

Stock code: 6101
May 27, 2016

To our shareholders,

Takao Nishijima, Chairman and CEO
TSUGAMI CORPORATION
12-20, Tomizawa-cho
Nihonbashi, Chuo-ku, Tokyo

Notice of the 113th Annual Shareholders Meeting

You are cordially invited to attend the 113th Annual Shareholders Meeting of TSUGAMI CORPORATION (the “Company”), to be held as set forth below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing. Please review the attached reference materials and exercise your vote by indicating “for” or “against” for each agenda item listed on the enclosed proxy card, affix your seal and return it to us no later than 5:30 p.m. on Thursday, June 21, 2016.

Meeting Details

- 1. Date & Time** 10:00 am, Thursday, June 22, 2016
- 2. Venue** Conference Room at the Company’s Nagaoka Factory at 1-1-1 Higashizao, Nagaoka-shi, Niigata Prefecture. (Please refer to the attached map.)

3. Agenda:

Items to be reported

1. The Business Report, the Consolidated Financial Statements, and the report on the audit of the consolidated accounts by the Independent Auditors and the Board of Corporate Auditors for the 113th term, from April 1, 2015 to March 31, 2016, will be reported at the meeting.
2. The Non-Consolidated Financial Statements for the 113th term, from April 1, 2015 to March 31, 2016, will be reported at the meeting.

Items to be resolved

Item 1: Reduction of Legal Capital Surplus

Item 2: Appointment of Eight Directors

Item 3: Delegation to the Company's Board of Directors of the determination of subscription requirements for subscription rights to shares to be issued as stock options for a stock-linked compensation plan with conditions particularly favorable to executive officers of the Company and employees with similar positions

If attending the meeting in person, please present the enclosed proxy card at the reception desk. In addition, you are also kindly requested to bring this Notice as meeting materials when you attend.

If any amendments are made to reference materials for the Annual Shareholders Meeting, the business report, or non-consolidated or consolidated financial statements, they will be posted on the Company website at <http://www.tsugami.co.jp>.

(Attachment)

Business Report

(From April 1, 2015 to March 31, 2016)

I. Current Status of the Group

(1) Business Performance for the Fiscal Year Ended March 31, 2016

(i) Business Progress and Results

During the consolidated fiscal year under review, the Japanese economy remained on a modest recovery path, with corporate earnings and employment improving. However, uncertainty about the future of the economy remains, given a slowdown in Chinese economic growth, a fall in the oil price, and the sharp appreciation of the yen.

In the machine tool industry, capital expenditure was firm in the domestic market owing to improved corporate earnings. Meanwhile, the U.S. and European economies were stable, while the Chinese economy slowed.

In this environment, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") sought to boost sales in the IT sector and a wide range of other industries. Despite these efforts, net sales declined from a year ago, reflecting a reactionary fall in demand for smartphones compared with the previous fiscal year and the effect of a slowdown in the Chinese market. Income also fell, reflecting the decline in sales, a deterioration in the cost to sales ratio associated with a production adjustment from the second quarter, and the effect of the stronger yen.

Consolidated net sales for the fiscal year under review decreased 25.9% year on year, to 40,132 million yen. Consolidated net sales in Japan increased 16.3% year on year, to 11,298 million yen. Consolidated exports decreased 35.1% year on year, to 28,834 million yen. The export ratio decreased from 82.1% for the previous fiscal year, to 71.8%.

A breakdown of consolidated net sales by machinery category shows that sales of mainstay Automatic lathes decreased 28.5% year on year, to 31,579 million yen, sales of Grinding machines rose 36.5%, to 4,399 million yen, sales of Machining centers fell 62.9%, to 570 million yen, and sales of Rolling machines and other specialized machines fell 32.3%, to 3,326 million yen.

Consolidated operating income decreased 70.7% year on year, to 2,125 million yen. Consolidated ordinary income decreased 85.9% year on year, to 1,095 million yen and Consolidated net income attributable to owners of parent decreased 83.4% year on year, to 877 million yen for the fiscal year under review.

(ii) Capital Investments Activities

Major facilities acquired during the fiscal year under review are as follows:

Nagaoka Factory	Additional installation of equipment for producing machine tools
PRECISION TSUGAMI (CHINA) CORPORATION	Additional installation of equipment for producing machine tools

Total investments amounted to 595 million yen, funded through the Company's own funds.

(iii) Financing Activities

The Group did not issue any bonds or shares to raise funds in the fiscal year under review.

(2) Assets and Operating Results for the Latest Three years

(Million yen)

Category	110 th term ended March 31, 2013	111 th term ended March 31, 2014	112 th term ended March 31, 2015	113 th term ended March 31, 2016
Net sales	52,812	32,225	54,132	40,132
Ordinary income (loss)	6,800	1,932	7,745	1,095
Net income attributable to owners of parent	4,207	344	5,297	877
Net income per share	57.16 yen	4.72 yen	74.37 yen	13.04 yen
Total assets	45,919	52,250	56,829	47,859
Net assets	31,998	31,587	37,279	32,594
Net asset per share	427.86 yen	428.18 yen	522.94 yen	473.78 yen

(Note) With the application of the Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21; September 13, 2013) etc., from the consolidated fiscal year under review, Net income is presented as Net income attributable to owners of parent.

(3) Status of Parent Company and Principal Subsidiaries

(i) Parent company

Not applicable

(ii) Principal subsidiaries

Company name	Capital	Voting share of the Company	Main business
TSUGAMI MACHINERY CO., LTD	60 million yen	100.0%	Sales, installation and repairing of machine tool parts
TSUGAMI GENERAL SERVICE CO., LTD.	42 million yen	100.0%	Inspections and maintenance of buildings and facilities of factories, and non-life insurance agency operations
PRECISION TSUGAMI (CHINA) CORPORATION	287 million yuan	(100.0%)	Manufacturing and sales of machine tools
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	35 million yuan	(100.0%)	Manufacturing and sales of machine tool castings
TSUGAMI KOREA Co., Ltd.	1,000 million won	100.0%	Sales of machine tools
Precision Tsugami (China) Corporation Limited	3 Hong Kong dollar	100.0%	Holding company
Precision Tsugami (Hong Kong) Limited	490 million Hong Kong dollar	(100.0%)	Holding company

Note) 1. The figures in brackets represent indirect ownership.

(4) 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.

(i) 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, smart phones and the medical care market.

(ii) Business strategies targeting growth regions

The Group will continue its efforts to build up production, sales and after-sales service organizations in Asian markets (including China, Southeast Asia and India), which we continue to need to emphasize.

(iii) 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.

(5) Principal Businesses (as of March 31, 2016)

Manufacturing and sale of precision machine tools

(6) Main Offices and Factories (as of March 31, 2016)

(i) Tsugami Corporation

Name	Address
Head office	Chuo-ku, Tokyo
Sales offices	Tokyo, Nagaoka, Suwa, Nagoya and Osaka
Nagaoka Factory	Nagaoka City, Niigata Prefecture
Takami Factory	Nagaoka City, Niigata Prefecture
Niigata Factory	Niigata City, Niigata Prefecture

(ii) Subsidiaries

Name	Address
TSUGAMI MACHINERY CO., LTD	Kawasaki City, Kanagawa Prefecture
TSUGAMI GENERAL SERVICE CO., LTD.	Nagaoka City, Niigata Prefecture
PRECISION TSUGAMI (CHINA) CORPORATION	Zhejiang, China
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	Zhejiang, China
TSUGAMI KOREA Co., Ltd.	Seoul, South Korea

(7) Employees (as of March 31, 2016)**(i) Employees of the Tsugami Group**

Number of employees	Change from the end of the previous term
1,614 (105)	Down 345 (Up 3)

(Note) The number of employees consists of full-time workers excluding part-time and temporary workers. The annual average number of part-time and temporary workers is presented in brackets. The number of employees downed 345 from the end of the previous fiscal year resulted mainly decrease at PRECISION TSUGAMI (China) CORPORATION.

(ii) Employees of Tsugami Corporation

Number of employees	Change from the end of the previous term	Average age	Average service years
439 (93)	Up 9 (Up 3)	42.7 years old	17.9 years

(Note) The number of employees consists of full-time workers, excluding part-time and temporary workers. The annual average number of part-time and temporary workers is presented in brackets.

(8) Principal Lenders (as of March 31, 2016)

Lender	Outstanding loan amount
Sumitomo Mitsui Banking Corporation	-- million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-- million yen
The Hokuetsu Bank, Ltd	-- million yen
Sumitomo Mitsui Banking Corporation (China) Limited	2,641 million yen (151 million yuan)
Bank of Tokyo-Mitsubishi UFJ (China), Ltd.	2,092 million yen (120 million yuan)
Mizuho Corporate Bank (China), Ltd.	1,394 million yen (80 million yuan)

(9) Policies Concerning Decisions on Distribution of Retained Earnings and Other Matters

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.

The Group will also deal appropriately with the acquisition of treasury stock for the flexible execution of capital policies and other purposes, as part of its measures for returning profits to shareholders and based on a comprehensive judgment of factors including the need, financial situation and share price trends.

The Company has decided to pay an annual dividend of ¥16 per share, an interim dividend of ¥8, and a year-end dividend of ¥8, in the fiscal year ended March 31, 2016.

