1,704	2.27
Sumitomo Mitsui Banking Corporation	1-1-2, Yurakucho, Chiyoda-ku, Tokyo	1,516	2.02
Total	--	30,505	40.71

- (Note) 1. All shares held by Japan Trustee Services Bank, Ltd. relate to the trust service.  
2. All shares held by Mizuho Trust & Banking Co., Ltd. relate to the trust service.  
3. All shares held by The Master Trust Bank of Japan, Ltd. relate to the trust service.  
4. The number of shares held by The Dai-ichi Life Insurance Company, Limited 230 thousand shares in separate pension accounts and 94 thousand shares in separate variable accounts.  
5. Cavalry Management Group, LCC have sent the Company a copy of a large holding report dated June 15, 2011. According to the copy, they held the shares shown in the table below as of June 10, 2011. 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 (%)
Cavalry Management Group, LCC	2711 Centerville Road, Suite 400 in the city of Wilmington, Delaware, United States of America	Shares 2,884,700	4.24

6. Joho Capital, L.C.C. sent the Company a copy of a change report relating to a large holding report on December 30, 2011. According to the copy, they held the numbers of shares shown in the table below as of November 30, 2011. 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 (%)
Joho Capital, L.C.C	Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware.	Shares 2,753,000	4.05

7. DIAM Co., Ltd. and its joint holder (DIAM International Ltd) sent the Company a copy of a change report relating to a large holding report on February 2, 2012. According to the copy, they held the numbers of shares shown in the table below as of January 31, 2012. 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 (%)
DIAM Co., Ltd.	3-3-1Marunouchi, Chiyoda-ku, Tokyo	Shares 3,660,000	5.38
DIAM International Ltd	One Friday Street, London, EC4M, 9JA U.K.	Shares 401,000	0.59

8. Credit Suisse Securities (Europe) Limited and its joint holders (Credit Suisse Securities (Japan) Limited, Credit Suisse Securities (USA) LLC and Credit Suisse (Hong Kong) Limited) sent the Company a copy of a change report relating to a large holding report on February 22, 2012. According to the copy, they held the numbers of shares shown in the table below as of February 15, 2012. 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 (%)
Credit Suisse Securities (Europe) Limited	One Cabot Square, London E14 4QJ Registered in England	Shares 1,533,524	2.07
Credit Suisse Securities (Japan) Limited	Izumi Garden Tower 6-1, Roppongi 1-Chome Minato-ku Tokyo	Shares 176,736	0.24
Credit Suisse (Hong Kong) Limited	6th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong	Shares 106,000	0.14

9. 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 large holding report dated March 23, 2012. According to the copy, they held the shares shown in the table below as of March 15, 2012. 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 259,473	0.35
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	Shares 3,182,811	4.25
Nomura Asset Management Co., Ltd.	1-12-1, Nihonbashi, Chuo-ku, Tokyo	Shares 283,000	0.38

10. Goldman Sachs Japan Co., Ltd. and its joint holders (Goldman Sachs International and Goldman Sachs & Co.) have sent the Company a copy of a large holding report dated April 5, 2012. According to the copy, they held the shares shown in the table below as of March 30, 2012. 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 (%)
Goldman Sachs Japan Co., Ltd.	Roppongi Hills Mori Tower 6- 10-1 Roppongi, Minato-ku Tokyo	Shares 557,000	0.74
Goldman Sachs International	Peterborough Court, 133 Fleet Street, London EC4A 2BB UK	Shares 961,000	1.28
Goldman Sachs & Co.	200 West Street, New York, New York 10282, U.S.A	Shares 326,000	0.44

(8) Voting rights

(i) Shares issued

As of March 31, 2012

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 1,382,000	--	--
Shares with complete voting rights (other shares)	Common shares 73,088,000	73,088	--
Fractional shares	Common shares 449,379	--	--
Total number of shares issued	74,919,379	--	--
Number of voting rights of all shareholders	--	73,088	--

(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, 2012

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	1,382,000	--	1,382,000	1.84
Total	--	1,382,000	--	1,382,000	1.84



(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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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 Company Law.

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	--

(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 Company Law, 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.

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

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 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 Company Law.

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 Company Law.

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	--

## 2. Acquisition of treasury stock

Type of stock The acquisition of common shares under Article 155, Item 7 of the Company Law

### (1) Acquisition based on resolutions at the shareholders meeting

Not applicable.

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

Not applicable.

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

Classification	Number of shares	Total value (yen)
Treasury stock acquired in the fiscal year under review	5,226	2,574,496
Treasury stock acquired in the current fiscal year	1,880	1,714,003

(Note) The treasury stock acquired in the current fiscal year does not include fractional shares repurchased from June 1, 2012 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)	763,000	274,839,000	38,000	13,718,000
Treasury stock held	1,382,906	--	1,346,586	--

(Note) 1. Exercise of subscription rights to shares (763,000 shares, disposal of 274,839,000 yen) in the fiscal year under review.

Exercise of subscription rights to shares (38,000 shares, disposal of 13,718,000 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, 2012 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, 2012 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, 2012, the Company has decided to pay an annual dividend of 10 yen per share according to its initial plan, including interim dividend of 5 yen per share and a year-end dividend of 5 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 Company Law. For the fiscal year ending March 31, 2013 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 14, 2011	331	5.00
Resolution of Board of Directors on May 10, 2012	367	5.00

### 4. Trends in Stock Prices

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

Fiscal term	105 <sup>th</sup> term	106 <sup>th</sup> term	107 <sup>th</sup> term	108 <sup>th</sup> term	109 <sup>th</sup> term
Closing month and year	March 2008	March 2009	March 2010	March 2011	March 2012
Highest (yen)	700	424	662	788	990
Lowest (yen)	276	126	143	409	259

(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 2011	November	December	January 2012	February	March
Highest (yen)	467	535	560	586	633	990
Lowest (yen)	259	421	446	492	521	635

(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)
Director Chairman and CEO (Representative Director)		Takao Nishijima	December 14, 1947	<p>May 1970 Joined the Fuji Bank, Limited. (now Mizuho Bank, Ltd.)</p> <p>Feb. 1999 Deputy General Manager of the Sales Division of Tokyo Seimitsu Co., Ltd.</p> <p>May 1999 General Manager of the Sales Development Division of the Company and Managing Director of Tsugami Kohan Co., Ltd.</p> <p>Jun. 2000 Director and General Manager of the Sales Development Division, Control Headquarters</p> <p>Apr. 2003 Representative Director, Chairman and CEO</p> <p>Apr. 2006 Representative Director, Chairman and CEO</p> <p>Apr. 2012 Representative Director, Chairman and CEO (current positions)</p>	(Note 3)	10
Representative Director, COO (Representative Director)	COO, Manufacturing	Kiyoshi Tauchi	April 24, 1951	<p>Mar. 1970 Joined the Company</p> <p>Apr. 2005 Executive Officer and Leader of the Parts Manufacture Group of the Production Headquarters of the Company</p> <p>Apr. 2008 Executive Officer and General Manager of the Quality Assurance Division of the Company</p> <p>Apr. 2009 Managing Executive Officer and General Manager of the Manufacturing Planning Division of the Company</p> <p>Oct. 2010 Senior Executive Officer(Production)</p> <p>Apr. 2011 Senior Executive Officer, General Manager of the Production Division</p> <p>Jun. 2011 Director, Senior Executive Officer and General Manager of the Production Division</p> <p>Apr. 2012 Representative Director, COO, Manufacturing (current positions)</p>	(Note 3)	13
Representative Director, COO (Representative Director)	COO, Plant Manager	Toshiharu Nijjima	November 14, 1954	<p>Nov.1979 Joined the Company</p> <p>Oct. 2003 Leader of the Automatic Lathe Group, Technology Headquarters</p> <p>Apr. 2005 Executive Officer and Deputy General Manager of the Technology Headquarters</p> <p>Jul. 2005 Executive Officer and Acting General Manager of the Technology Headquarters</p> <p>Apr. 2006 Managing Executive Officer and General Manager of the Technology Headquarters</p> <p>Apr. 2008 Managing Executive Officer, General Manager of the Technology Headquarters and Deputy General Manager of the Production Headquarters</p> <p>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</p> <p>Apr. 2009 Senior Executive Officer and General Manager of the Nagaoka Factory</p> <p>Jun. 2009 Representative Director, Senior Executive Officer and General Manager of the Nagaoka Factory</p> <p>Apr. 2012 Representative Director, COO, Plant Manager (current positions)</p>	(Note 3)	14

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Director, COO	COO, Administration	Yoshihiro Miura	December 20, 1956	Apr. 1979 Joined the Fuji Bank, Limited. (now Mizuho Bank, Ltd.) Apr. 2005 General Manager of the Umeda Branch of Mizuho Bank, Ltd. Apr. 2008 Executive Officer and General Manager of the Branch Banking Division of Mizuho Bank, Ltd. Jun. 2009 Managing Executive Officer of Mizuho Bank, Ltd. Apr. 2011 Senior Advisor of the Company May 2011 Senior Executive Officer, General Manager of the Administration Division Jun. 2011 Director, Senior Executive Officer and General Manager of the Administration Division Apr. 2012 Director, COO, Administration (current positions)	(Note 3)	--
Director Senior Executive Officer	Overseas division, President of TSUGAMI KOREA Co., Ltd.	Byun Jae-Hyun	July 10, 1956	Oct. 1982 General Manager of the Import Business Division of Samsung C&T Corporation Jul. 2000 CEO of DI Corporation Jan. 2007 Vice President of Exicon Co., Ltd. Jan. 2010 President of TSUGAMI KOREA Co., Ltd. Apr. 2012 Senior Executive Officer, Overseas division, President of TSUGAMI KOREA Co., Ltd. Jun. 2012 Director, Senior Executive Officer, Overseas division, President of TSUGAMI KOREA Co., Ltd. (current positions)	(Note 3)	--
Director Senior Executive Officer	President of PRECISION TSUGAMI (CHINA) CORPORATION	Donglei TANG	November 27, 1962	Jul. 1992 Joined Tokyo Seimitsu Co., Ltd. Nov. 2005 Administration Officer and General Manager of China Office of the Company, and President of PRECISION TSUGAMI (CHINA) CORPORATION Apr. 2009 Executive Officer and Manager of Shanghai Office of the Company, and President of PRECISION TSUGAMI (CHINA) CORPORATION Apr. 2010 Managing Executive Officer in charge of China operations and Vice Chairman and President of PRECISION TSUGAMI (CHINA) CORPORATION Jun. 2010 Director, Managing Executive Officer in Charge of China Operations of the Company, and Vice Chairman and CEO of PRECISION TSUGAMI (CHINA) CORPORATION Apr. 2012 Director, Senior Executive Officer, President of PRECISION TSUGAMI (CHINA) CORPORATION (current positions)	(Note 3)	--
Director		Takeo Nakagawa	October 12, 1938	May 1999 Professor Emeritus at the University of Tokyo (current post) Oct. 2000 CEO of Fine Tech Corporation (current positions) Jun. 2007 Auditor at FANUC LTD. (current position) Jun. 2008 Director of the Company (current position)	(Note 3)	20
Director		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 (current position)	(Note 3)	--
Director		Kunio Shimada	August 16, 1959	Apr. 1986 Registered as an attorney(current position) Attorney with Iwata Godo Attorneys and Counsellors at Law Oct. 1991 Registered as an attorney in New York State Jun. 2000 Managing Director of Mizuho Servicing Co., Ltd. (current position) Jul. 2010 Representative partner at Shimada Hamba&Osajima (current position) Jun. 2011 Director of the Company (current position)	(Note 3)	--