The Company plans to pay an annual dividend of ¥16 per share, an interim dividend of ¥8 and a year-end dividend of ¥8, in the fiscal year ending March 31, 2017.

II. Current Status of the Company

(1) Shares (as of March 31, 2016)

- (i) Number of authorized shares: 320,000,000
(ii) Number of shares outstanding: 74,919,379
(iii) Number of shareholders: 10,390
(iv) Major shareholders (top 10 shareholders)

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	3,709	5.54
Japan Trustee Services Bank, Ltd. (trust account)	3,424	5.12
Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.)	2,592	3.87
The Dai-ichi Life Insurance Company, Limited	2,100	3.14
DMG MORI SEIKI CO., LTD.	2,000	2.99
Sumitomo Mitsui Banking Corporation	1,516	2.27
The Hokuetsu Bank, Ltd.	1,484	2.22
JP Morgan chase bank 385632 (Standing agency: Mizuho Bank, Ltd. Custody & Proxy Department)	1,422	2.13
Tsugami Customers' Shareholding Association	1,259	1.88
THE BANK OF NEW YORK - JASDECTREATY ACCOUNT (Standing agency: Mizuho Bank, Ltd. Custody & Proxy Department)	1,183	1.77

- Notes
1. In calculating the ratio of holdings, treasury stock was excluded. The ratio was rounded down to the second decimal place.
 2. The 2,592 thousand shares held by Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.) are an employee retirement benefit trust that Tokyo Seimitsu has created at Mizuho Trust & Banking, and Tokyo Seimitsu reserves the right to direct the exercise of the voting rights associated with the shares. The Company holds 1,033 thousand shares in Tokyo Seimitsu (2.49% of the stock).
 3. Although the Company holds 8,023 thousand shares of treasury stock, it is excluded from the list of major shareholders.

(2) Status of Subscription Rights to Shares, etc.

(i) Subscription rights to shares held by directors (as of March 31, 2016)

Date of relevant resolution		June 24, 2005	June 23, 2006
Number of subscription rights to shares		59	22
Type and number of shares underlying subscription rights to shares		Common shares: 59,000 (1,000 shares per subscription rights to share)	Common shares: 22,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	608 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 1, 2005 to June 30, 2025	From July 21, 2006 to July 20, 2026
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 2 Number of subscription rights to shares held: 47 Number of shares to be issued: 47,000	Number of holders: 1 Number of subscription rights to shares held: 22 Number of shares to be issued: 22,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 12 Number of shares to be issued: 12,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
Date of relevant resolution		June 23, 2006	June 22, 2007
Number of subscription rights to shares		19	29
Type and number of shares underlying subscription rights to shares		Common shares: 19,000 (1,000 shares per subscription rights to share)	Common shares: 29,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	513 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 21, 2006 to July 20, 2026	From July 10, 2007 to July 9, 2027
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 2 Number of subscription rights to shares held: 13 Number of shares to be issued: 13,000	Number of holders: 1 Number of subscription rights to shares held: 29 Number of shares to be issued: 29,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 6 Number of shares to be issued: 6,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -

Date of relevant resolution		June 22, 2007	June 20, 2008
Number of subscription rights to shares		24	32
Type and number of shares underlying subscription rights to shares		Common shares: 24,000 (1,000 shares per subscription rights to share)	Common shares: 32,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	279 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 10, 2007 to July 9, 2027	From July 8, 2008 to July 7, 2028
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 2 Number of subscription rights to shares held: 18 Number of shares to be issued: 18,000	Number of holders: 2 Number of subscription rights to shares held: 28 Number of shares to be issued: 28,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 1 Number of subscription rights to shares held: 4 Number of shares to be issued: 4,000
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 6 Number of shares to be issued: 6,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
Date of relevant resolution		June 20, 2008	June 19, 2009
Number of subscription rights to shares		11	93
Type and number of shares underlying subscription rights to shares		Common shares: 11,000 (1,000 shares per subscription rights to share)	Common shares: 93,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	123 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 8, 2008 to July 7, 2028	From July 7, 2009 to July 6, 2029
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 2 Number of subscription rights to shares held: 11 Number of shares to be issued: 11,000	Number of holders: 3 Number of subscription rights to shares held: 86 Number of shares to be issued: 86,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 1 Number of subscription rights to shares held: 7 Number of shares to be issued: 7,000
	Auditors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -

Date of relevant resolution		June 19, 2009	June 18, 2010
Number of subscription rights to shares		12	58
Type and number of shares underlying subscription rights to shares		Common shares: 12,000 (1,000 shares per subscription rights to share)	Common shares: 58,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	532 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 7, 2009 to July 6, 2029	From July 6, 2010 to July 5, 2030
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 1 Number of subscription rights to shares held: 6 Number of shares to be issued: 6,000	Number of holders: 4 Number of subscription rights to shares held: 54 Number of shares to be issued: 54,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 1 Number of subscription rights to shares held: 4 Number of shares to be issued: 4,000
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 6 Number of shares to be issued: 6,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -
Date of relevant resolution		June 18, 2010	June 17, 2011
Number of subscription rights to shares		4	102
Type and number of shares underlying subscription rights to shares		Common shares: 4,000 (1,000 shares per subscription rights to share)	Common shares: 102,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	408 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 6, 2010 to July 5, 2030	From July 5, 2011 to July 4, 2031
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 4 Number of subscription rights to shares held: 90 Number of shares to be issued: 90,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 2 Number of subscription rights to shares held: 12 Number of shares to be issued: 12,000
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 4 Number of shares to be issued: 4,000	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -

Date of relevant resolution		June 17, 2011	June 15, 2012
Number of subscription rights to shares		16	115
Type and number of shares underlying subscription rights to shares		Common shares: 16,000 (1,000 shares per subscription rights to share)	Common shares: 115,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	459 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 5, 2011 to July 4, 2031	From July 3, 2012 to July 2, 2032
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 1 Number of subscription rights to shares held: 10 Number of shares to be issued: 10,000	Number of holders: 5 Number of subscription rights to shares held: 100 Number of shares to be issued: 100,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 2 Number of subscription rights to shares held: 10 Number of shares to be issued: 10,000
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 6 Number of shares to be issued: 6,000	Number of holders: 1 Number of subscription rights to shares held: 5 Number of shares to be issued: 5,000
Date of relevant resolution		June 15, 2012	June 21, 2013
Number of subscription rights to shares		7	151
Type and number of shares underlying subscription rights to shares		Common shares: 7,000 (1,000 shares per subscription rights to share)	Common shares: 151,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	446 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 3, 2012 to July 2, 2032	From July 9, 2013 to July 8, 2033
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 5 Number of subscription rights to shares held: 121 Number of shares to be issued: 121,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 3 Number of subscription rights to shares held: 15 Number of shares to be issued: 15,000
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 7 Number of shares to be issued: 7,000	Number of holders: 1 Number of subscription rights to shares held: 15 Number of shares to be issued: 15,000

Date of relevant resolution		June 21, 2013	June 20, 2014
Number of subscription rights to shares		8	161
Type and number of shares underlying subscription rights to shares		Common shares: 8,000 (1,000 shares per subscription rights to share)	Common shares: 161,000 (1,000 shares per subscription rights to share)
Issue price of subscription rights to shares		Gratuitous	453 yen
Amount to be paid for the exercise of subscription rights to shares		One yen per share	One yen per share
Exercise period		From July 9, 2013 to July 8, 2033	From July 8, 2014 to July 9, 2034
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 5 Number of subscription rights to shares held: 121 Number of shares to be issued: 121,000
	Outside directors	Number of holders: - Number of subscription rights to shares held: - Number of shares to be issued: -	Number of holders: 3 Number of subscription rights to shares held: 15 Number of shares to be issued: 15,000
	Auditors	Number of holders: 1 Number of subscription rights to shares held: 8 Number of shares to be issued: 8,000	Number of holders: 4 Number of subscription rights to shares held: 25 Number of shares to be issued: 25,000
Date of relevant resolution		June 18, 2015	
Number of subscription rights to shares		131	
Type and number of shares underlying subscription rights to shares		Common shares: 131,000 (1,000 shares per subscription rights to share)	
Issue price of subscription rights to shares		526 yen	
Amount to be paid for the exercise of subscription rights to shares		One yen per share	
Exercise period		From July 7, 2015 to July 6, 2035	
Conditions for the exercise of subscription rights to shares		Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the "Subscription Rights to Shares Allocation Agreement," entered into between the Company and each holder.	
Status of subscription rights to shares held by directors	Directors (excluding outside directors)	Number of holders: 5 Number of subscription rights to shares held: 88 Number of shares to be issued: 88,000	
	Outside directors	Number of holders: 3 Number of subscription rights to shares held: 12 Number of shares to be issued: 12,000	
	Auditors	Number of holders: 5 Number of subscription rights to shares held: 31 Number of shares to be issued: 31,000	

(ii) Subscription rights to shares issued to employees, etc. as compensation for the execution of their duties during the fiscal year under review

Subscription rights to shares associated with resolution by annual shareholders meeting held on June 18, 2015

- Number of subscription rights to shares
122 (1,000 shares per subscription rights to share)
- Number of shares underlying subscription rights to shares
122,000
- Amount to be paid for the exercise of subscription rights to shares
Gratuitous
- Amount invested when exercising a subscription rights to share
1,000 yen per unit (1 yen per share)
- Items related to an increase in capital and capital legal reserve when shares are issued as a result of the exercise of the subscription rights to shares
Issue price: 527 yen
Amount per share to be credited to capital: 264 yen
- Period during which subscription rights to shares can be exercised
From July 7, 2015 to July 6, 2035
- Conditions for exercise of subscription rights to shares
Conditions for the exercise of the subscription rights to shares shall be as set out in the “Subscription Rights to Shares Allocation Agreement,” resolved by a meeting of the Company’s Board of Directors, and entered into between the Company and individuals receiving the subscription rights to shares in accordance with the above resolution.
- Status of subscription rights to shares held by the Company’s employees, etc.

	Number of subscription rights to shares	Number of shares to be issued	Number of holders
Employees of the Company	122	122,000	25

(3) Officers

(i) Directors and Statutory Auditors (as of March 31, 2016)

Position	Name	Responsibility and important concurrent post
Representative Director, Chairman and CEO	Takao Nishijima	
Representative Director, COO	Toshio Honma	COO, Administration
Representative Director, COO	Toshiharu Nijima	COO, Technology
Director	Byun Jae-Hyun	President of TSUGAMI KOREA Co., Ltd.
Director	Donglei Tang	Senior Advisor, President of PRECISION TSUGAMI (CHINA) CORPORATION
Director	Takeo Nakagawa	CEO of Fine Tech Corporation
Director	Shigeru Nishiyama	
Director	Kunio Shimada	Representative partner at Shimada Hamba & Osajima
Standing Statutory Auditor	Keiji Hayazaki	
Statutory Auditor	Kenji Yamada	
Statutory Auditor	Morikuni Uchigasaki	
Statutory Auditor	Hitoshi Yoshida	President and CEO of TOKYO SEIMITSU CO., LTD., Director, Senior Managing Executive Officer, Chief General Manager for Marketing Promotion of The Dai-ichi Life Insurance Company
Statutory Auditor	Hideo Teramoto	

- Notes
1. Directors Mr. Takeo Nakagawa, Mr. Shigeru Nishiyama and Mr. Kunio Shimada are outside directors.
 2. Mr. Morikuni Uchigasaki, Mr. Hitoshi Yoshida and Mr. Hideo Teramoto, the Statutory Auditors, are outside auditors.
 3. The Company has notified the Tokyo Stock Exchange of the appointment of Director Mr. Takeo Nakagawa and Mr. Kunio Shimada as independent directors, and Statutory Auditor Mr. Hideo Teramoto as independent auditors.
 4. Changes in Directors and Statutory Auditors in the fiscal year under review
Representative Director and COO Kiyoshi Tauchi and Statutory Auditor Ryuichi Kimura retired from their positions at the close of the 112th Annual Shareholders Meeting held on June 18, 2015 due to the expiration of their term of office. Mr. Hitoshi Yoshida was elected and assumed office as a Statutory Auditor at the annual shareholders meeting.

(ii) Outline of the details of contracts for the limitation of liability

In accordance with the provisions provided in Paragraph 1 of Article 427 of the Company Law, the Company has concluded contracts with Non-Executive Directors Takeo Nakagawa, Shigeru Nishiyama, and Kunio Shimada and Statutory Auditors Kenji Yamada, Morikuni Uchigasaki, Hitoshi Yoshida, and Hideo Teramoto for damages as stipulated in Paragraph 1 of Article 423 of the Company Law.

The maximum amount of liability for damages based on the above contracts is the minimum liability amount set forth in the laws and ordinances.

(iii) Compensation paid to Directors and Statutory Auditors

Post	Number of Officers	Total amount of compensation, etc.
Directors (Outside Directors included)	9 (3)	236 million yen (29 million yen)
Statutory Auditors (Outside Statutory Auditors included)	6 (4)	62 million yen (28 million yen)
Total (Outside Officers included)	15 (7)	299 million yen (58 million yen)

(Notes) 1. The above figures include one director and one outside statutory auditor who retired at the close of the 112th annual shareholders meeting held on June 18, 2015.

2. The total amount of compensation, etc. for directors does not include salaries for employees concurrently holding a position as director.

3. The maximum amount of compensation, etc. for directors was resolved to be not more than cash compensation of 250 million yen per annum by the 109th annual shareholders meeting (excluding salaries for employees). In addition to the above compensation, the maximum amount of compensation, etc. associated with subscription rights to shares allocated as stock options for a stock-linked compensation plan was resolved to be not more than 80 million yen per annum by the 109th annual shareholders meeting.

4. The maximum amount of compensation, etc. for statutory auditors was resolved to be not more than cash compensation of 60 million yen per annum by the 103rd annual shareholders meeting. In addition to the above compensation, the maximum amount of compensation, etc. associated with subscription rights to shares allocated as stock options for a stock-linked compensation plan was resolved to be not more than 20 million yen per annum by the 104th annual shareholders meeting.

5. The total amount of compensation, etc. included the following compensation.

- Compensation in the form of stock options

9 directors: 57 million yen (including 6 million yen for 3 outside directors)

6 statutory auditors: 15 million yen (including 6 million yen for 4 outside statutory auditors)

(iv) Matters concerning out officers

- a. Posts held concurrently by outside officers and relationships between the Company and other relevant companies

Position, Name	Company name	Post	Relationship
Director, Takeo Nakagawa	Fine Tech Corporation FANUC LTD. NIPPON PILLAR PACKING Co., Ltd. OSG CORPORATION	CEO Auditor Director Director	The Company has trading relationships, including sales of products, with Fine Tech Corporation, and trading relationships, including purchase of products, with FANUC LTD. No special interests exist between the Company and both NIPPON PILLAR PACKING Co., Ltd. and OSG CORPORATION.
Director, Shigeru Nishiyama	Mitsui Sugar Co., Ltd.	Auditor	No special interests exist between the Company and Mitsui Sugar Co., Ltd.
Director, Kunio Shimada	Shimada Hamba & Osajima Hulic Reit, Inc.	Representative partner Supervisory Officer	No special interests exist between the Company and both Shimada Hamba & Osajima and Hulic Reit, Inc.
Auditor, Morikuni Uchigasaki	DMG MORI SEIKI CO., LTD. TAIYO KOKI CO., LTD.	Advisor Auditor	No special interests exist between the Company and both DMG MORI SEIKI CO., LTD. and TAIYO KOKI CO., LTD.
Auditor, Hitoshi Yoshida	Tokyo Seimitsu Co., Ltd.	President and CEO	The Company has trading relationships, including purchase of products, with Tokyo Seimitsu Co., Ltd.
Auditor, Hideo Teramoto	The Dai-ichi Life Insurance Company, Limited	Director, Senior Managing Executive Officer, Chief General Manager for Marketing Promotion	The Company has concluded insurance agreements, including corporate pension plans, with The Dai-ichi Life Insurance Company, Limited.

b. Major activities in the fiscal year under review

Names	Major activities
Takeo Nakagawa, Director	He attended 10 of the 12 meetings of the Board of Directors held in the fiscal year under review and made remarks as needed based on his insight into the entire manufacturing industry, from the viewpoint of an experienced corporate manager.
Shigeru Nishiyama, Director	He attended 12 of the 12 meetings of the Board of Directors meetings held in the fiscal year under review and made remarks as needed, primarily from the viewpoint of an experienced corporate manager.
Kunio Shimada, Director	He attended 11 of the 12 meetings of the Board of Directors held in the fiscal year under review and made remarks as needed, primarily from the viewpoint of an experienced lawyer.
Morikuni Uchigasaki, Statutory Auditor	He attended 11 of the 12 meetings of the Board of Directors held in the fiscal year under review and 5 of the 5 Board of Statutory Auditors meetings and made remarks as needed, primarily from the viewpoint of an experienced corporate manager.
Hitoshi Yoshida, Statutory Auditor	He attended 9 of the 10 meetings of the Board of Directors that were held after he took office on June 18, 2015 and 4 of the 4 Board of Statutory Auditors meetings and made remarks as needed, primarily from the viewpoint of an experienced corporate manager.
Hideo Teramoto, Statutory Auditor	He attended 11 of the 12 meetings of the Board of Directors held in the fiscal year under review and 5 of the 5 Board of Statutory Auditors meetings and made remarks as needed, primarily from the viewpoint of an experienced corporate manager.

(4) Status of Independent Auditor

(i) Name of the independent auditor: Ernst & Young ShinNihon LLC

(ii) Amount of Compensation

	Amount to be paid
Compensation to be paid to independent auditors for the fiscal year under review	33 million yen
The total amount of cash and other assets to be paid by the Company and subsidiaries to independent auditors	37 million yen

- Notes
1. The auditing contract between the Company and the independent auditor makes no distinction between auditing services based on the Company Law and auditing services based on the Financial Instruments and Exchange Law. Since no real distinction can be made in practice, the amount of compensation to be paid for the fiscal year under review represents the total amount.
 2. The Board of Statutory Auditors has carried out an inspection necessary for deciding whether the independent auditor's audit plan, its performance of its duties, and its basis for estimating its compensation are appropriate or not and has agreed on the amount of compensation for the independent auditor.
 3. Financial statements of PRECISION TSUGAMI (CHINA) CORPORATION is audited by a certified public accountant, not the independent auditor.