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Standing Statutory Auditor		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. 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 (current position)	(Note 4)	10
Statutory Auditor		Yoshifumi Miyata	October 19, 1952	Apr. 1976 Joined the Daiichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Company, Limited) Apr. 2001 General Manager of the Capital Market Department of the Daiichi Mutual Life Insurance Company Apr. 2003 General Manager of the Structured Investment Department of the Daiichi Mutual Life Insurance Company Apr. 2005 General Manager of the Finance Department of the Daiichi Mutual Life Insurance Company Apr. 2006 Executive Officer and General Manager of the Integrated Financial Institution Relations Department of the Daiichi Mutual Life Insurance Company Apr. 2008 Executive Officer of the Daiichi Mutual Life Insurance Company Apr. 2009 Managing Executive Officer of the Daiichi Mutual Life Insurance Company Apr. 2010 Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited Jun. 2010 Statutory Auditor of the Company (current position) Apr. 2012 Deputy President of Trust & Custody Services Bank, Ltd (current position)	(Note 5)	--
Statutory Auditor		Hiroaki Tamai	March 20, 1960	Mar. 1983 Joined Mori Seiki Co., Ltd. Mar. 1998 Deputy General Manager of Planning of Mori Seiki Co., Ltd. Jun. 2000 General Manager of Planning and General Affairs of Mori Seiki Co., Ltd. Jun. 2002 General Manager of the Administrative Headquarters of Mori Seiki Co., Ltd. Jun. 2003 Director and General Manager of the Administrative Headquarters of Mori Seiki Co., Ltd. Jun. 2007 Managing Director and General Manager of the Administrative Headquarters of Mori Seiki Co., Ltd. Jun. 2008 Senior Executive Managing Director and General Manager of the Administrative Headquarters of Mori Seiki Co., Ltd. Jun. 2010 Statutory Auditor of the Company (current position) Sep. 2011 Senior Executive Managing Director and General Manager of Sales & Marketing HQ and Manager of Production Management・Production Technology, Engineering of Mori Seiki Co., Ltd. (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 4)	--
Total						67

- (Note) 1. Directors Takeo Nakagawa, Kenji Yamada and Kunio Shimada are outside directors stipulated in Article 2, Item 15 of the Company Law.
2. Statutory Auditors Yoshifumi Miyata, Hiroaki Tamai and Ryuichi Kimura are outside statutory auditors stipulated in Article 2, Item 16 of the Company Law.
3. One year from the closing of the annual shareholders meeting held on June 15, 2012
4. Four years from the closing of the annual shareholders meeting held on June 17, 2011
5. Four years from the closing of the annual shareholders meeting held on June 18, 2010
6. To prepare for any contingency involving statutory auditors, the Company appoints one reserve statutory auditor prescribed in Article 329, Paragraph 2 of the Company Law. The table below shows a career summary of the reserve statutory auditor.

Name	Date of birth	Career summary	Number of shares held (thousand shares)
Toshikazu Oyanagi	July 1, 1955	Apr. 1979      Joined the Hokuetsu Bank, Ltd. Apr. 2006      Manager of the Shibata Nishi Branch of the Hokuetsu Bank, Ltd. Apr. 2008      Manager of the Murakami Branch of Hokuetsu Bank, Ltd. Apr. 2010      Manager of the Tokyo Office of Hokuetsu Bank, Ltd. Apr. 2011      Senior Advisor of the Company May 2011      Senior Advisor, Manager, Administration Division Apr. 2012      Senior Executive Officer, General Affairs (current position)	--

## 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 four statutory auditors (including three outside statutory auditors) as of June 18, 2012.

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.

In addition to that, the Company has designated independent officers (three outside directors and two outside statutory auditors) as stipulated in the Securities Listing Regulations of the Tokyo Stock Exchange.

The Company believes that its existing governance system comprising two outside directors and three outside statutory auditors can adequately fulfill its function of monitoring management from outside. However, considering it is important for the Company, as a listed company, to have a supervisory function of more independent positions to protect the interests of shareholders, the Company has decided to increase the number of directors who are independent officers to enhance its governance function.

##### 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. 12 certified public accountants and seven 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 Kenji Yamada is the former Chairman & Chief Executive Officer of MODEC, Inc. There are no trading relationships between MODEC and the Company. Mr. Kenji Yamada is registered as an independent officer with the Tokyo Stock Exchange.

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 Yoshifumi Miyata retired from the position of Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited on March 31, 2012, which has 2.1 million shares in the Company. The Company has 387 shares in The Dai-ichi Life Insurance Company. The Company has concluded a corporate pension plan agreement with The Dai-ichi Life Insurance Company. Mr. Yoshifumi Miyata assumed office as a member of the Board of Directors at Trust & Custody Services Bank, Ltd. on April 1, 2012 and appointed as Deputy President of Trust & Custody Services Bank on June 18, 2012. There are no trading relationships between Trust & Custody Services Bank and the Company. Mr. Yoshifumi Miyata is registered as an independent officer with the Tokyo Stock Exchange.

Outside Statutory Auditor Hiroaki Tamai is a Senior Executive Managing Director and General Manager of Sales & Marketing HQ and Manager of Production Management・Production Technology, Engineering of Mori Seiki Co., Ltd., which has 2.2 million shares in the Company. The Company has 100,000 shares in Mori Seiki. Mr. Hiroaki Tamai 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) Remuneration for directors and statutory auditors

Officer classification	Total remuneration (million yen)	Breakdown of remuneration (million yen)				Number of officers
		Basic remuneration	Stock option	Bonus	Retirement benefit	
Director (excluding Outside Director)	203	157	45	--	--	8
Statutory Auditor (excluding Outside Auditor)	22	17	4	--	--	2
Outside officer	39	30	9	--	--	7

- (Note) 1. The above figures include two directors and one outside director who retired at the end of the 108th annual shareholders meeting held on June 17, 2011, one director who resigned on September 30, 2011, and one statutory auditor and one outside statutory auditor who resigned at the end of the 108th annual shareholders meeting held on June 17, 2011. With respect to the number of officers and the amount of compensation, as Director Mr. Toshio Honma assumed office as statutory auditor after resigning as director at the end of the 108th annual shareholders meeting, his term of office as director is included in those for directors and his term of office as statutory auditor is included in those for statutory auditors.
2. Total remuneration for directors does not include salaries for employees who are also directors.
3. A resolution passed at the 103rd annual shareholders meeting stipulates that total annual monetary remuneration for directors shall be 200 million yen or less (excluding salaries for employees who are also directors). A resolution passed at the 104th annual shareholders meeting stipulates that total annual remuneration to be allocated as stock compensation-type stock options apart from the monetary remuneration shall be 60 million yen or less.
4. A resolution passed at the 103rd annual shareholders meeting stipulates that total annual monetary remuneration for statutory auditors shall be 60 million yen or less. A resolution passed at the 104th annual shareholders meeting stipulates that total annual remuneration to be allocated as stock compensation-type stock options apart from the monetary remuneration shall be 20 million yen or less.
5. The upper limit of total remuneration for directors is stipulated in a resolution of the shareholders meeting. Remuneration for each director is determined in consideration of the importance of the role, responsibilities, and duties of each director. The upper limit of total remuneration for statutory auditors is stipulated in a resolution of the shareholders meeting. Remuneration 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

23 stocks 4,955 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
Tornos Holdings SA	1,463,813	1,723	To strengthen the business relationship with the business partner
Tokyo Seimitsu Co., Ltd.	1,033,000	1,537	To strengthen the business relationship
FANUC LTD.	50,000	629	To strengthen the business relationship
Yamazen Corporation	500,000	242	To strengthen the business relationship
THK Co., Ltd.	59,000	123	To strengthen the business relationship
Yuasa Trading Co., Ltd.	1,000,000	105	To strengthen the business relationship
Mori Seiki Co., Ltd.	100,000	98	To strengthen the business relationship
The Hachijuni Bank, Ltd.	196,000	93	To strengthen the business relationship
The Hokuetsu Bank, Ltd.	491,892	93	To strengthen the business relationship
The Daishi Bank, Ltd.	241,000	66	To strengthen the business relationship
Mitsubishi UFJ Financial Group, Inc.	134,800	51	To strengthen the business relationship
The Dai-ichi Life Insurance Company, Limited	387	48	To strengthen the business relationship
Minebea Co., Ltd.	100,000	45	To strengthen the business relationship
DAIKIN INDUSTRIES,LTD	13,400	33	To strengthen the business relationship
Teikoku Tsushin Kogyo Co., Ltd.	80,000	14	To strengthen the business relationship

TOMITA CO., LTD. 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	1,773	To strengthen the business relationship
Tornos Holdings SA	1,463,813	1,338	To strengthen the business relationship with the business partner
FANUC LTD.	50,000	734	To strengthen the business relationship
Yamazen Corporation	500,000	345	To strengthen the business relationship
Yuasa Trading Co., Ltd.	1,000,000	144	To strengthen the business relationship
THK Co., Ltd.	59,000	99	To strengthen the business relationship
The Hachijuni Bank, Ltd.	196,000	95	To strengthen the business relationship
The Hokuetsu Bank, Ltd.	499,216	88	To strengthen the business relationship
Mori Seiki Co., Ltd.	100,000	85	To strengthen the business relationship
The Daishi Bank, Ltd.	241,000	70	To strengthen the business relationship
Mitsubishi UFJ Financial Group, Inc.	134,800	55	To strengthen the business relationship
The Dai-ichi Life Insurance Company, Limited	387	44	To strengthen the business relationship
Minebea Co., Ltd	100,000	36	To strengthen the business relationship
DAIKIN INDUSTRIES, LTD	13,400	30	To strengthen the business relationship
Teikoku Tsushin Kogyo Co., Ltd.	80,000	11	To strengthen the business relationship
TOMITA CO., LTD.	4,069	1	To strengthen the business relationship

(iv) Outline of contracts for limitation of liability

Under the provision of Article 427, Paragraph 1 of the Company Law, 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 Company Law.

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 Company Law, 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 Company Law 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	--	31	1
Consolidated subsidiaries	--	--	--	--
Total	32	--	31	1

(ii) Other important compensation

Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)

Precision Tsugami (China) Corporation, a consolidated subsidiary, paid 0 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, 2011 to March 31, 2012)

Precision Tsugami (China) Corporation, a consolidated subsidiary, paid 1 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.

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

Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)

Not applicable.

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

The Company pays fees to the accounting auditor for its work to prepare a letter to a managing underwriter from an auditor and a report of research on financial information other than financial statements pertaining to capital increase through the public offering and third-party allotment.

(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").
- (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").

### 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, 2011 to March 31, 2012) and the financial statements for the 109th fiscal year (from April 1, 2011 to March 31, 2012) 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, 2011)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2012)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,111	5,314
Trade notes and accounts receivable	7,729	*4 10,536
Products and other commodities	2,925	4,275
Goods in process	5,181	6,926
Raw materials and supplies	2,611	7,606
Deferred tax assets	289	535
Other current assets	786	1,973
Allowance for doubtful accounts	-56	-59
<b>Total current assets</b>	<b>23,578</b>	<b>37,108</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	7,783	7,792
Accumulated depreciation	-4,102	-4,236
Buildings and structures (net)	3,681	3,555
Machinery, equipment and vehicles	8,898	8,563
Accumulated depreciation	-7,017	-6,429
Machinery, equipment and vehicles (net)	1,881	2,134
Land	591	581
Leased assets	31	36
Accumulated depreciation	-14	-20
Leased assets (net)	17	15
Construction in progress	18	684
Other tangible fixed assets	963	914
Accumulated depreciation	-719	-651
Other tangible fixed assets (net)	243	262
<b>Total tangible fixed assets</b>	<b>6,433</b>	<b>7,234</b>
<b>Intangible fixed assets</b>	<b>139</b>	<b>149</b>
<b>Investments and other assets</b>		
Investment securities	*1 4,927	*1 4,967
Investments in affiliates	670	1,141
Long-term loans receivable	1	1
Deferred tax assets	1	1
Other intangible fixed assets	*3 88	*3 121
<b>Total investments and other assets</b>	<b>5,689</b>	<b>6,233</b>
<b>Total fixed assets</b>	<b>12,263</b>	<b>13,616</b>
<b>Deferred assets</b>		
Stock issuance cost	--	20
Bond issuance expenses	18	11
<b>Total deferred assets</b>	<b>18</b>	<b>32</b>
<b>Total assets</b>	<b>35,860</b>	<b>50,757</b>