(iii) Nonaudit work

The Company has paid to the independent auditor a consideration for assistance in the IPO of a subsidiary in China, a study of the impact of the introduction of the IFRS (International Financial Reporting Standards), and assistance for responding to revisions to regulations related to the Company Law and disclosure documents.

(iv) Policy concerning decisions to dismiss or not to reappoint independent auditors

The Company's Board of Statutory Auditors will determine the details of a proposal concerning the dismissal or non-reappointment of an independent auditor for submission to the shareholders meeting when the Board of Statutory Auditors deems this necessary, for example, when execution of duties by the relevant independent auditor is disrupted. The Board of Statutory Auditors may dismiss an independent auditor based on its unanimous approval, when items stipulated in the items of Paragraph 1 of Article 340 of the Company Law are deemed to be applicable to the relevant independent auditor. In this case, the Statutory Auditor elected by the Board of Statutory Auditors will present details and reasons for the dismissal of the independent auditor at the first annual shareholders meeting held after the dismissal.

The Board of Directors will ask the Board of Statutory Auditors to include the dismissal or non-reappointment of the independent auditor in the agenda of the shareholders meeting when the Board of Directors deems this necessary, for example, when execution of duties by the relevant independent auditor is disrupted, and, if the Board of Statutory Auditors judges this request appropriate, it will determine the details of a proposal for submission to the shareholders meeting.

(v) Outline of the details of contracts for the limitation of liability

There are no contracts in question.

(vi) Disciplinary action ordering a suspension of operations that the independent auditor has been subject to within the past two years

On December 22, 2015, the Company's independent auditor, Ernst & Young ShinNihon LLC, was subject to a disciplinary action imposed by the Financial Services Agency ordering a suspension of the conclusion of new contracts for three months (from January 1 to March 31, 2016). Recognizing the audit corporation's efforts to prevent a recurrence of the issue as well as its strict and appropriate audits of the Company, the Company has decided to ask the audit corporation to continue to carry out audits for the Company.

(5) Systems for Ensuring the Appropriate Implementation of Operations and the Operation of the Systems

The Company has been developing systems (internal control systems) to ensure the appropriateness of operations and the reliability of financial reports in its effort to achieve sustainable growth in corporate value.

The Company's Board of Directors has adopted basic policies of internal control systems as follows:

- (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
 - a. The Company shall hold regular meetings of the Board of Directors every month, and ensure that it makes important decisions on items that are stipulated in the Board of Directors Rules or that come under the criteria for deliberation at meetings of the Board of Directors, through discussions at meetings of the Board of Directors.
 - b. In addition, the Company shall hold monthly corporate management meetings to share management information, through which it considers and makes flexible decisions on issues related to important operations in its effort to achieve management efficiency.
- (v) Systems for ensuring the appropriate implementation of the operations by the Group, consisting of the Company and its subsidiaries
 - a. A system for reporting to the Company matters related to the execution of duties by the Directors of subsidiaries, and the like shall be put into operation.
The Company shall set the Group Companies Management Regulations, and hold a meeting for reporting the business of its subsidiaries every month in order to accurately understand the details of the management of the subsidiaries. The Company's subsidiaries shall report their monthly results, financial position and other important information at such meetings.

- b. Regulations and other systems relating to the management of risk loss at subsidiaries
 - The Company shall hold meetings of the Risk Management Committee as needed, understand the risks and take appropriate measures for preventing or minimizing various risks that surround Group operations in compliance with risk management rules and essential risk management execution rules.
- c. System for ensuring efficient execution of duties by the Directors of subsidiaries, and the like
 - The Company shall respect the management independence of its subsidiaries. At the same time, the Company shall ensure efficiency by discussing important matters with the subsidiaries in advance at regular, monthly management meetings, and the like, and by asking the subsidiaries to resolve such matters at the meetings of their Board of Directors.
- d. Systems for ensuring the conformity of the execution of duties by the Directors, and the like, and the employees of subsidiaries with laws, regulations and Articles of Incorporation
 - 1) The Company shall ensure the compliance systems of its subsidiaries based on the Tsugami Group Code of Conduct.
 - 2) The Directors, etc., of the Company's subsidiaries shall take part in regular monthly management meetings and advance discussions on internal control.
 - 3) The internal audit division (the Audit Office) of the Company shall confirm that the Company's subsidiaries are complying with laws, regulations and in-house rules in the execution of their businesses.
- (vi) Matters concerning applicable employees in cases where statutory auditors request the assignment of employees who should assist them in their duties
 - a. The Company may assign employees (auxiliary employees) who should assist statutory auditors in cases where statutory auditors request their assignment.
 - b. The Company shall work to strengthen its system of auxiliary employees from the viewpoint of ensuring the effectiveness of the audit, taking into account corporate size, business type, management risks and other company-specific circumstances.
- (vii) Matters concerning the independence of employees from Directors stated in the foregoing paragraph and matters concerning securing the effectiveness of instructions statutory auditors provide to the concerned employees
 - a. The Company shall work to ensure the independence of auxiliary employees from Directors.
 - b. The Company shall address issues, including clarification of the following items necessary for ensuring the independence of auxiliary employees.
 - 1) The authority that auxiliary employees have
 - 2) Organizations which auxiliary employees belong to
 - 3) Elimination of the chain of command Directors have over auxiliary employees
 - 4) Granting of consent rights to statutory auditors regarding the reassignment, performance evaluation, disciplinary punishment, etc., of auxiliary employees
- (viii) System concerning reports to statutory auditors
 - a. A system that enables the directors and employees of the Company to submit reports to statutory auditors.
 - The directors and employees of the Company shall report the following items without delay to statutory auditors concerning the execution of their duties.
 - 1) Items concerning important facts that may affect the Company significantly when such facts are found
 - 2) Items concerning acts in violation of laws, regulations or the Articles of Incorporation or acts with such risk when such facts are found
 - 3) Results of internal audits performed by the internal audit division (the Audit Office)
 - 4) The operational status for the Whistle-blowing System and the details of reports

- b. A system that enables the Directors, statutory auditors and employees of subsidiaries or individuals who received reports from them to submit reports to the statutory auditors of the Company
 - 1) The directors and employees of the Company's subsidiaries shall report acts in violation of laws, regulations or the Articles of Incorporation, acts with such a risk or important facts that may affect the Company significantly to the statutory auditors of the Company without delay when they find such acts or facts.
 - 2) The internal audit divisions of the Company's subsidiaries shall report the results of internal audits performed at the subsidiaries to the statutory auditors of the Company.
- (ix) System for ensuring the prevention of unfavorable treatment of individuals who submitted reports to statutory auditors for the reason of having submitted such reports

The Company shall work to establish a system that prevents the unfavorable treatment of individuals who submitted the reports stated in the foregoing paragraph to statutory auditors for the reason for having submitted such reports.
- (x) Matters concerning procedures for the advance payment or the refunding of expenses that arise in connection with duty execution by statutory auditors or policies on processing expenses or debts that arise in connection with the execution of other concerned duties

The Company shall promptly comply with the concerned request when a statutory auditor requests the advance payment of expenses, etc., in connection with the execution of his or her duties unless the requested expenses, etc., could be proven as unnecessary for the execution of the duties by the concerned statutory auditor.
- (xi) Other systems for ensuring the effectiveness of audits performed by statutory auditors
 - a. Statutory auditors shall meet Representative Directors periodically and exchange opinions with them regarding important audit issues.
 - b. Statutory auditors shall meet accounting auditors periodically, to exchange opinions and information with them, and ask them to submit reports as needed.
 - c. Statutory auditors shall stay in close cooperation with the internal audit division (the Audit Office). Statutory auditors may ask the internal audit division to perform investigations as needed.
- (xii) System for ensuring the reliability of financial reports
 - a. The Company shall establish the Internal Control Reporting System for ensuring the reliability of financial reports and submitting internal control reports effectively and appropriately as prescribed in the Financial Instruments and Exchange Act.
 - b. The Company shall continually evaluate internal control systems and take the necessary steps in order to correct them in order to ensure the compliance of such systems with the Financial Instruments and Exchange Act, other laws and regulations.
 - c. The internal audit division (the Audit Office), as a responsible division, shall implement monitoring, evaluation and assist in improving the operation of internal control systems.
- (xiii) Systems for excluding antisocial forces
 - a. The Company shall systematically deal with antisocial forces that threaten social order and sound corporate activities with a resolute attitude.
 - b. The Company shall deal with antisocial forces in cooperation with police, lawyers and external specialized agencies, such as corporate defense councils, when cases of unreasonable demand by such forces, and the like emerge.

(Operation of systems for ensuring the appropriate implementation of operations)

The status of operation of systems for ensuring the appropriate implementation of operations in the fiscal year under review is as follows:

(i) Compliance system

The Company distributes the Tsugami Group Code of Conduct, which stipulates its compliance policy, to all of its employees, and continuously takes steps to comply with laws and ordinances and the Articles of Incorporation. The Company works to increase the effectiveness of the compliance system chiefly by establishing a “whistle-blowing system” and implementing internal audits of compliance by the internal audit division (the Audit Office).

(ii) Risk management system

Under the risk management rules and the essential risk management execution rules, the Company took appropriate measures. The Company held risk management committee meetings from time to time and monitored and determined the status of risk in the Group. The status of risk was reported to the Board of Directors and discussed from time to time. In this way, the Company works to enhance risk management.

(iii) Directors’ execution of duties

Under the Board of Directors Rules, the Company, in principle, holds a meeting of the Board of Directors every month. The Board of Directors makes resolutions on matters specified in laws and ordinances or the Articles of Incorporation and important management matters and oversees the directors’ execution of their duties. The Company elects outside directors to strengthen the Board of Directors’ function of overseeing the directors’ execution of duties.

(iv) Group management system

Under the Group Companies Management Regulations, corporate management meetings and meeting for reporting the business of its subsidiaries are held every month. At these meetings, the subsidiaries report their monthly results and financial status and other important information. The internal audit division (the Audit Office) regularly carries out operations audits of important subsidiaries.

(v) Statutory auditors’ execution of duties

The statutory auditors hold meetings of the Board of Statutory Auditors regularly and participate in other important meetings, including meetings of the Board of Directors and corporate management meetings. The statutory auditors view important documents on the execution of duties and request explanations from the Company’s directors and employees as needed. The statutory auditors exchange information with the Company’s directors, independent auditors, and the internal audit division (the Audit Office) regularly to ensure the effectiveness of audits.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2016)

(Million yen)

Account title	Amount	Account title	Amount
ASSETS:		LIABILITIES:	
Current assets:	30,639	Current liabilities:	13,983
Cash and deposits	4,744	Trade notes and accounts payable	5,857
Trade notes and accounts receivable	5,862	Short-term loans payable	6,127
Merchandise and finished goods	8,035	Income taxes payable	267
Work in process	3,800	Provision for bonuses	205
Raw materials and supplies	6,463	Provision for product warranties	324
Consumption taxes receivable	781	Other	1,201
Deferred tax assets	489	Non-current liabilities:	1,281
Other	509	Deferred tax liabilities	511
Allowance for doubtful accounts	-47	Provision for directors' retirement benefits	16
Non-current assets:	17,219	Net defined benefit liability	703
Property, plant and equipment:	9,906	Other	50
Buildings and structures	5,625	Total non-current liabilities	15,265
Machinery, equipment and vehicles	3,547	NET ASSETS:	
Land	473	Shareholders' equity:	29,045
Leased assets	19	Capital stock	12,345
Construction in progress	0	Capital surplus	5,884
Other	240	Retained earnings	15,653
Intangible assets:	698	Treasury stock	-4,837
Investments and other assets:	6,614	Accumulated other comprehensive income:	2,647
Investment securities	4,980	Valuation difference on available-for-sale securities	1,779
Shares of subsidiaries and associates	11	Foreign currency translation adjustment	991
Investments in capital of subsidiaries and associates	893	Remeasurements of defined benefit plans	-123
Long-term loans receivable	583	Subscription rights to shares	900
Deferred tax assets	2	Total net assets	32,594
Other	143		
Total Assets	47,859	Total Liabilities and Total Net Assets	47,859

CONSOLIDATED STATEMENTS OF INCOME

(From April 1, 2015 to March 31, 2016)

(Million yen)

Account title	Amount
Net sales	40,132
Cost of sales:	31,164
Gross profit	8,968
Selling, general and administrative expenses	6,843
Operating income	2,125
Non-operating income:	322
Interest income	21
Dividend income	148
Insurance income	43
Other non-operating income	108
Non-operating expenses:	1,352
Interest expenses	262
Loss on sales of notes payable	148
Foreign exchange losses	709
Share of loss of entities accounted for using equity method	37
Other non-operating expenses	195
Ordinary income	1,095
Extraordinary income:	243
Gain on sales of non-current assets	4
Gain on sales of investments securities	2
Gain on reversal of subscription rights to shares	49
Subsidy income	187
Extraordinary losses:	148
Loss on retirement of non-current assets	0
Loss on sales of non-current assets	14
Impairment loss	111
Loss on valuation of investments in capital of subsidiaries and associates	21
Income before taxes and other adjustments	1,190
Corporate, inhabitant and enterprise taxes	418
Deferred taxes	-105
Net income	877
Net income attributable to non-controlling interests	--
Net income attributable to owners of parent	877

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2015 to March 31, 2016)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	12,345	5,889	15,963	-2,738	31,460
Change during the fiscal year					
Cash dividends paid			-1,092		-1,092
Net income attributable to owners of parent			877		877
Change of scope of equity method			-79		-79
Purchase of treasury stock				-2,238	-2,238
Disposal of treasury stock		-5	-15	140	118
Other			-0		-0
Changes in items other than shareholders' equity during the fiscal year (net)					
Total change during the fiscal year	--	-5	-309	-2,098	-2,414
Balance as of March 31, 2016	12,345	5,884	15,653	-4,837	29,045

	Accumulated other comprehensive income				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2015	2,798	2,123	32	4,953	865	37,279
Change during the fiscal year						
Cash dividends paid						-1,092
Net income attributable to owners of parent						877
Change of scope of equity method						-79
Purchase of treasury stock						-2,238
Disposal of treasury stock						118
Other						-0
Changes in items other than shareholders' equity during the fiscal year (net)	-1,018	-1,131	-156	-2,305	35	-2,270
Total change during the fiscal year	-1,018	-1,131	-156	-2,305	35	-4,684
Balance as of March 31, 2016	1,779	991	-123	2,647	900	32,594

Notes to Consolidated Financial Statements

1. Important Matters that Become Basis of Presenting Consolidated Financial Statements

(1) Scope of consolidation

(i) State of consolidated subsidiaries

- Number of consolidated subsidiaries: 7
- Names of major consolidated subsidiaries: TSUGAMI MACHINERY CO., LTD.
TSUGAMI GENERAL SERVICE CO., LTD.
PRECISION TSUGAMI (CHINA) CORPORATION
Shinagawa Precision Machinery (Zhejiang) Co., Ltd.
TSUGAMI KOREA Co., Ltd.
Precision Tsugami (China) Corporation Limited
Precision Tsugami (Hong Kong) Limited

(ii) State of non-consolidated subsidiaries

- Names of major non-consolidated subsidiaries:
TSUGAMI (THAI) CO., LTD.
TSUGAMI EUROPE GmbH
TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED
TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED
TSUGAMI Universal Pte. Ltd.

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

(2) Application of equity method

(i) State of non-consolidated subsidiaries and affiliates to which the equity method is applicable

- Number of non-consolidated subsidiaries and affiliates to which the equity method is applicable: 1
- Name of non-consolidated subsidiaries and affiliates to which the equity method is applicable:

TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED

Starting the fiscal year under review, TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED is included in the scope of equity method application, because its significance has increased.

(ii) State of non-consolidated subsidiaries and affiliates to which the equity method is not applicable

- Names of major companies: TSUGAMI (THAI) CO., LTD.
TSUGAMI EUROPE GmbH
TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED
TSUGAMI Universal Pte. Ltd.
REM SALES LLC

- Reason for not applying the equity method: These non-consolidated subsidiaries and affiliates are excluded from the scope of equity method application because their exclusion produces minor effects on consolidated financial statements and has no significance in light of their respective net income or net loss (amount corresponding to equity), retained earnings and other items.

Starting the fiscal year under review, TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED is included in the scope of equity method application, because its significance has increased.

(3) Matters concerning fiscal year of consolidated subsidiaries, etc.

Among the consolidated subsidiaries, the balance sheet date of PRECISION TSUGAMI (CHINA) CORPORATION, Shinagawa Precision Machinery (Zhejiang) Co., Ltd. and Precision Tsugami (Hong Kong) Limited are December 31. In preparing the consolidated financial statements, financial statements based on provisional calculations made as of the consolidated closing date were utilized in connection with this company.

(4) Matters concerning significant accounting policies

(i) Valuation standard and valuation method of major assets

a. 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

b. Derivatives:

Stated at market value

c. Valuation standard and valuation method for 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.).

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

a. Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries adopt the declining-balance method. The Company's foreign consolidated subsidiaries use the straight-line method.

The buildings acquired by the Company or its domestic consolidated subsidiaries after April 1, 1998, excluding fittings and equipment, are depreciated on a straight-line basis.

The significant service lives are summarized as follows:

Buildings and structures: 15-38 years

Machinery, equipment and vehicles: 9 years

b. Intangible fixed assets (excluding leased assets)

- Software for internal use Such assets are amortized using the straight-line method based on the effective period of internal use (five years).

- Other intangible fixed assets The straight-line method is used.

c. Leased assets

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

(iii) Accounting standards for significant allowances

- a. Allowance for doubtful accounts To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.
- b. Allowance for employees' bonuses To prepare for bonus payments to employees of the Company and its consolidated subsidiaries in Japan, amounts that need to be paid in the consolidated fiscal year under review are provided as estimates.
- c. 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.
- d. 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.

(iv) 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.

(v) Significant hedge accounting method

Hedge accounting method Deferred hedge accounting is applied. If hedges against exchange fluctuation risks meet requirements for the appropriation method, the appropriation method is applied.

Hedging instruments and hedged items The hedging instruments and hedged items to which hedge accounting was applied during the consolidated fiscal year under review are as follows:

Hedging instruments: exchange contracts

Hedged items: foreign currency receivables

Hedging policy The Group carries out hedging within the scope of the target trade accounts receivable to avoid exchange fluctuation risks and lock in earnings.