(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2011)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2012)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	8,011	16,503
Short-term borrowings	2,089	2,107
Corporate bonds due for redemption within one year	300	300
Accrued income tax	374	1,413
Reserve for bonus payment	248	272
Reserve for product warranties	107	148
Other current liabilities	640	730
Total current liabilities	11,771	21,476
Long-term liabilities		
Corporate bonds	600	300
Deferred tax liabilities	480	420
Reserve for retirement benefits	791	774
Reserve for directors' retirement benefits	12	12
Other long-term liabilities	82	56
Total long-term liabilities	1,966	1,563
Total liabilities	13,738	23,040
<b>Net assets</b>		
Shareholders' equity		
Common stock	10,599	12,345
Capital surplus	4,157	5,884
Retained earnings	6,962	8,535
Treasury stock	-771	-499
Total shareholders' equity	20,947	26,264
Accumulated other comprehensive income		
Unrealized gains on marketable securities	993	1,114
Deferred gains (losses) on hedges	5	1
Translation adjustments	-114	-9
Total accumulated other comprehensive income	884	1,106
Subscription rights to shares	290	345
Total net assets	22,122	27,717
Total liabilities and net assets	35,860	50,757

(ii) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Net sales	35,932	35,739
Cost of sales	*1 28,569	*1 27,388
Gross profit	7,363	8,350
Selling, general and administrative expenses		
Salaries and allowances	804	1,017
Provision for reserve for bonus payment	56	73
Retirement benefit expenses	73	75
Provision for reserve for directors' retirement benefits	5	5
Research and development expenses	*2 751	*2 847
Insurance premiums	106	116
Provision for allowance for doubtful accounts	61	--
Provision for reserve for product warranties	107	134
Other selling, general and administrative expenses	1,664	1,994
Total selling, general and administrative expenses	3,631	4,264
Operating income	3,732	4,086
Non-operating income		
Interest received	0	2
Dividends received	83	47
Insurance benefits received	43	40
Other non-operating income	44	72
Total non-operating income	172	162
Non-operating expenses		
Interest paid	76	70
Loss on sales of trade notes	45	119
Foreign exchange losses	229	125
Other non-operating expenses	47	57
Total non-operating expenses	399	373
Ordinary income	3,504	3,875

(Million yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Extraordinary income		
Gain on sales of fixed assets	*3 0	*3 1
Gain on sales of investments securities	5	--
Total extraordinary income	6	1
Extraordinary expenses		
Loss on retirement of fixed assets	*4 9	*4 40
Loss on sales of fixed assets	*5 4	*5 2
Loss on devaluation of investment securities	179	10
Impairment loss	--	*6 10
Loss on devaluation of inventories	--	*1 40
Loss on sales of affiliates' stock	--	4
Loss on sales of subsidiaries' stocks	--	9
Loss on disaster	--	*7 21
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Settlement Package	60	--
Other extraordinary expenses	1	0
Total extraordinary expenses	266	138
Income before taxes and other adjustments	3,244	3,738
Corporate, inhabitant and enterprise taxes	478	1,692
Deferred taxes	-72	-234
Total corporate and other taxes	406	1,457
Income before minority interests	2,837	2,281
Minority interests in income	--	--
Net income	2,837	2,281

Consolidated Statements of Comprehensive Income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Income before minority interests	2,837	2,281
Other comprehensive income		
Unrealized gains on marketable securities	529	120
Deferred gains (losses) on hedges	104	-3
Translation adjustments	-93	104
Total other comprehensive income	540	*1 222
Comprehensive Income	3,378	2,503
(Breakdown)		
Comprehensive income attributable to the shareholders of the parent company	3,378	2,503
Comprehensive income attributable to minority shareholders	--	--

(iii) Consolidated statements of changes in net assets

(Million yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
<b>Shareholders' equity</b>		
<b>Common stock</b>		
Balance at beginning of the fiscal year	10,599	10,599
Change during the fiscal year		
Issuance of new shares	--	1,745
Total change during the fiscal year	--	1,745
Balance at end of the fiscal year	10,599	12,345
<b>Capital surplus</b>		
Balance at beginning of the fiscal year	4,151	4,157
Change during the fiscal year		
Disposal of treasury stock	6	-18
Issuance of new shares	--	1,745
Total change during the fiscal year	6	1,726
Balance at end of the fiscal year	4,157	5,884
<b>Retained earnings</b>		
Balance at beginning of the fiscal year	4,791	6,962
Change during the fiscal year		
Cash dividends paid	-666	-661
Net income	2,837	2,281
Disposal of treasury stock	--	-47
Total change during the fiscal year	2,171	1,572
Balance at end of the fiscal year	6,962	8,535
<b>Treasury stock</b>		
Balance at beginning of the fiscal year	-207	-771
Change during the fiscal year		
Purchase of treasury stock	-591	-2
Disposal of treasury stock	27	274
Total change during the fiscal year	-564	272
Balance at end of the fiscal year	-771	-499
<b>Total shareholders' equity</b>		
Balance at beginning of the fiscal year	19,334	20,947
Change during the fiscal year		
Issuance of new shares	--	3,491
Cash dividends paid	-666	-661
Net income	2,837	2,281
Purchase of treasury stock	-591	-2
Disposal of treasury stock	33	208
Total change during the fiscal year	1,613	5,317
Balance at end of the fiscal year	20,947	26,264

(Million yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Accumulated other comprehensive income		
Unrealized gains on marketable securities		
Balance at beginning of the fiscal year	463	993
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	529	120
Total change during the fiscal year	529	120
Balance at end of the fiscal year	993	1,114
Deferred gains (losses) on hedges		
Balance at beginning of the fiscal year	-99	5
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	104	-3
Total change during the fiscal year	104	-3
Balance at end of the fiscal year	5	1
Translation adjustments		
Balance at beginning of the fiscal year	-20	-114
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-93	104
Total change during the fiscal year	-93	104
Balance at end of the fiscal year	-114	-9
Total accumulated other comprehensive income		
Balance at beginning of the fiscal year	343	884
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	540	222
Total change during the fiscal year	540	222
Balance at end of the fiscal year	884	1,106
Subscription rights to shares		
Balance at beginning of the fiscal year	204	290
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	86	55
Total change during the fiscal year	86	55
Balance at end of the fiscal year	290	345
Total net assets		
Balance at beginning of the fiscal year	19,882	22,122
Change during the fiscal year		
Issuance of new shares	--	3,491
Cash dividends paid	-666	-661
Net income	2,837	2,281
Purchase of treasury stock	-591	-2
Disposal of treasury stock	33	208
Changes in items other than shareholders' equity during the fiscal year (net)	626	277
Total change during the fiscal year	2,239	5,594
Balance at end of the fiscal year	22,122	27,717

(iv) Consolidated statements of cash flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities		
Income before taxes and other adjustments	3,244	3,738
Depreciation and amortization expenses	738	760
Loss (gain) on devaluation of investment securities	179	10
Impairment loss	--	10
Increase (decrease) in allowance for doubtful accounts	12	3
Increase (decrease) in reserve for retirement benefits	-46	-18
Interest and dividends received	-83	-49
Interest paid	76	70
Loss on retirement of fixed assets	9	40
Loss (gain) on sales of fixed assets	4	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Decrease (increase) in trade notes and accounts receivable	-383	-2,745
Loss on devaluation of inventories	--	40
Decrease (increase) in inventories	-2,571	-8,123
Increase (decrease) in trade notes and accounts payable	1,242	8,410
Other cash flows	71	-973
Sub total	2,504	1,175
Interest and dividends received	29	49
Interest paid	-77	-77
Corporate and other taxes paid	-161	-647
Cash flows from operating activities	2,295	499
Cash flows from investing activities		
Payments into time deposits	-70	-60
Refund of time deposits	70	60
Expenditure for acquisition of tangible fixed assets	-1,127	-1,450
Income from disposal of tangible fixed assets	5	38
Expenditure for acquisition of investment securities	-1	-1
Income from disposal of investments securities	33	--
Payment for investment in affiliates	-443	-467
Income from recovery of loans receivable	15	11
Other cash flows	-80	-46
Cash flows from investing activities	-1,599	-1,915
Cash flows from financing activities		
Short-term borrowings	3,480	3,406
Repayment of short-term borrowings	-2,350	-3,406
Income from disposal of treasury stocks	0	113
Redemption of corporate bonds	-300	-300
Proceeds from issuance of common stocks	--	3,469
Expenditure for acquisition of treasury stocks	-592	-2
Dividends paid	-666	-661
Repayments of lease obligations	-9	-10
Cash flows from financing activities	-437	2,608
Translation differences for cash and cash equivalents	-40	10
Net increase (decrease) in cash and cash equivalents	218	1,203
Cash and cash equivalents at the beginning of the term	3,842	4,061
Cash and cash equivalents at the end of the term	※ 4,061	※ 5,264

## Important Matters that Become Basis of Presenting Consolidated Financial Statements

### 1. Scope of consolidation

#### (1) Number of consolidated subsidiaries: 4

##### Names of consolidated subsidiaries

Tsugami Machinery Co., Ltd.

Tsugami Precision Co., Ltd.

Tsugami General Service Co., Ltd.

Precision Tsugami (China) Corporation

#### (2) Names of non-consolidated subsidiaries:

##### Non-consolidated subsidiaries:

Tsugami (Thai) Co., Ltd.

Tsugami GmbH.

Tsugami Korea Co., Ltd.

Shinagawa Precision Machinery (Zhejiang) Co., Ltd.

Tsugami Precision Engineering India Pvt 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) Companies to which the equity method is applicable: 0

#### (2) The non-consolidated subsidiaries

(Tsugami (Thai) Co., Ltd., Tsugami GmbH, Tsugami Korea Co., Ltd., Shinagawa Precision Machinery (Zhejiang) Co., Ltd. and Tsugami Precision Engineering India Pvt 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 is December 31. When preparing the consolidated financial statements, the Company uses the financial statements of Precision Tsugami (China) Corporation, as of that date and makes necessary adjustments for important transactions between December 31 and the consolidated book-closing date.

### 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.

(iv) Long-term prepaid expenses

This is computed using the straight-line method.

(3) 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).

(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 collectability 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' bonuses

To provide for the payment of director's bonuses, the Company and its domestic subsidiaries accrue bonuses for directors based on the projected amount for the current consolidated fiscal year.

However, since the Company was unable to reasonably project the amount at the end of the consolidated fiscal year under review, this was not posted.

(iv) Allowance for retirement benefits

To prepare for the payment of employee retirement benefits, the Company and its domestic consolidated subsidiaries provide accrued retirement benefits based on projected benefits obligations and the fair value of pension assets at the current consolidated fiscal year-end.

In addition, 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.

(v) 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.

(vi) 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 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.
- (6) 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.
- (7) 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.
- (8) 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.

#### Changes in accounting policies

(Application of the Accounting Standard for Earnings per Share)

The Group began applying the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2 revised on June 30, 2010), the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4 revised on June 30, 2010), and the Practical Solution on Accounting for Earnings Per Share (ASBJ PITF No. 9 revised on June 30, 2010) in the consolidated fiscal year under review.

With the application, of the fair value of stock options, the value associated with services to be provided for the Group in the future was included in the amount to be paid at the exercise of stock options, an amount used in the calculation of net income per share after residual equity adjustment.

The net income per share after residual equity adjustment for the previous consolidated fiscal year has been revised using the changed accounting policy retroactively.

The effect of the application is described in the notes relating to “Per share information”.

#### Changes in Method of Presentation

(Consolidated statements of cash flows)

“Loss on retirement of fixed assets,” which had been included in “Other cash flows” of the cash flows from operating activities in the previous consolidated fiscal year, was posted as a separate item in the consolidated fiscal year under review because of an increase in its importance in terms of the amount. To reflect the change in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.

As a result, “Other cash flows” of 80 million yen in the cash flows from operating activities in the consolidated statements of cash flows for the previous consolidated fiscal year was divided into “Loss on retirement of fixed assets” of 9 million yen and “Other cash flows” of 71 million yen.