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.

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

a. Accounting standards for Net defined benefit liability

For net defined benefit liability, the amount that is obtained by subtracting pension assets from retirement benefit obligations is provided on the basis of estimated amounts at the end of the consolidated fiscal year under review to prepare for retirement benefits paid to employees of the Company.

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

Any unrecognized actuarial difference is posted in remeasurements of defined benefit plans in accumulated other comprehensive income under net assets, after making an adjustment for tax effect.

b. Accounting method for consumption taxes

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

(5) Changes in accounting policy

(Application of Accounting Standard for Business Combinations)

From the consolidated fiscal year under review, the Company is applying the Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013). Under the newly-applied accounting standards, the Company shall post a gain or loss on change in the Company's equity in subsidiaries that the Company continues to control in capital surplus and shall post expenses related to acquisitions as expenses in a consolidated fiscal year when they are incurred. Any review of the allocation of the acquisition cost in provisional accounting of a business combination from the beginning of the consolidated fiscal year under review shall be reflected in consolidated financial statements for the half in which the date of the business combination belongs. The presentation of net income etc. has also been changed, and the presentation has been changed from minority interests in income to non-controlling interests. To reflect the change in presentation, the consolidated financial statements of the previous fiscal year have been reorganized.

In the consolidated statement of cash flows for the consolidated fiscal year under review, cash flows relating to the acquisition or sale of shares in subsidiaries without change in the scope of consolidation are listed under "cash flows from financing activities". Cash flows relating to expenses associated with the acquisition of shares in subsidiaries without any change to the scope of consolidation, and expenses incurred in relation to the acquisition or sale of subsidiaries without any change in the scope of consolidation, are listed under "cash flows from operating activities."

The application of the Accounting Standard for Business Combinations, etc. follows the transitional treatment set force in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and the accounting standards are applied from the beginning of the consolidated fiscal year under review.

The application of the accounting standards has no impact on the Consolidated Financial Statements and Per Share information.

(6) Additional information

(Revision to deferred tax assets and deferred tax liabilities associated with changes in corporate income tax rates etc.)

On March 29, 2016, the Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Revision of the Local Taxation Act, etc. (Act No. 13 of 2016) were enacted in the Diet session, and the corporate income tax rates are lowered from fiscal years beginning on or after April 1, 2016. The statutory tax rates used in the calculation of deferred tax assets and deferred tax liabilities, 32.1% and 31.3%, become 29.9% for temporary differences that will be eliminated in the fiscal year starting April 1, 2016 and the fiscal year starting April 1, 2017 and 29.7% for temporary differences that will be eliminated in the fiscal year starting April 1, 2018 and subsequent years.

Because of the changes in tax rates, deferred tax liabilities (less deferred tax assets) have declined 13 million yen, and income taxes-deferred and the valuation difference on available-for-sale securities have risen 24 million yen and 35 million yen, respectively. Remeasurements of defined benefit plans has increased 2 million yen.

2. Notes to Consolidated Balance Sheets

- (1) Amounts rounded down to the nearest one million yen.
- (2) Aggregated depreciation for property, plant and equipment 12,301 million yen
- (3) Amount of discount for bills receivable 1,395 million yen
Amount of discount for export bills receivable 2,128 million yen
- (4) The amount of an allowance for doubtful accounts that is directly deducted from assets
Investments and other assets 2 million yen

3. Notes to Consolidated Statements of Changes in Net Assets

- (1) Matters relating to the total number of outstanding shares

Share type	Number of shares at the beginning of the current 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
Common shares	74,919 thousand	--	--	74,919 thousand

- (2) Matters relating to the number of treasury stock

Share type	Number of shares at the beginning of the current 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
Common shares	5,285 thousand	2,972 thousand	234 thousand	8,023 thousand

Note The increase in common shares of treasury stock of 2,972 thousand shares due to the purchase of 2,967 thousand shares on the Tokyo Stock Exchange, and the purchase of 5 thousand shares of odd-lot shares. The decrease in common shares of treasury stock of 234 thousand shares was due to the exercise of stock options.

- (3) Matters relating to dividends

- (i) Dividends paid

Matters relating to dividends resolved at the Board of Directors meeting on May 13, 2015

- Total amount of dividend 557 million yen
- Dividend per share 8 yen
- Record date March 31, 2015
- Effective date May 29, 2015

Matters relating to dividends resolved at the Board of Directors meeting on November 12, 2015

- Total amount of dividend 534 million yen
- Dividend per share 8 yen
- Record date September 30, 2015
- Effective date November 30, 2015

- (ii) Dividends with a record date in the fiscal year under review but an effective date in the following fiscal year

The following dividends will be submitted to the Board of Directors meeting on May 12, 2016 for approval.

- Total amount of dividend 535 million yen
- Dividend per share 8 yen
- Record date March 31, 2016
- Effective date May 30, 2016

Dividend resources are planned to be retained earnings.

(4) Matters concerning subscription rights to shares at the end of the consolidated fiscal year under review

	Resolved at the annual shareholders meeting on June 24, 2005	Resolved at the Board of directors meeting on June 23, 2006
Type of subject shares	Common shares	Common shares
Number of subject shares	59,000	22,000
Unexercised subscription rights to shares	59	22
	Resolved at the annual shareholders meeting on June 23, 2006	Resolved at the Board of directors meeting on June 22, 2007
Type of subject shares	Common shares	Common shares
Number of subject shares	19,000	29,000
Unexercised subscription rights to shares	19	29
	Resolved at the annual shareholders meeting on June 22, 2007	Resolved at the Board of directors meeting on June 20, 2008
Type of subject shares	Common shares	Common shares
Number of subject shares	36,000	37,000
Unexercised subscription rights to shares	36	37
	Resolved at the annual shareholders meeting on June 20, 2008	Resolved at the Board of directors meeting on June 19, 2009
Type of subject shares	Common shares	Common shares
Number of subject shares	20,000	93,000
Unexercised subscription rights to shares	20	93
	Resolved at the annual shareholders meeting on June 19, 2009	Resolved at the Board of directors meeting on June 18, 2010
Type of subject shares	Common shares	Common shares
Number of subject shares	60,000	58,000
Unexercised subscription rights to shares	60	58
	Resolved at the annual shareholders meeting on June 18, 2010	Resolved at the annual shareholders meeting on June 17, 2011
Type of subject shares	Common shares	Common shares
Number of subject shares	33,000	218,000
Unexercised subscription rights to shares	33	218
	Resolved at the Board of directors meeting on June 17, 2011	Resolved at the annual shareholders meeting on June 17, 2011
Type of subject shares	Common shares	Common shares
Number of subject shares	102,000	66,000
Unexercised subscription rights to shares	102	66

	Resolved at the annual shareholders meeting on June 15, 2012	Resolved at the Board of directors meeting on June 15, 2012
Type of subject shares	Common shares	Common shares
Number of subject shares	152,000	115,000
Unexercised subscription rights to shares	152	115
	Resolved at the annual shareholders meeting on June 15, 2012	Resolved at the Board of directors meeting on June 21, 2013
Type of subject shares	Common shares	Common shares
Number of subject shares	62,000	151,000
Unexercised subscription rights to shares	62	151
	Resolved at the annual shareholders meeting on June 21, 2013	Resolved at the annual shareholders meeting on June 21, 2013
Type of subject shares	Common shares	Common shares
Number of subject shares	91,000	200,000
Unexercised subscription rights to shares	91	200
	Resolved at the Board of directors meeting on June 20, 2014	Resolved at the annual shareholders meeting on June 20, 2014
Type of subject shares	Common shares	Common shares
Number of subject shares	161,000	86,000
Unexercised subscription rights to shares	161	86
	Resolved at the Board of directors meeting on June 18, 2015	Resolved at the annual shareholders meeting on June 18, 2015
Type of subject shares	Common shares	Common shares
Number of subject shares	131,000	112,000
Unexercised subscription rights to shares	131	112

Note Subscription rights to shares whose exercise periods have not begun are excluded.

4. Notes on Financial Instruments

(1) Situation of financial instruments

The Group raises funds needed for the execution of operations in Japan and overseas by borrowing from banks and other means.

The Group mitigates the credit risks of customers related to trade notes and accounts receivable under its credit management regulations. Investment securities are primarily shares, and the Group obtains information on the market values of listed shares quarterly.

Short-term loans payable are used for operating funds.

Derivatives trading involves exchange forward contracts as hedges within the scope of the target trade notes and accounts receivable in foreign currencies and trade notes and accounts payable in foreign currencies to avoid exchange fluctuation risks and lock in earnings.

(2) Market values of financial instruments

The table below shows the consolidated balance sheet amounts and market values of financial instruments and the differences between them as of March 31, 2016. (Million yen)

	Carrying amount on the consolidated balance sheet (*)	Market value (*)	Difference
(i) Cash and deposits	4,744	4,744	--
(ii) Trade notes and accounts receivable	5,862	5,862	--
(iii) Investment securities			
Other securities	4,978	4,978	--
(iv) Trade notes and accounts payable	(5,857)	(5,857)	--
(v) Short-term loans payable	(6,127)	(6,127)	--
(vi) Derivatives trading	--	--	--

(*) The figures in parentheses are posted in liabilities.