#### Others

(Application of the Accounting Standard for Accounting Changes and Error Corrections)

The Group began applying the “Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 issued on December 4, 2009) in the beginning of the consolidated fiscal year under review.

Notes

(Consolidated Balance Sheet)

\*1. Shares of non-consolidated subsidiaries and affiliates (Million yen)

	Previous consolidated fiscal year (As of March 31, 2011)	Consolidated fiscal year under review (As of March 31, 2012)
Investment securities (stocks)	16	11

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

	Previous consolidated fiscal year (As of March 31, 2011)	Consolidated fiscal year under review (As of March 31, 2012)
Amount of discount for bills receivable	526	947
Amount of discount for export bills receivable	2,584	2,022

\*3. Amount of allowance for doubtful accounts directly subtracted from assets (Million yen)

	Previous consolidated fiscal year (As of March 31, 2011)	Consolidated fiscal year under review (As of March 31, 2012)
Investments and other assets	147	119

\*4. Notes due at the end of the consolidated fiscal year

Notes due at the end of the consolidated fiscal year are settled on the date of clearing. Since the end of the consolidated fiscal year under review fell on a bank holiday, the following notes due at the end of the fiscal year are included in the balance at the end of the fiscal year.

	Previous consolidated fiscal year (As of March 31, 2011)	Consolidated fiscal year under review (As of March 31, 2012)
Trade notes	--	11
Amount of discount for bills receivable:	--	49

(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, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Cost of sales	45	73
Extraordinary expenses	—	40

A loss on devaluation of inventories of 40 million yen posted in extraordinary expenses is a loss expected to be incurred as a result of the downsizing of the Shinshu Factory and the withdrawal from business in association with an improvement in product efficiency and the concentration of production.

\*2. R&D expenses included in selling, general and administrative expenses, and manufacturing cost for the term

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
	751	847

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

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Machinery and equipment	0	1

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

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Buildings	7	29
Machinery and equipment	1	6
Others	0	4
Total	9	40

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

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Machinery and equipment	4	2

\*6. Impairment loss

In the consolidated fiscal year under review, the Group posted an impairment loss for the group of assets below. (Million yen)

Location	Use	Type
Saku-shi, Nagano	Idle asset	Land

The Group's assets are grouped in accordance with the businesses with which the assets are associated.

Since the expected sale value of the assets above, which are planned to be sold, is lower than the book value, the Group reduced the book value to the recoverable amount and posted an impairment loss of 10 million yen in extraordinary expenses. The recoverable amount was measured by the net sale value and was calculated based on the expected sale value.

\*7. Loss on disaster

In the consolidated fiscal year under review, the Group posted a loss associated with the flooding in Thailand in 2011. The details of this loss are as follows. (Million yen)

User support expenses of disaster restoration	21
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(Consolidated Statements of Comprehensive Income)

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

\*1. Recycling and tax effect relating to other comprehensive income (Million yen)

Unrealized gains on marketable securities

Amount arising during fiscal year under review 42

Recycling 10

Before tax effect adjustment 53

Tax effect 67

Unrealized gains on marketable securities 120

Deferred gains (losses) on hedges

Amount arising during fiscal year under review -6

Before tax effect adjustment -6

Tax effect 2

Deferred gains or losses on hedges -3

Translation adjustments :

Amount arising during fiscal year under review 104

Total other comprehensive income 222

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)

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	68,019	--	--	68,019
Total	68,019	--	--	68,019
Treasury stock				
Common shares	1,154	1,103	117	2,140
Total	1,154	1,103	117	2,140

- (Note) 1. The increase in common shares of treasury stock of 1,103 thousand shares reflected an increase of 7 thousand shares due to the purchase of odd-lot shares, and the purchase of 1,096 thousand shares of treasury stock.  
2. The decrease in treasury stock of 117 thousand shares was due to the exercise of stock options.

2. Matters concerning subscription rights to shares and subscription rights 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	--	--	--	--	--	290
Total		--	--	--	--	--	290

3. Matters relating to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 13, 2010	Common shares	334	5.00	March 31, 2010	June 1, 2010
Board of directors meeting held on November 12, 2010	Common shares	332	5.00	September 30, 2010	November 29, 2010

(2) Dividends with a record date in the 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 12, 2011	Common shares	329	Retained earnings	5.00	March 31, 2011	March 31, 2011

Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)

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	68,019	6,900	--	74,919
Total	68,019	6,900	--	74,919
Treasury stock				
Common shares	2,140	5	763	1,382
Total	2,140	5	763	1,382

- (Note) 1. The increase in common shares of outstanding shares of 6,900 thousand shares due to the Issuance of new shares.  
2. The increase in common shares of treasury stock of 5 thousand shares due to the purchase of odd-lot shares.  
3. The decrease in treasury stock of 763 thousand shares was due to the exercise of stock options.

2. Matters concerning subscription rights to shares and subscription rights 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 under review (million yen)
			Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review	
Submitting company (parent company)	Subscription rights to shares as stock options	--	--	--	--	--	345
Total		--	--	--	--	--	345

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 12, 2011	Common shares	329	5.00	March 31, 2011	May 31, 2011
Board of directors meeting held on November 14, 2011	Common shares	331	5.00	September 30, 2011	November 28, 2011

(2) Dividends with a record date in the fiscal year under review 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, 2012	Common shares	367	Retained earnings	5.00	March 31, 2012	May 29, 2012

(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, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Cash and cash accounts	4,111	5,314
Time deposits with maturity of more than 3 months	-50	-5
Cash and cash equivalents	4,061	5,264

(Lease Transactions)

(lessee)

1. Finance lease transactions

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 (from April 1, 2010 to March 31, 2011)		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent
Machinery, equipment and vehicles	10	10	0
Others	37	36	0
Total	48	46	1

(Million yen)

	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent
Machinery, equipment and vehicles	10	10	0
Others	37	37	0
Total	48	47	0

(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

(Million yen)

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Equivalent of unexpired lease fees at end of fiscal year		
Within a year	1	0
Longer than a year	--	--
Total	1	0

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

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

(Million yen)

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Lease fees paid	5	0
Depreciation equivalent	5	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 four 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 (from April 1, 2010 to March 31, 2011)

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	4,111	4,111	--
(2) Trade notes and accounts receivable	7,729	7,729	--
(3) Investment securities	4,909	4,909	--
Total assets	16,749	16,749	--
(1) Trade notes and accounts payable	8,011	8,011	--
(2) Short-term borrowings	2,089	2,089	--
(3) Accrued income tax	374	374	--
(4) Corporate bonds due to redemption within one year	300	306	-6
(5) Corporate bonds	600	598	1
Total liabilities	11,374	11,380	-5
Derivatives*	8	8	--

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

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	5,314	5,314	--
(2) Trade notes and accounts receivable	10,536	10,536	--
(3) Investment securities	4,953	4,953	--
Total assets	20,804	20,804	--
(1) Trade notes and accounts payable	16,503	16,503	--
(2) Short-term borrowings	2,107	2,107	--
(3) Accrued income tax	1,413	1,413	--
(4) Corporate bonds due to redemption within one year	300	304	4
(5) Corporate bonds	300	299	-1
Total liabilities	20,625	20,628	3
Derivatives*	1	1	--

\* 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, 2010)	Consolidated fiscal year under review (As of March 31, 2011)
Unlisted shares	2	2
Shares in affiliates	16	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 (from April 1, 2010 to March 31, 2011)

	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*	4,101	--	--	--
Trade notes and accounts receivable	7,729	--	--	--
Total	11,831	--	--	--

\*Cash is excluded.

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

	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*	5,238	--	--	--
Trade notes and accounts receivable	10,536	--	--	--
Total	15,774	--	--	--

\*Cash is excluded.

### 4. Scheduled repayment of corporate bonds and lease obligations after the consolidated closing date.

Please refer to consolidated supplementary schedules: schedule of bonds and schedule of borrowings.

(Securities)

1. Other securities with market value

Previous consolidated fiscal year (As of March 31, 2011)

(Million yen)

	Classification	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Carrying amounts on the consolidated balance sheet exceeding the acquisition cost	(1) Shares	4,589	2,863	1,725
	(2) Corporate bond	--	--	--
	(3) Others	--	--	--
	Subtotal	4,589	2,863	1,725
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1) Shares	319	372	-52
	(2) Corporate bond	--	--	--
	(3) Others	--	--	--
	Subtotal	319	372	-52
Total		4,909	3,235	1,673

(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 not included in other securities with market value.

Consolidated fiscal year under review (As of March 31, 2012)

(Million yen)

	Classification	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Carrying amounts on the consolidated balance sheet exceeding the acquisition cost	(1) Shares	4,685	2,916	1,769
	(2) Corporate bond	--	--	--
	(3) Others	--	--	--
	Subtotal	4,685	2,916	1,769
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1) Shares	267	310	-42
	(2) Corporate bond	--	--	--
	(3) Others	--	--	--
	Subtotal	267	310	-42
Total		4,953	3,226	1,726

(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 not included in other securities with market value.

2. Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)

(Million yen)

Classification	Amount of sale	Total profit on sale	Total loss on sale
Shares	27	5	--

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

Not applicable.

3. Impairment loss of Securities

Impairment losses of 179 million yen are recorded for other securities with market value as of March 31, 2011.

Impairment losses of 10 million yen are recorded for other securities with market value as of March 31, 2012.

If the fair value at the end of the fiscal year declines 50% or more from the acquisition cost, impairment accounting is applied.

If the fair value at the end of the fiscal year declines 30% to around 50%, the Company estimates the recoverability of each stock and determines whether impairment accounting is needed or not.

(Derivatives Trading)

1. Derivatives trading to which hedge accounting is not applied

Not applicable.

2. Derivatives trading to which hedge accounting is applied

Currencies

Previous consolidated fiscal year (As of March 31, 2011)

Hedge accounting method	Trading type	Major hedged item	Previous consolidated fiscal year (As of March 31, 2011)		
			Amount of contracts (million yen) (thousand US dollars)	Amount of contracts for more than one year (million yen) (thousand US dollars)	Fair value (million yen)
Appropriation method for exchange forward contracts	Exchange forward contracts Selling position (US dollars)	Trade accounts receivable	89 (971)	-- --	8

(Note) Method used for estimating fair value: The fair value is determined based on prices presented by financial trading institutions.

Consolidated fiscal year under review (As of March 31, 2012)

Hedge accounting method	Trading type	Major hedged item	Consolidated fiscal year under review (As of March 31, 2012)		
			Amount of contracts (million yen) (thousand US dollars)	Amount of contracts for more than one year (million yen) (thousand US dollars)	Fair value (million yen)
Appropriation method for exchange forward contracts	Exchange forward contracts Selling position (US dollars)(thousand US \$)	Trade accounts receivable	213 (2,593)	-- --	1
	Exchange forward contracts Buying position (Swiss Franc) (thousand CHF)	Trade accounts payable	264 (2,916)	-- --	1

(Note) Method used for estimating fair value: The fair value is determined based on prices presented by financial trading institutions.

(Pension and Severance Cost)

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. Matters relating to projected benefit obligations

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2011)	Consolidated fiscal year under review (As of March 31, 2012)
(1) Projected benefit obligations	-2,217	-2,193
(2) Pension assets	837	944
(3) Unfunded obligations for retirement and severance benefits (1) + (2)	-1,380	-1,249
(4) Unsettled difference at change of accounting principle	557	417
(5) Unrecognized actuarial gain or loss	32	56
(6) Unrecognized prior service cost	--	--
(7) Net accrued retirement benefits reflected in consolidated balance sheets (3) + (4) + (5) + (6)	-791	-774
(8) Prepaid pension cost	--	--
(9) Allowance for retirement benefits (7) - (8)	-791	-774

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

3. Matters relating to retirement benefit expenses

(Million yen)

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Retirement benefit expenses	278	283
(1) Service cost	110	107
(2) Interest cost	33	32
(3) Expected return on pension assets	-15	-16
(4) Unsettled difference at change of accounting principle	139	139
(5) Recognized actuarial gain or loss	10	20
(6) Others	--	--

(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

Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
1.5 (%)	1.5 (%)

(3) Expected return on assets

Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
2.0 (%)	2.0 (%)

(4) Years during which the prior service cost 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

(Stock Options)

1. Expenses posted in relation to stock options

(Million yen)

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Cost of sales	22	42
Selling, general and administrative expenses	96	112

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

(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 previous fiscal year ended March 31, 2012 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	109,000	45,000	38,000
Vested	--	--	--
Exercised	38,000	23,000	6,000
Lapsed	--	--	7,000
Unexercised	71,000	22,000	25,000

	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	59,000	60,000	62,000
Vested	--	--	--
Exercised	30,000	6,000	25,000
Lapsed	--	--	--
Unexercised	29,000	54,000	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	--	800,000	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	800,000	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	47,000	--	152,000
Vested	--	800,000	--
Exercised	4,000	502,000	59,000
Lapsed	--	--	--
Unexercised	43,000	298,000	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	--	350,000	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	350,000	--
After vesting date (shares)			
End of previous fiscal year	105,000	--	97,000
Vested	--	--	--
Exercised	18,000	--	35,000
Lapsed	--	--	--
Unexercised	87,000	--	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	--	--	--
Granted	--	350,000	165,000
Lapsed	--	--	13,000
Vested	--	--	152,000
Non-vested	--	350,000	--
After vesting date (shares)			
End of previous fiscal year	85,000	--	--
Vested	--	--	152,000
Exercised	14,000	--	3,000
Lapsed	3,000	--	--
Unexercised	68,000	--	149,000

	2011 Stock compensation-type stock options Plan B
Before vesting date (shares)	
End of previous fiscal year	--
Granted	100,000
Lapsed	--
Vested	100,000
Non-vested	--
After vesting date (shares)	
End of previous fiscal year	--
Vested	100,000
Exercised	--
Lapsed	--
Unexercised	100,000

(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	477	477	540
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	477	540	477
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	540	621	477
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	540	--	477
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	540	--	277
Fair valuation of unit price (grant date)	532	163	408

	2011 Stock compensation-type stock options Plan B
Exercise price	1
Average stock price at the time of exercise	--
Fair valuation of unit price (grant date)	408

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

The following is the method of estimating a fair unit price of the 2011 stock options granted in the fiscal year:

(i) Valuation technique used Black-Scholes method

(ii) Major fundamental figures and estimation method

	2011 General-type subscription rights to shares	2011 Compensation-type subscription rights to shares Plan A and Plan B
Stock price volatility (Note 1)	49.565%	43.493%
Expected remaining period (Note 2)	3.5 years	10.0 years
Projected dividend (Note 3)	10.00 yen per share	10.00 yen per share
Risk-free interest rate (Note 4)	0.294%	1.150%

(Note) 1. The stock price volatility for the 2011 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 2008 to June 2011). The stock price volatility for the 2011 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 2001 to June 2011).

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, 2011.
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

	Previous consolidated fiscal year (As of March 31, 2011)	(Million yen) Consolidated fiscal year under review (As of March 31, 2012)
Deferred tax assets		
Allowance for doubtful accounts	94	91
Reserve for bonus payment	97	91
Reserve for retirement benefits	322	279
Reserve for product warranties	38	49
Loss on devaluation of investment securities	144	130
Loss on devaluation of affiliates' stock	--	8
Loss on devaluation of inventories	67	74
Impairment loss	48	46
Accrued enterprise taxes	17	99
Accrued sales commission	--	13
Unrealized income of inventories	9	132
Stock-based compensation expense	85	80
Other	75	51
Deferred tax assets subtotal	999	1,145
Valuation reserve	-386	-330
Deferred tax assets total	613	814
Deferred tax liabilities		
Unrealized gains on marketable securities	-680	-612
Reserve profit of overseas subsidiaries	-118	-85
Other	-3	-0
Deferred tax liabilities total	-802	-698
Net deferred tax assets(liabilities)	-189	115

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, 2011)	Consolidated fiscal year under review (As of March 31, 2012)
Legally effective tax rate	40.7%	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.
(Adjustments)		
Residence tax on a per capita basis	0.6%	
Differences from applicable tax rates for overseas subsidiaries	-5.6%	
Special deduction of experiment and research expenses	-2.3%	
Items permanently excluded from nontaxable expenses, including entertainment costs	0.2%	
Items permanently excluded from gross revenue including dividends received	-0.2%	
Use of net loss carried forward for tax reasons	-25.5%	
Increase (decrease) in valuation reserve	1.8%	
Other	2.9%	
Actual effective tax rate after applying tax effect accounting	12.5%	

3. Effect of changes in corporate tax rates

Following the introduction on December 2, 2011 of the Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures (Act No. 114 of 2011) and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake (Act No. 117 of 2011), corporate tax rates were reduced and the special reconstruction corporate tax was imposed for the fiscal years beginning on or after April 1, 2012. In line with these changes, the effective corporate tax rate used to measure deferred tax assets and liabilities are changed from 40.70% to 38.01% for temporary differences expected to be eliminated from the fiscal year beginning on April 1, 2012 to the fiscal year beginning April 1, 2014. The rate will be changed to 35.64% for temporary differences expected to be eliminated in or after the fiscal year beginning on April 1, 2015. As a result of this change, the amount of deferred tax liabilities (the amount after subtracting the amount of deferred tax assets) decreased 23 million yen, and total corporate and other taxes increased 64 million yen.

(Business Combination)

Not applicable.

(Asset Retirement Obligations)

Not stated because of the insignificant amount.

(Real estate for rent, etc.)

Not applicable.

(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 and China, which are the areas where Group companies are located.

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

Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)

(Million yen)

	Reportable segment			Adjustment (Note) 1 (Note) 2 (Note) 3	Consolidated financial statement amount (Note) 4
	Japan	China	Total		
Net sales					
Net sales to external customers	28,438	7,494	35,932	--	35,932
Intersegment net sales or transfers to other accounts	6,927	2,438	9,365	-9,365	--
Total	35,366	9,932	45,298	-9,365	35,932
Segment income	2,882	902	3,784	-52	3,732
Segment assets	24,175	6,918	31,093	4,766	35,860
Other items					
Depreciation and amortization	643	95	738	0	738
Increases in tangible fixed assets and intangible fixed assets	425	742	1,167	-43	1,124

(Note) 1. "Adjustment" of segment income of minus 52 million yen is the elimination of unrealized income.

2. "Adjustment" of segment assets of 4,766 million yen includes Company-wide assets of 8,592 million yen and an effect of intersegment adjustments of minus 3,826 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 43 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, 2011 to March 31, 2012)

(Million yen)

	Reportable segment			Adjustment (Note) 1 (Note) 2 (Note) 3	Consolidated financial statement amount (Note) 4
	Japan	China	Total		
Net sales					
Net sales to external customers	26,161	9,577	35,739	--	35,739
Intersegment net sales or transfers to other accounts	11,486	2,399	13,886	-13,886	--
Total	37,647	11,977	49,625	-13,886	35,739
Segment income	4,307	802	5,110	-1,023	4,086
Segment assets	33,436	18,390	51,826	-1,069	50,757
Other items					
Depreciation and amortization	602	158	760	0	760
Increases in tangible fixed assets and intangible fixed assets	262	1,340	1,602	-30	1,571

(Note) 1. "Adjustment" of segment income of minus 1,023 million yen is the elimination of unrealized income.

2. "Adjustment" of segment assets of minus 1,069 million yen includes Company-wide assets of 9,577 million yen and an effect of intersegment adjustments of minus 10,646 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 30 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

I. Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)

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	Related Business Segment
Keiaisha Co., Ltd.	4,544	Japan

II. Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

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, 2010 to March 31, 2011)

No corresponding item existed

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

(Million yen)

	Japan	China	Corporate or elimination	Total
Impairment loss	10	--	--	10

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, 2009 to March 31, 2010)

Class	Name	Capital or investments	Business or job	Ownership of voting rights in percentage	Relationship with the party	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Director	Nakagawa Takeo	--	Director of Company, CEO of Fine Tech Corporation	--	Sales of the Company's product and purchase of Fine Tech's products	Sales of the Company's products	43	Trade notes and accounts receivable	43
Director	Kunimasa Ohta	--	Statutory auditor of the Company Representative Director of Tokyo Seimitsu Co., Ltd.	(Owning) Direct: 2.50% (Owned) Direct: 7.01%	Sales of the Company's products and purchase of Tokyo Seimitsu's products	Sales of the Company's products	5	Trade notes and accounts receivable	0
						Purchase of Tokyo Seimitsu's products	75	Trade notes and accounts payable	38
						Purchase of Tokyo Seimitsu's fixed assets	9	Accounts payable	5

(Note) 1. The transaction values stated above do not include consumption taxes. Meanwhile, year-end balances presented above include such taxes.

2. Transaction terms and the policy for their decision, etc.

Terms for the sales of the Company's products, purchases of Tokyo Seimitsu Co., Ltd.'s products, Fine Tech Corporation's products and the like are decided on the basis of market value.

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)

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, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Net assets per share	331.39 yen	372.21 yen
Net income per share	42.72 yen	33.88 yen
Net income per share after residual equity adjustment	41.92 yen	33.43 yen

(Note) The table below shows the foundation for the calculation of the net income per share and net income per share after residual equity adjustment.

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Net income per share		
Net income (million yen)	2,837	2,281
Net income that does not belong to common shareholders (million yen)	--	--
Net income on common shares (million yen)	2,837	2,281
Average number of shares during the period (thousand shares)	66,431	67,323
Net income per share after residual equity adjustment		
Adjustment in net income (million yen)	--	--
Increase in common shares (thousand shares)	1,256	909
(Stock option) (thousand shares)	(1,256)	(909)
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 18, 2010 (Number of shares: 350,000)
	-----	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 17, 2011 (Number of shares: 350,000)

(Changes in accounting policies)

The Group began applying the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2 revised on June 30, 2010), the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4 revised on June 30, 2010), and the Practical Solution on Accounting for Earnings Per Share (ASBJ PITF No. 9 revised on June 30, 2010) in the consolidated fiscal year under review.

With the application, the amount that will be paid if stock options that are vested after certain periods of service are exercised, which is used in the calculation of net income per share after residual equity adjustment, includes the fair value of the stock options that is related to service expected to be provided to the Company in the future.

Net income per share after residual equity adjustment and the increase in the number of common shares for the previous fiscal year without application of the accounting standard are as follows:

Net income per share after residual equity adjustment: 41.89 yen

Increase in the number of common shares: 1,304 thousand shares

(Important Post-Balance Sheet Events)

Resolution on stock option

The submitting company resolved to issue subscription rights to shares at the 109th annual shareholders meeting held on June 15, 2012.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 14. Stock options based on a resolution at the annual shareholders meeting held on June 15, 2012.

(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 1 and 2	December 29, 2008	900 (300)	600 (300)	0.98	None	December 27, 2013
Total	--	--	900 (300)	600 (300)	--	--	--

(Note) 1. Numbers in parentheses are redemption amounts scheduled within a year.