Notes 1. Methods to calculate the market values of financial instruments and matters relating to securities and derivatives trading

(i) Cash and deposits and (ii) Trade notes and accounts receivable

These are settled within the short term, and their market values are almost equal to their book values. The book values are therefore deemed to be the market values.

(iii) Investment securities, Other securities

The market values of shares are share prices on the stock exchange.

(iv) Trade notes and accounts payable and (v) Short-term loans payable

These are settled within the short term, and their market values are almost equal to their book values. The book values are therefore deemed to be the market values.

(vi) Derivatives trading

Not applicable.

2. Unlisted shares (consolidated balance sheet amount: 1 million yen) do not have market prices, its future cash flows cannot be estimated, and it is very difficult to estimate their market values. The Company therefore does not include it in "Investment securities, Other securities."

5. Notes on Per Share Information

(1) Net assets per share 473.78 yen

(2) Net income per share 13.04 yen

6. Notes on Important Post-Balance Sheet Events

(Acquisition of treasury stock)

At a meeting of the Board of Directors held on April 15, 2016, the Company resolved to acquire treasury stock under Paragraph 1 of Article 459 of the Company Law and has acquired treasury stock. Details are as follows:

- (1) Board of Directors' resolution on the acquisition of treasury stock
 - (i) Reason of the acquisition of treasury stock
To implement flexible capital policy in response to changes in the management environment
 - (ii) Class of stock to be acquired Common stock
 - (iii) Number of shares that can be acquired 1,500,000 (maximum)
(Ratio to the number of issued shares (excluding treasury stock): 2.28%)
 - (iv) Value of shares to be acquired 700 million yen (maximum)
 - (v) Acquisition period From April 15, 2016 to October 14, 2016
- (2) Treasury stock acquired under the Board of Directors' resolution (as of April 30, 2016)
 - (i) Number of shares acquired 923,000
 - (ii) Value of shares acquired 411 million yen

NON- CONSOLIDATED BALANCE SHEET

(As of March 31, 2016)

(Million yen)

Account title	Amount	Account title	Amount
ASSETS:		LIABILITIES:	
Current assets:	19,025	Current liabilities:	5,634
Cash and deposits	2,710	Trade notes payable	3,100
Trade notes receivable	36	Trade accounts payable	1,539
Accounts receivable	5,939	Accounts payable	132
Merchandise and finished goods	4,906	Accrued expenses payable	218
Work in process	1,332	Income taxes payable	23
Raw materials and supplies	2,687	Provision for product warranties	183
Deferred tax assets	308	Provision for bonuses	144
Prepaid expenses	76	Other current liabilities	293
Other current assets	1,079	Non-current liabilities	1,072
Allowance for doubtful accounts	-51	Deferred tax liabilities	505
Non-current assets:	14,255	Provision for retirement benefits	516
Property, plant and equipment	3,443	Other non-current liabilities	50
Buildings	2,402	Total liabilities	6,707
Structures	62	NET ASSETS:	
Machinery and equipment	345	Shareholders' equity:	24,057
Vehicles	1	Capital stock	12,345
Tools, furniture and fixtures	137	Capital surplus:	5,884
Land	473	Capital legal reserve	5,884
Leased assets	19	Retained earnings:	10,665
Intangible assets:	62	Other retained earnings:	10,665
Telephone subscription right	10	Retained earnings brought forward	10,665
Software	49	Treasury stock	-4,837
Leased assets	2	Valuation and translation adjustments:	1,779
Investments and other assets:	10,749	Valuation difference on available-for-sale	1,779
Investment securities	4,980	Subscription rights to shares	736
Shares of subsidiaries and associates	4,015		
Investments in capital of subsidiaries and associates	1,056		
Long-term loans receivable from subsidiaries and affiliates	608		
Long-term loans receivable	1		
Other investments	88		
		Total net assets	26,574
Total Assets	33,281	Total Liabilities and Total Net Assets	33,281

NON- CONSOLIDATED STATEMENTS OF INCOME

(From April 1, 2015 to March 31, 2016)

(Million yen)

Account title	Amount
Net sales	31,852
Cost of sales:	27,919
Gross profit	3,933
Selling, general and administrative expenses:	4,118
Operating loss	184
Non-operating income:	769
Interest income	10
Dividend income	581
Rent income	55
Reversal of allowance for doubtful accounts	15
Insurance income	43
Other non-operating income	62
Non-operating expenses:	331
Interest expenses	10
Rental asset expenses	40
Foreign exchange losses	108
Sales discount	6
Loss on sales of notes payable	81
Dormant expenses	32
Other non-operating expenses	50
Ordinary income	252
Extraordinary income:	51
Gain on sales of investments securities	2
Gain on reversal of subscription rights to shares	49
Extraordinary losses:	133
Loss on retirement of non-current assets	0
Impairment loss	111
Loss on valuation of investments in capital of subsidiaries and associates	21
Income before taxes	171
Corporate, inhabitant and enterprise taxes	23
Refund of income taxes	-99
Deferred taxes	-46
Net income	292

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(From April 1, 2015 to March 31, 2016)

(Million yen)

	Shareholders' equity							Total shareholders' equity
	Capital stock	Capital surplus			Retained earnings		treasury stock	
		Capital legal reserve	Other capital surplus	Total capital surplus	Other retained earnings Deferred retained earnings	Total retained earnings		
Balance as of March 31, 2015	12,345	5,884	5	5,889	11,480	11,480	-2,738	26,977
Change during the fiscal year								
Cash dividends paid					-1,092	-1,092		-1,092
Net income					292	292		292
Purchase of treasury stock							-2,238	-2,238
Disposal of treasury stock			-5	-5	-15	-15	140	118
Changes in items other than shareholders' equity during the fiscal year (net)								
Total change during the fiscal year	--	--	-5	-5	-815	-815	-2,098	-2,920
Balance as of March 31, 2016	12,345	5,884	--	5,884	10,665	10,665	-4,837	24,057

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of March 31, 2015	2,798	2,798	718	30,494
Change during the fiscal year				
Cash dividends paid				-1,092
Net income				292
Purchase of treasury stock				-2,238
Disposal of treasury stock				118
Changes in items other than shareholders' equity during the fiscal year (net)	-1,018	-1,018	17	-1,000
Total change during the fiscal year	-1,018	-1,018	17	-3,920
Balance as of March 31, 2016	1,779	1,779	736	26,574

Notes to Non-Consolidated Financial Statements

1. Matters Concerning Significant Accounting Policies

(1) Valuation standard and valuation method for assets

(i) Shares in subsidiaries and affiliates: Cost accounting method using the moving average method

(ii) 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

(iii) Derivatives: Stated at market value

(iv) Valuation standard and valuation 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.).

(2) Depreciation method for fixed 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 and equipment, are depreciated on a straight-line basis.

The significant service lives are summarized as follows:

Buildings: 15 to 38 years

Machinery and equipment: 9 years

Tools, furniture and fixtures 5 years

(ii) Intangible fixed assets (excluding leased assets)

- Software for internal use: Such assets are amortized using the straight-line method based on the effective period of internal use (five years).

(iii) Leased assets

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

(3) Accounting standards for allowances

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

(ii) Allowance for employees' bonuses To prepare for bonus payments to employees, an amount that needs to be paid in the fiscal year under review are provided as an estimate.

(iii) Allowance for retirement benefits To prepare for retirement benefits payment to employees, the allowance is provided on the basis of amounts of retirement benefit obligations and pension assets estimated at the end of the fiscal year under review.

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

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

(4) Significant hedge accounting method

Hedge accounting method Deferred hedge accounting is applied. If hedges against exchange fluctuation risks meet requirements for the appropriation method, the appropriation method is applied.

Hedging instruments and hedged items The hedging instruments and hedged items to which hedge accounting was applied during the fiscal year under review are as follows:

Hedging instruments: exchange contracts

Hedged items: foreign currency receivables and payables

Hedging policy The Group carries out hedging within the scope of the target trade accounts receivable and trade accounts payable to avoid exchange fluctuation risks and lock in earnings.

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.

(5) Other matters that form the basis 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.

2. Notes to Non-Consolidated Balance Sheets

- (1) Amounts rounded down to the nearest one million yen.
- (2) Aggregated depreciation for property, plant and equipment 9,432 million yen
- (3) Amount of discount for bills receivable 1,395 million yen
Amount of discount for export bills receivable 2,128 million yen
- (4) The amount of an allowance for doubtful accounts that is directly deducted from assets
Investments and other assets 3 million yen
- (5) Monetary receivables from and monetary payables to affiliates are as follows:
- (i) Short-term monetary receivables 2,439 million yen
(ii) Long-term monetary receivables 608 million yen
(iii) Short-term monetary payables 594 million yen

3. Notes to Non-Consolidated Statements of Income

Transactions with affiliates

- (i) Sales 11,739 million yen
(ii) Purchases 11,263 million yen
(iii) Transactions other than operating transactions 464 million yen

4. Notes to Non-Consolidated Statements of Changes in Net Assets

(1) Matters relating to the number of treasury stock

Share type	Number of shares at the beginning of the current 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	5,285 thousand	2,972 thousand	234 thousand	8,023 thousand

Note The increase in common shares of treasury stock of 2,972 thousand shares due to the purchase of 2,967 thousand shares on the Tokyo Stock Exchange, and the purchase of 5 thousand shares of odd-lot shares. The decrease in common shares of treasury stock of 234 thousand shares was due to the exercise of stock options.