2. The table below shows scheduled redemption amounts in the five years after the consolidated closing date.

(Million yen)

Within a year	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
300	300	--	--	--

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	2,089	2,107	2.63	--
Lease obligations to be repaid within a year	9	10	--	--
Lease obligations (excluding those to be repaid within a year)	22	15	--	From 2013 to 2016
Total	2,121	2,133	--	--

(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	9	5	0	--

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, 2011 to June 30, 2011	First half From April, 2011 to September 30, 2011	First nine months From April, 2011 to December 31, 2011	Full year under review From April, 2011 to March 31, 2012
Net sales (million yen)	8,379	16,664	24,128	35,739
Income before taxes and other adjustments (million yen)	566	1,210	1,925	3,738
Net income (million yen)	460	873	1,255	2,281
Net income per share (yen)	6.98	13.22	18.97	33.88

(Quarterly)	First quarter From April 1, 2011 to June 30, 2011	Second quarter From July 1, 2011 to September 30, 2011	Third quarter From October 1, 2011 to December 31, 2011	Fourth quarter From January 1, 2012 to March 31, 2012
Net income per share (yen)	6.98	6.24	5.75	14.66

## 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, 2011)	Figures at the end of the fiscal year under review (As of March 31, 2012)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,491	4,150
Trade notes receivable	*1 235	*1*4 509
Accounts receivable	*1 8,172	*1 14,687
Products and other commodities	1,926	1,733
Goods in process	4,796	5,687
Raw materials and supplies	1,790	2,155
Prepaid expenses	36	71
Short-term loans to affiliates	952	1,759
Deferred tax assets	262	396
Advance paid	13	16
Accounts due	611	775
Other current assets	16	9
Allowance for doubtful accounts	-82	-125
<b>Total current assets</b>	<b>22,224</b>	<b>31,827</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings	6,662	6,632
Accumulated depreciation	-3,638	-3,762
Buildings (net)	3,023	2,869
Structures	479	447
Accumulated depreciation	-370	-347
Structures (net)	109	99
Machinery and equipment	7,693	6,752
Accumulated depreciation	-6,772	-6,067
Machinery, equipment (net)	921	685
Vehicles	53	36
Accumulated depreciation	-46	-33
Vehicles (net)	6	3
Tools, furniture and fixtures	914	808
Accumulated depreciation	-688	-613
Tools, furniture and fixtures (net)	225	194
Land	591	581
Leased assets	31	36
Accumulated depreciation	-14	-20
Leased assets (net)	17	15
Construction in progress	--	35
<b>Total tangible fixed assets</b>	<b>4,895</b>	<b>4,484</b>
<b>Intangible fixed assets</b>		
Software	87	73
Telephone subscription rights	10	10
Leased assets	13	9
<b>Total intangible fixed assets</b>	<b>110</b>	<b>93</b>

(Million yen)

	Figures at the end of the previous fiscal year (As of March 31, 2011)	Figures at the end of the fiscal year under review (As of March 31, 2012)
Investments and other assets		
Investment securities	4,911	4,955
Shares in affiliates	136	132
Investments in affiliates	1,722	3,919
Long-term loans receivable from subsidiary	--	394
Long-term loans to employees	1	1
Long-term prepaid expenses	2	5
Other intangible fixed assets	*5 67	*5 97
Total investments and other assets	6,842	9,505
Total fixed assets	11,848	14,083
Deferred assets		
Stock issuance cost	--	20
Bond issuance expenses	18	11
Total deferred assets	18	32
Total assets	34,091	45,942
Liabilities		
Current liabilities		
Trade notes payable	6,214	9,427
Trade accounts payable	*1 1,657	*1 4,626
Short-term borrowings	1,500	1,500
Corporate bonds due for redemption within one year	300	300
Lease obligations	9	10
Accounts payable	375	207
Accrued expenses payable	210	240
Accrued income tax	324	1,290
Advance received	49	21
Deposits received	38	81
Reserve for bonus payment	215	216
Trade notes payable related to facilities	6	41
Reserve for product warranties	93	130
Other current liabilities	23	19
Total current liabilities	11,019	18,112
Long-term liabilities		
Corporate bonds	600	300
Lease obligations	22	15
Deferred tax liabilities	361	335
Reserve for retirement benefits	785	769
Deposits received for guarantee	14	14
Other long-term liabilities	46	26
Total long-term liabilities	1,829	1,461
Total liabilities	12,849	19,574

(Million yen)

	Figures at the end of the previous fiscal year (As of March 31, 2011)	Figures at the end of the fiscal year under review (As of March 31, 2012)
Net assets		
Shareholders' equity		
Common stock	10,599	12,345
Capital surplus		
Capital legal reserve	4,138	5,884
Other capital surplus	18	--
Total capital surplus	4,157	5,884
Retained earnings		
Other retained earnings		
Deferred retained earnings	5,967	7,176
Total retained earnings	5,967	7,176
Treasury stock	-771	-499
Total shareholders' equity	19,952	24,906
Valuation and translation adjustments		
Unrealized gains on marketable securities	993	1,114
Deferred gains (losses) on hedges	5	1
Total valuation and translation adjustments	998	1,115
Subscription rights to shares	290	345
Total net assets	21,241	26,367
Total liabilities and net assets	34,091	45,942



(ii) Non-consolidated statements of income

(Million yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Fiscal year under review (From April 1, 2011 to March 31, 2012)
Net sales		
Net sales of goods	1,807	1,384
Net sales of finished goods	*4 33,339	*4 35,998
Total net sales	35,146	37,382
Cost of sales		
Cost of goods sold		
Beginning inventories	28	10
Cost of purchased goods	1,358	961
Total	1,387	972
Ending inventories	10	76
Cost of goods sold	1,377	895
Cost of finished goods sold		
Beginning finished goods	955	1,916
Cost of products manufactured	28,815	29,627
Total	29,771	31,544
Ending finished goods	1,916	1,657
Transfer to other account	*1 10	*1 75
Cost of finished goods sold	*2 27,844	*2 29,812
Total cost of sales	29,221	30,708
Gross profit	5,925	6,674
Selling, general and administrative expenses		
Packing and transportation expenses	96	96
Advertising expenses	192	203
Salaries for directors	203	204
Salaries and allowances	636	733
Provision for reserve for bonus payment	38	36
Retirement benefit expenses	68	72
Rent paid	70	70
Traveling expenses	139	147
Insurance premiums	96	102
Research and development expenses	*3 752	*3 821
Depreciation and amortization expenses	17	17
Provision for allowance for doubtful accounts	68	38
Provision for reserve for product warranties	93	130
Other selling, general and administrative expenses	718	785
Total selling, general and administrative expenses	3,193	3,460
Operating income	2,732	3,214

(Million yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Fiscal year under review (From April 1, 2011 to March 31, 2012)
Non-operating income		
Interest received	11	21
Dividends received	*4 213	*4 177
Rent received	*4 12	*4 12
Foreign exchange income	--	34
Insurance benefits received	43	39
Other non-operating income	41	71
Total non-operating income	322	357
Non-operating expenses		
Interest paid	7	30
Interest on bonds	10	7
Leased asset expenses	10	11
Foreign exchange losses	73	--
Amortization of stock issuance cost	--	1
Amortization of bond issuance cost	6	6
Sales discount	2	2
Loss on sales of trade notes	45	70
Other non-operating expenses	29	37
Total non-operating expenses	187	167
Ordinary income	2,867	3,403
Extraordinary income		
Gain on sales of fixed assets	*5 46	*5 0
Gain on sales of investment securities	5	--
Total extraordinary income	52	0
Extraordinary expenses		
Loss on retirement of fixed assets	*6 1	*6 40
Loss on sales of fixed assets	*7 4	*7 2
Impairment loss	--	10
Loss on devaluation of inventories	--	*2 40
Loss on devaluation of investment securities	179	10
Loss on sales of stocks of affiliate	--	4
Loss on devaluation of subsidiaries' stocks	--	9
Loss on disaster	--	21
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Settlement Package	60	--
Other extraordinary expenses	1	0
Total extraordinary expenses	258	138
Income before taxes and other adjustments	2,661	3,265
Corporate, inhabitant and enterprise taxes	347	1,437
Deferred taxes	-113	-89
Total corporate and other taxes	234	1,348
Net income	2,426	1,916

Schedule of cost of products manufactured

(Million yen)

Classification	Note	Previous fiscal year (From April 1, 2010 to March 31, 2011)		Fiscal year under review (From April 1, 2011 to March 31, 2012)	
		Amount	Component ratio (%)	Amount	Component ratio (%)
I Material cost		21,744	72.4	23,873	75.3
II Labor cost		3,105	10.4	2,931	9.2
III Expenses (Depreciation and amortization expenses) (Amount paid to subcontractors)		5,153 (598) (2,645)	17.2	4,906 (545) (2,469)	15.5
Total production costs		30,004	100.0	31,711	100.0
Beginning work in process		4,563		4,796	
Total		34,567		36,507	
Ending work in process		4,796		5,687	
Transfer to other account	*1	955		1,198	
Cost of products manufactured		28,815		29,627	

(Million yen)

Previous fiscal year (From April 1, 2010 to March 31, 2011)	Fiscal year under review (From April 1, 2011 to March 31, 2012)
Cost accounting method Real cost accounting is applied. Job order cost accounting is applied to machine tools and measurement instruments, and process costing is applied to prototypes and tools. Part of planned processing cost is calculated. The difference between the planned cost and actual cost is allocated to inventories and the cost of sales.	Cost accounting method Same as at left
*1. Transfer to other account	*1. Transfer to other account
To fixed assets	To fixed assets
To selling, general and administrative expenses	To selling, general and administrative expenses
Other	Loss on devaluation of inventories
151 802 <u>1</u> 955	85 1,093 <u>19</u> 1,198

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

(Million yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Fiscal year under review (From April 1, 2011 to March 31, 2012)
<b>Shareholders' equity</b>		
<b>Common stock</b>		
Balance at beginning of the fiscal year	10,599	10,599
Change during the fiscal year		
Issuance of new shares	--	1,745
Total change during the fiscal year	--	1,745
Balance at end of the fiscal year	10,599	12,345
<b>Capital surplus</b>		
<b>Capital legal reserve</b>		
Balance at beginning of the fiscal year	4,138	4,138
Change during the fiscal year		
Issuance of new shares	--	1,745
Total change during the fiscal year	--	1,745
Balance at end of the fiscal year	4,138	5,884
<b>Other capital surplus</b>		
Balance at beginning of the fiscal year	12	18
Change during the fiscal year		
Disposal of treasury stock	6	-18
Total change during the fiscal year	6	-18
Balance at end of the fiscal year	18	--
<b>Total capital surplus</b>		
Balance at beginning of the fiscal year	4,151	4,157
Change during the fiscal year		
Disposal of treasury stock	6	-18
Issuance of new shares	--	1,745
Total change during the fiscal year	6	1,726
Balance at end of the fiscal year	4,157	5,884
<b>Retained earnings</b>		
<b>Other retained earnings</b>		
<b>Deferred retained earnings</b>		
Balance at beginning of the fiscal year	4,207	5,967
Change during the fiscal year		
Cash dividends paid	-666	-661
Net income	2,426	1,916
Disposal of treasury stock	--	-47
Total change during the fiscal year	1,759	1,208
Balance at end of the fiscal year	5,967	7,176
<b>Treasury stock</b>		
Balance at beginning of the fiscal year	-207	-771
Change during the fiscal year		
Purchase of treasury stock	-591	-2
Disposal of treasury stock	27	274
Total change during the fiscal year	-564	272
Balance at end of the fiscal year	-771	-499

(Million yen)

	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Fiscal year under review (From April 1, 2011 to March 31, 2012)
Total shareholders' equity		
Balance at beginning of the fiscal year	18,570	19,952
Change during the fiscal year		
Issuance of new shares	--	3,491
Cash dividends paid	-666	-661
Net income	2,426	1,916
Purchase of treasury stock	-591	-2
Disposal of treasury stock	33	208
Total change during the fiscal year	1,201	4,953
Balance at end of the fiscal year	19,952	24,906
Valuation and translation adjustments		
Unrealized gains on marketable securities		
Balance at beginning of the fiscal year	463	993
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	529	120
Total change during the fiscal year	529	120
Balance at end of the fiscal year	993	1,114
Deferred gains (losses) on hedges		
Balance at beginning of the fiscal year	-99	5
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	104	-3
Total change during the fiscal year	104	-3
Balance at end of the fiscal year	5	1
Total valuation and translation adjustments		
Balance at beginning of the fiscal year	364	998
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	634	117
Total change during the fiscal year	634	117
Balance at end of the fiscal year	998	1,115
Subscription rights to shares		
Balance at beginning of the fiscal year	204	290
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	86	55
Total change during the fiscal year	86	55
Balance at end of the fiscal year	290	345
Total net assets		
Balance at beginning of the fiscal year	19,319	21,241
Change during the fiscal year		
Issuance of new shares	--	3,491
Cash dividends paid	-666	-661
Net income	2,426	1,916
Purchase of treasury stock	-591	-2
Disposal of treasury stock	33	208
Changes in items other than shareholders' equity during the fiscal year (net)	720	172
Total change during the fiscal year	1,922	5,125
Balance at end of the fiscal year	21,241	26,367

## 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 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 directors' bonuses

To provide for the payment of director's bonuses, the Company accrues bonuses for directors based on the projected amount for the fiscal year under review.

However, since the Company was unable to reasonably project the amount at the end of the fiscal year under review, this was not posted.

(4) 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.

(5) 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.

7. 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.

8. Other important matters for the preparation of financial statements

Accounting method for consumption taxes

The tax-exclusion method is used for the calculation of consumption tax and local consumption tax.

Changes in Accounting Policies

(Application of the Accounting Standard for Earnings per Share)

The Company began applying the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2 revised on June 30, 2010), the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4 revised on June 30, 2010), and the Practical Solution on Accounting for Earnings Per Share (ASBJ PITF No. 9 revised on June 30, 2010) in the fiscal year under review.

With the application, of the fair value of stock options, the value associated with services to be provided for the Company in the future was included in the amount to be paid at the exercise of stock options, an amount used in the calculation of net income per share after residual equity adjustment.

The net income per share after residual equity adjustment for the previous year has been revised using the changed accounting policy retroactively.

The effect of the application is described in the notes relating to “Per share information”.

Others

(Application of the Accounting Standard for Accounting Changes and Error Corrections)

The Company began applying the “Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 issued on December 4, 2009) in the beginning of the fiscal year under review.

Notes

(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, 2011)	Fiscal year under review (As of March 31, 2012)
Trade notes receivable	35	114
Trade accounts receivable	3,275	8,939
Trade accounts payable	79	104

2. Debt guarantee

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

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Precision Tsugami (China) Corporation (Guaranteed item: Borrowed money)	589	607

3. Amount of discount for bills receivable

(Million yen)

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Amount of discount for bills receivable	526	947
Amount of discount for export bills receivable	2,584	2,022

\*4. Notes due at the end of the consolidated fiscal year

Notes due at the end of the consolidated fiscal year are settled on the date of clearing. Since the end of the consolidated fiscal year under review fell on a bank holiday, the following notes due at the end of the fiscal year are included in the balance at the end of the fiscal year. (Million yen)

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Trade notes	--	11
Amount of discount for bills receivable:	--	49

\*5. Amount of allowance for doubtful accounts directly subtracted from assets

(Million yen)

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Investments and other assets	145	119



(Non-consolidated statements of income)

\*1. Transfer to other account (Million yen)

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
To fixed assets	10	58
To loss on devaluation of inventories	--	16

\*2. Reductions in book value associated with declines in the profitability of inventories owned for ordinary sales (Million yen)

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
Cost of sales	45	73
Extraordinary expenses	--	40

A loss on devaluation of inventories of 40 million yen posted in extraordinary expenses is a loss expected to be incurred as a result of the downsizing of the Shinshu Factory and the withdrawal from business in association with an improvement in product efficiency and the concentration of production.

\*3. Total R&D expenses (Million yen)

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term	752	821

\*4. Net sales and dividends received in relation to transactions with subsidiaries and affiliates (Million yen)

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
Net sales	10,423	15,397
Dividends received	130	130

\*5. Breakdown of gain on sale of fixed assets (Million yen)

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
Machinery and equipment	46	0
Tools, furniture and fixtures	0	--
Total	46	0

\*6. Breakdown of loss on retirement of fixed assets (Million yen)

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
Buildings	--	29
Machinery and equipment	1	6
Other	0	4
Total	1	40

\*7. Breakdown of loss on sale of fixed assets (Million yen)

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
Machinery and equipment	4	2

\*8. Impairment loss

In the fiscal year under review, the Company posted an impairment loss for the group of assets below. (Million yen)

Location	Use	Type
Saku-shi, Nagano	Idle asset	Land

The Company's assets are grouped in accordance with the businesses with which the assets are associated.

Since the expected sale value of the assets above, which are planned to be sold, is lower than the book value, the Company reduced the book value to the recoverable amount and posted an impairment loss of 10 million yen in extraordinary expenses. The recoverable amount was measured by the net sale value and was calculated based on the expected sale value.

(Non-Consolidated Statements of Changes in Net Assets)

Previous fiscal year (From April 1, 2010 to March 31, 2011)

Matters relating to type and number of treasury stock

(Thousand shares)

	Number of shares at the beginning of the fiscal year	Increase in shares in the fiscal year	Decrease in shares in the fiscal year	Number of shares at the end of the fiscal year
Common shares	1,154	1,103	117	2,140
Total	1,154	1,103	117	2,140

- (Note) 1. The increase in common shares of treasury stock of 1,103 thousand shares reflected an increase of 7 thousand shares due to the purchase of odd-lot shares, and the purchase of 1,096 thousand shares of treasury stock by the Company by resolution of the Board of Directors.
2. The decrease in treasury stock of 117 thousand shares was due to the exercise of stock options.

Fiscal year under review (From April 1, 2011 to March 31, 2012)

Matters relating to type and number of treasury stock

(Thousand shares)

	Number of shares at the beginning of the fiscal year	Increase in shares in the fiscal year under review	Decrease in shares in the fiscal year under review	Number of shares at the end of the fiscal year under review
Common shares	2,140	5	763	1,382
Total	2,140	5	763	1,382

- (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 treasury stock of 763 thousand shares was due to the exercise of stock options.

(Lease Transactions)

(lessee)

1. Finance lease transactions

Finance lease transactions without the transfer of ownership

(i) Leased assets

a. Tangible fixed assets

Primary tools, furniture and fixtures business in Japan.

b. Intangible fixed assets

Software

(ii) Depreciation and amortization methods for leased assets

The methods described in Significant accounting policies, 4. Depreciation method for fixed 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 fiscal year (from April 1, 2010 to March 31, 2011)		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent
Vehicles	10	10	0
Tools, furniture and fixtures	21	20	0
Total	32	30	1

(Million yen)

	Fiscal year under review (from April 1, 2011 to March 31, 2012)		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent
Vehicles	10	10	0
Tools, furniture and fixtures	21	21	0
Total	32	31	0

(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 (Million yen)

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
	Equivalent of unexpired lease fees at end of fiscal year	
Within a year	1	0
Longer than a year	--	--
Total	1	0

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

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

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
	Lease fees paid	4
Depreciation equivalent	4	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.

(Securities)

Previous fiscal year (from April 1, 2010 to March 31, 2011)

Shares in subsidiaries (whose balance sheet amount is 120 million yen) and shares in affiliates (whose balance sheet amount is 16 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 (from April 1, 2011 to March 31, 2012)

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.

(Deferred Tax Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause (Million yen)

	Previous fiscal year (As of March 31, 2011)	Fiscal year under review (As of March 31, 2012)
Deferred tax assets		
Allowance for doubtful accounts	92	90
Reserve for bonus payment	87	82
Reserve for retirement benefits	319	277
Reserve for product warranties	38	49
Loss on devaluation of investment securities	144	130
Loss on devaluation of affiliates' stock	9	8
Loss on devaluation of inventories	67	74
Impairment loss	48	46
Accrued enterprise taxes	15	91
Stock-based compensation expense	85	80
Other	57	70
Deferred tax assets subtotal	967	1,002
Valuation reserve	-381	-326
Deferred tax assets total	585	674
Deferred tax liabilities		
Deferred gains (losses) on hedges	-3	-0
Unrealized gains on marketable securities	-680	-612
Deferred tax liabilities total	-683	-613
Net deferred tax assets (liabilities)	-98	60

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, 2011)	Fiscal year under review (As of March 31, 2012)
Legally effective tax rate	40.7%	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.
(Adjustments)		
Residence tax on a per capita basis	0.7%	
Special deduction of experiment and research expenses	-2.8%	
Items permanently excluded from nontaxable expenses, including entertainment costs	0.2%	
Items permanently excluded from gross revenue including dividends received	-2.2%	
Use of net loss carried forward for tax reasons	-30.7%	
Increase (decrease) in valuation reserve	2.2%	
Other	0.7%	
Actual effective tax rate after applying tax effect accounting	8.8%	

### 3. Effect of changes in corporate tax rates

Following the introduction on December 2, 2011 of the Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures (Act No. 114 of 2011) and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake (Act No. 117 of 2011), corporate tax rates were reduced and the special reconstruction corporate tax was imposed for the fiscal years beginning on or after April 1, 2012. In line with these changes, the effective corporate tax rate used to measure deferred tax assets and liabilities are changed from 40.70% to 38.01% for temporary differences expected to be eliminated from the fiscal year beginning on April 1, 2012 to the fiscal year beginning April 1, 2014. The rate will be changed to 35.64% for temporary differences expected to be eliminated in or after the fiscal year beginning on April 1, 2015. As a result of this change, the amount of deferred tax liabilities (the amount after subtracting the amount of deferred tax assets) decreased 23 million yen, and total corporate and other taxes increased 64 million yen.

(Business Combination)

Not applicable.

(Asset Retirement Obligations)

Not stated because of the insignificant amount.

(Per Share Information)

Previous fiscal year (from April 1, 2010 to March 31, 2011)		Fiscal year under review (from April 1, 2011 to March 31, 2012)	
Net assets per share	318.02 yen	Net assets per share	353.86 yen
Net income per share	36.53 yen	Net income per share	28.47 yen
Net income per share after residual equity adjustment	35.85 yen	Net income per share after residual equity adjustment	28.09 yen

(Note) The table below shows the foundations for the calculation of the net income or loss per share and net income per share after residual equity adjustment.

	Previous fiscal year (from April 1, 2010 to March 31, 2011)	Fiscal year under review (from April 1, 2011 to March 31, 2012)
Net income		
Net income (million yen)	2,426	1,916
Net income that does not belong to common shareholders (million yen)	--	--
Net income on common shares (million yen)	2,426	1,916
Average number of shares during the period (thousand shares)	66,431	67,323
Net income per share after residual equity adjustment		
Adjustment in net income (million yen)	--	--
Increase in common shares (thousand shares)	1,256	909
(Stock option) (thousand shares)	(1,256)	(909)
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 18, 2010 (Number of shares: 350,000)
	-----	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 17, 2011 (Number of shares: 350,000)

(Changes in accounting policies)

The Company began applying the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2 revised on June 30, 2010), the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4 revised on June 30, 2010), and the Practical Solution on Accounting for Earnings Per Share (ASBJ PITF No. 9 revised on June 30, 2010) in the fiscal year under review.

With the application, the amount that will be paid if stock options that are vested after certain periods of service are exercised, which is used in the calculation of net income per share after residual equity adjustment, includes the fair value of the stock options that is related to service expected to be provided to the Company in the future.

Net income per share after residual equity adjustment and the increase in the number of common shares for the previous fiscal year without application of the accounting standard are as follows:

Net income per share after residual equity adjustment: 35.82 yen  
Increase in the number of common shares: 1,304 thousand shares

(Important post-balance sheet events)

Resolution on stock option

The submitting company resolved to issue subscription rights to shares at the 109th annual shareholders meeting held on June 15, 2012.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 14. Stock options based on a resolution at the annual shareholders meeting held on June 15, 2012.

(iv) Supplementary schedule

Schedule of securities

Shares

		Issue	Number of shares	Carrying amount on the balance sheet (million yen)
Investment securities	Other securities	Tornos Holdings	1,463,813	1,338
		Tokyo Seimitsu Co., Ltd.	1,033,000	1,773
		Fanuc Ltd.	50,000	734
		Yamazen Corporation	500,000	345
		THK Co., Ltd.	59,000	99
		Yuasa Trading Co., Ltd.	1,000,000	144
		Mori Seiki Co., Ltd.	100,000	85
		The Hachijuni Bank, Ltd.	196,000	95
		The Hokuetsu Bank, Ltd.	499,216	88
		The Daishi Bank, Ltd.	241,000	70
		Others (13 issues)	1,388,238	182
		Total	6,530,267	4,955



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	Assets at end of the fiscal year under review	Accumulated depreciation or amortization at end of the fiscal year under review	Depreciation or amortization in the fiscal year under review	Assets less accumulated depreciation at end of the fiscal year under review
Tangible fixed assets							
Buildings	6,662	49	79	6,632	3,762	173	2,869
Structures	479	9	42	447	347	19	99
Machinery and equipment	7,693	59	1,000	6,752	6,067	248	685
Vehicles	53	--	16	36	33	2	3
Tools, furniture and fixtures	914	94	200	808	613	123	194
Land	591	--	10 (10)	581	--	--	581
Leased assets	31	4	--	36	20	6	15
Construction in progress	--	38	3	35	--	--	35
Total tangible fixed assets	16,426	257	1,354 (10)	15,328	10,844	574	4,484
Intangible fixed assets							
Software	--	--	--	117	43	21	73
Telephone subscription rights	--	--	--	10	--	--	10
Leased assets	--	--	--	17	7	3	9
Total intangible fixed assets	--	--	--	145	50	25	93
Long-term prepaid expenses	7	3	--	10	4	0	(0) 5
Deferred assets							
Bond issuance expenses	33	--	--	33	22	6	11
Stock issuance cost	--	21	--	21	1	1	20
Total deferred assets	33	21	--	55	23	7	32

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

Buildings	Head office	Partition, etc. associated with head office relocation	23
Machinery and equipment	Nagaoka factory	Machine tool manufacturing equipment	59
Tools, furniture and fixtures	Nagaoka factory	Machine tool manufacturing tools, etc.	84

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

Machinery and equipment	Nagaoka factory	Decrease from sale	171
Machinery and equipment	Shinshu factory	Decrease from retirement	310
Machinery and equipment	Shinshu factory	Decrease from sale	519

3. The figure in parentheses in the amount of long-term prepaid expenses at the end of the fiscal year under review column is the amount written off within a year, and is included in current assets and prepaid expenses.

4. Since the amount of intangible fixed assets was 1% or less of the total assets, the amount at the beginning of the fiscal year under review, the increase during the fiscal year under review, and the decrease during the fiscal year under review are omitted.

5. The figure in parentheses at the Decrease in the fiscal year under review column is the amount of impairment loss, and is included in fixed assets (Land).

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 (used for the purpose)	Decrease in fiscal year under review (other reasons)	Assets at end of fiscal year under review
Allowance for doubtful accounts	228	244	16	211	244
Reserve for product warranties	215	216	215	--	216
Reserve for bonus payment	93	130	93	--	130

(Note) A decrease in allowance for doubtful accounts during the term under review of 211 million yen is a reversal of the reserve after revaluation.

Of the allowance for doubtful accounts at the end of the fiscal year under review, an allowance of doubtful accounts relating to investments and other assets of 119 million yen is directly reduced from assets.

(2) Details of major items in assets and liabilities

(i) Current assets

(A) Cash and deposits

Classification	Amount (million yen)
Cash	73
Deposits	
Current account	3,815
Ordinary account	115
Time deposit	40
Separate deposit	21
Foreign currency deposit	84
Subtotal	4,077
Total	4,150

(B) Trade notes receivable

Breakdown by trading partner

Partner	Amount (million yen)
Daikisangyou corporation	175
Seiwa Engineering Co., Ltd.	110
Miike engineering corporation	54
Tsugami Machinery Co., Ltd.	46
FUSO Machine Tools Co., Ltd.	26
Others	96
Total	509

Breakdown by due date

Due date	Amount (million yen)
March 2012	11
April 2012	29
May 2012	25
June 2012	169
July 2012	242
August 2012	30
Total	509

(C) Trade accounts receivable

Breakdown by debtor

Debtor	Amount (million yen)
Precision Tsugami (China) Corporation	7,990
Keiaisha Co., Ltd.	1,195
NIDEC PRECISION (THAILAND) CO., LTD.	320
REM SALES, Limited. Liability Company	313
AVEX Inc.	310
Other	4,558
Total	14,687

Occurrence, collection, and retention of trade accounts receivable

Amount at beginning of the term under review (million yen)	Amount accrued during the term under review (million yen)	Amount collected during the term under review (million yen)	Amount carried forward to following term (million yen)	Collection rate (%)	Retention period (days)
(A)	(B)	(C)	(D)	$\frac{(C)}{(A) + (B)} \times 100\%$	$\frac{(A) + (D)}{2}$ $\frac{(B)}{366}$
8,172	38,173	31,657	14,687	68.3	109.6

(Note) The amount accrued during the term under review includes consumption tax.

(D) Commodities and products

Type	Amount (million yen)
Commodities	
Machine tool parts	76
Products	
Machine tools	
Automatic lathes	1,260
Grinding machines	111
Machining centers	192
Rolling machines, etc.	36
Other	56
Total	1,733

(E) Goods in process

Type	Amount (million yen)
Machine tools	
Automatic lathes	3,818
Grinding machines	679
Machining centers	696
Rolling machines, etc.	111
Other	381
Total	5,687

(F) Raw materials and supplies

Type	Amount (million yen)
Raw materials	
Main materials	
Steel	7
Castings	14
Parts	
Purchased parts	2,106
Outside parts	27
Supplies	
Consumables	0
Total	2,155

(G) Investments in affiliates

Company name	Amount (million yen)
Precision Tsugami (China) Corporation	3,374
REM SALES LLC	209
TSUGAMI GmbH.	0
TSUGAMI KOREA CO., Ltd.	8
TSUGAMI PRECISION ENGINEERING INDIA PVT., LTD.	327
TSUGAMI Universal Pte Ltd.	0
Total	3,919

(ii) Current liabilities

(A) Trade notes payable

Breakdown by trading partner

Partner	Amount (million yen)
Fanuc Ltd.	2,719
Kantoh, Ltd.	447
Naito & Co., Ltd.	295
Niigata Ntn, K.K.	252
Seven-S Co., Ltd.	218
Other	5,493
Total	9,427

Breakdown by due date

Due date	Amount (million yen)
April 2012	1,298
May 2012	1,620
June 2012	2,122
July 2012	3,253
August 2012	454
September 2012	678
Total	9,427

(B) Trade accounts payable

Creditor	Amount (million yen)
Fanuc Ltd.	1,682
Naito & Co., Ltd.	298
Tornos Holdings SA	293
Kantoh, Ltd.	98
ALPSTOOL CO., LTD.	96
Other	2,156
Total	4,626

(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 Company Law, the right to demand specified in Article 166, Paragraph 1 of the Company Law, 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) Securities Registration Statement (Issuance of New Shares by Public Offering) and its attached documents  
Submitted to the director general of the Kanto Finance Bureau on January 16, 2012  
Securities Registration Statement (Issuance of New Shares by Third-party Allotment) and its attached documents  
Submitted to the director general of the Kanto Finance Bureau on January 16, 2012
- (2) Reissued securities Registration Statement  
Submitted to the director general of the Kanto Finance Bureau on January 25, 2012  
A reissued report relating to the Securities Registration Statement (Issuance of New Shares by Public Offering) submitted on January 16, 2012  
Submitted to the director general of the Kanto Finance Bureau on January 25, 2012  
A reissued report relating to the Securities Registration Statement (Issuance of New Shares by Third-party Allotment) submitted on January 16, 2012  
Submitted to the director general of the Kanto Finance Bureau on February 9, 2012  
A reissued report relating to the Securities Registration Statement (Issuance of New Shares by Third-party Allotment) submitted on January 16, 2012
- (3) Annual securities report, and its attached documents and confirmation documents  
108th fiscal year (from April 1, 2010 to March 31, 2011) Submitted to the director general of the Kanto Finance Bureau on June 20, 2011
- (4) Internal control report and its attached documents  
Submitted to the director general of the Kanto Finance Bureau on June 20, 2011
- (5) Quarterly reports and confirmation documents  
1st quarter of the 109th fiscal year (from April 1, 2011 to June 30, 2011) Submitted to the director general of the Kanto Finance Bureau on August 11, 2011  
2nd quarter of the 109th fiscal year (from July 1, 2011 to September 30, 2011) Submitted to the director general of the Kanto Finance Bureau on November 14, 2011  
3rd quarter of the 109th fiscal year (from October 1, 2011 to December 31, 2011) Submitted to the director general of the Kanto Finance Bureau on February 9, 2012
- (6) Extraordinary report  
Submitted to the director general of the Kanto Finance Bureau on June 21, 2011  
An extraordinary report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act, and 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 21, 2011  
An extraordinary report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act, 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 March 15, 2012  
An extraordinary report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act, and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, Etc.
- (7) Reissued extraordinary report  
Submitted to the director general of the Kanto Finance Bureau on July 7, 2011  
A reissued report relating to the extraordinary report (Issuing of Subscription rights to shares) submitted on June 21, 2011

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

Not applicable.

Audit Report and Internal Control Audit Report of Independent Auditor

June 15, 2012

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, 2011 to March 31, 2012, 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, 2012 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, 2012 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, 2012 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 15, 2012

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 109th fiscal year from April 1, 2011 to March 31, 2012.

**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, 2012 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.

[Cover]

Document submitted	Internal Control Report
Applicable law clause	24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 18, 2012
Corporate name	Tsugami Corporation
Name and title of representative	Takao Nishijima, Chairman and CEO
Name and title of CFO	Not applicable
Address of home office	12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

## 1. Basic Framework for Internal Controls Over Financial Reporting

Takao Nishijima, Chairman and CEO of Tsugami Corporation, is responsible for the development and operation of internal controls over financial reporting for Tsugami Corporation and its consolidated subsidiaries (herein after “the Group”). He ensures the appropriateness and reliability of the financial reporting of the Group by developing and operating internal controls under the basic framework for internal controls stipulated in the report, “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” (Business Accounting Council; February 15, 2007).

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components as a whole. The internal control over financial reporting might not be able to prevent or detect misstatements in financial reporting completely.

## 2. Evaluation Scope, Base Date, and Procedure

Chairman and CEO Takao Nishijima evaluated the Group’s internal control over financial reporting as of March 31, 2012 in accordance with generally accepted evaluation standards.

The scope of evaluation was that necessary in terms of the significance of the effects on the reliability of the financial reporting of the Group.

Internal controls significantly affecting overall financial reporting (herein after “Company-Wide Internal Controls”) and business processes relating to book-closing and financial reporting deemed suitable for evaluation from a Company-wide perspective was evaluated at all business units. The Chairman and CEO understood and analyzed all internal controls within the scope appropriately and undertook procedures including interviews with relevant staff and checks of records to evaluate the status of development and operation of internal controls and the effect of this status on internal controls relating to business processes.

To evaluate process-level controls, the Chairman and CEO chose business units that accounted for about two-thirds of consolidated sales as significant business units, considering the significance of their quantitative and qualitative influence on financial reporting and based on the results of the evaluation of the Company-Wide Internal Controls.

Business processes associated with accounts closely related to the business purpose of the Group—net sales, trade accounts receivable, and inventories—in significant business units were evaluated. In addition to the business processes, other business processes that had material influences on financial reporting were individually added to the scope of evaluation. Each business process in the scope of evaluation was analyzed, and the principal process-level controls that would significantly affect the reliability of financial reporting were chosen. The status of the development and operation of the main process-level controls was then evaluated through procedures including a perusal of related documents, questioning of appropriate internal control officers, observation of operations, and examination of records on the implementation of the internal controls.

## 3. Evaluation Results

As a result of the evaluation above, Chairman and CEO Takao Nishijima has determined that internal control over the financial reporting of the Group was effective as of March 31, 2012.

## 4. Additional Statement

There have been no subsequent events that significantly affect the evaluation of the effectiveness of internal control over financial reporting.

## 5. Special Comments

There are no special comments.