5. Deferred Tax Accounting

- (1) The major causes for the generation of deferred tax assets are stock-based compensation expenses and the denial of reserve for retirement benefits, etc., while the major cause for the generation of deferred tax liabilities is unrealized gains on marketable securities.
- (2) Revision to deferred tax assets and deferred tax liabilities associated with changes in corporate income tax rates etc.

On March 29, 2016, the Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Revision of the Local Taxation Act, etc. (Act No. 13 of 2016) were enacted in the Diet session, and the corporate income tax rates are lowered from fiscal years beginning on or after April 1, 2016. The statutory tax rates used in the calculation of deferred tax assets and deferred tax liabilities, 32.1% and 31.3%, become 29.9% for temporary differences that will be eliminated in the fiscal year starting April 1, 2016 and the fiscal year starting April 1, 2017 and 29.7% for temporary differences that will be eliminated in the fiscal year starting April 1, 2018 and subsequent years.

Because of the changes in tax rates, deferred tax liabilities (less deferred tax assets) have declined 8 million yen, and income taxes-deferred and the valuation difference on available-for-sale securities have risen 27 million yen and 35 million yen, respectively.

6. Notes on Fixed Assets Used under Lease Contracts

Not applicable.

7. Notes on Transactions with Related Parties

Notes on transactions with subsidiaries and affiliates

Attributes	Company names	Ownership of voting rights in percentage (%)	Relationships	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Subsidiary	PRECISION TSUGAMI (CHINA) CORPORATION	(Owning) Indirect: 100.0%	Manufacture and sales of products of the Company Purchase of products of the company Concurrent service by directors	Sales of the Company's products and parts	6,127	Accounts receivable	807
				Purchase of products of the company (Note1)	10,817	Advance payments	495
Subsidiary	Precision Tsugami (China) Corporation Limited	(Owning) Direct: 100.0%	Holding company Concurrent service by directors	Receipt of dividends	326	--	--
Affiliate	REM SALES LLC	(Owning) Direct: 29.5%	Sales of the Company's products and parts	Sales of the Company's products and parts (Note1)	2,781	Accounts receivable	54
Affiliate	TSUGAMI PRECISION ENGINEERING INDIA PVT.LTD.	(Owning) Direct: 81.0%	Sales of the Company's products Concurrent service by directors	Sales of the Company's products and parts (Note1)	468	Accounts receivable	466
				Lending of funds (Note2)	578	Long-term loans receivable Accounts due	578 6

Business terms and policies for their determination, etc.

Note 1. Terms for sales and purchases of the Company's products, etc. are determined with their market prices as reference data.

2. Reasonable interest rates on loans are determined in consideration of market interest rates.

8. Notes on Per Share Information

(1) Net assets per share 386.23 yen

(2) Net loss per share 4.34 yen

9. Notes on Important Post-Balance Sheet Events

(Acquisition of treasury stock)

At a meeting of the Board of Directors held on April 15, 2016, the Company resolved to acquire treasury stock under Paragraph 1 of Article 459 of the Company Law and has acquired treasury stock. Details are as follows:

(1) Board of Directors' resolution on the acquisition of treasury stock

(i) Reason of the acquisition of treasury stock

To implement flexible capital policy in response to changes in the management environment

(ii) Class of stock to be acquired Common stock

(iii) Number of shares that can be acquired 1,500,000 (maximum)

(Ratio to the number of issued shares (excluding treasury stock): 2.28%)

(iv) Value of shares to be acquired 700 million yen (maximum)

(v) Acquisition period From April 15, 2016 to October 14, 2016

(2) Treasury stock acquired under the Board of Directors' resolution (as of April 30, 2016)

(i) Number of shares acquired 923,000

(ii) Value of shares acquired 411 million yen

Accounting Audit Report on Consolidated Financial Statements

Independent Auditors' Report

May 10, 2016

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC

Naoki Nomoto

Designated Limited Partner and Operating Partner
Certified Public Accountant

Kazunari Tsukada

Designated Limited Partner and Operating Partner
Certified Public Accountant

Eishi Daikoku

Designated Limited Partner and Operating Partner
Certified Public Accountant

We have audited the consolidated financial statements of Tsugami Corporation (the "Company"), namely the consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to consolidated financial statements, for the consolidated fiscal year from April 1, 2015 to March 31, 2016, in accordance with Paragraph 4, Article 444 of the Company Law.

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 state of consolidated properties and the state of consolidated profit and loss of a corporate group that consists of the Company and its consolidated subsidiaries for the consolidated fiscal year specified above in conformity with business accounting standards generally accepted in Japan.

Interest

No interest exists between the Company and this audit corporation or between the Company and the Designated and Engagement Partners named above as required under the stipulations of the Certified Public Accountants Act.

Accounting Audit Report on Non-Consolidated Financial Statements

Independent Auditors' Report

May 10, 2016

To the Board of Directors of Tsugami Corporation

Ernst & Young ShinNihon LLC

Naoki Nomoto

Designated Limited Partner and Operating Partner
Certified Public Accountant

Kazunari Tsukada

Designated Limited Partner and Operating Partner
Certified Public Accountant

Eishi Daikoku

Designated Limited Partner and Operating Partner
Certified Public Accountant

We have audited the non-consolidated financial statements of Tsugami Corporation (the "Company"), namely the non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements and their supporting schedules of changes in net assets, notes to non-consolidated financial statements, and their supporting schedules, for the 112th fiscal year from April 1, 2015 to March 31, 2016, in accordance with Item 1, Paragraph 2, Article 436 of the Company Law.

Responsibility of management for non-consolidated financial statements

Management is responsible for preparing and appropriately presenting non-consolidated financial statements and their supporting schedules 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 non-consolidated financial statements and their supporting schedules 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 non-consolidated financial and their supporting schedules 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 non-consolidated financial statements and their supporting schedules and conduct audits based on the audit plan.

In the audits, procedures to obtain audit evidence for the amounts and disclosure of non-consolidated financial statements and their supporting schedules are conducted. The audit procedures are selected and applied based on an evaluation of the risk of material misstatements in these non-consolidated financial statements and their supporting schedules 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 non-consolidated financial statements and their supporting schedules to design appropriate audit procedures in accordance with circumstances for implementing the risk evaluation. The audits also include an examination of the presentation of non-consolidated financial statements and their supporting schedules 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 non-consolidated financial statements and their supporting schedules referred to above present fairly, in all material respects, the state of assets and the state of profit and loss of the Company for the accounting period covered by the non-consolidated financial statements and their supporting schedules in conformity with business accounting standards generally accepted in Japan.

Interest

No interest exists between the Company and this audit corporation or between the Company and the Designated and Engagement Partners named above as required under the stipulations of the Certified Public Accountants Act.

Report by the Board of Statutory Auditors

Auditors' Report

The Board of Statutory Auditors (the "Board") hereby reports its audit findings as follows based on its deliberation of audit reports on the execution of duties by the Directors in the 113th fiscal year from April 1, 2015 to March 31, 2016 prepared by Statutory Auditors.

1. Methods and Contents of the Audit by Statutory Auditors and the Board

The Board established the audit policy, allocation of duties and the like, received reports from Statutory Auditors on the state of audit execution and results, received reports from Directors and Independent Auditors on the state of execution concerning their duties, and requested explanations as needed.

The Statutory Auditors communicated with Directors, internal audit division members, other employees and other sources to prepare conditions for information gathering and audits in compliance with the audit criteria set by the Board and in accordance with the audit policy, allocated duties and the like. At the same time, the Statutory Auditors attended Board of Directors and other important meetings, received reports from Directors, employees and other sources on the state of the execution of their duties, requested explanations as needed, viewed important documents on decisions, and studied the state of operations and assets at Tsugami Corporation (the "Company") and its principal offices.

The Statutory Auditors also expressed their opinions about the content of Board of Directors resolutions on the establishment of organizations as prescribed in Paragraphs 1 and 3, Article 100 of the Enforcement Regulations for the Company Law as a requisite for a system that ensures the execution of duties by directors that are described in the Business Report in compliance with laws and the Articles of Incorporation and other proper operations of the corporate group consisting of a joint stock company and its subsidiaries, and the state of a system (internal control system) established in accordance with the resolutions, based on regular reports from directors and employees about the state of the development and operation of the system and explanations that the Statutory Auditors requested as needed. With respect to subsidiaries, the Statutory Auditors sought to communicate and exchange information with their Directors and Statutory Auditors, and received from subsidiaries reports on their operation as needed. Based on the aforementioned methods, the Statutory Auditors examined business reports and their supporting schedules for the fiscal year under review. Further, the Statutory Auditors monitored and verified independence maintenance and proper audit execution by Independent Auditors, received reports from the Independent Auditors on the state of the execution of their duties, and requested explanations as needed. In addition, the Statutory Auditors received a notice from the Independent Auditors, stating that they were developing the "system for ensuring proper duty execution" (items prescribed in respective paragraphs of Article 131 of the Corporate Calculation Regulations) in accordance with "Quality Control Standards for Auditing" (Business Accounting Council Standard issued on October 28, 2005) and the like, and requested explanations as needed.

Based on the aforementioned methods, the Statutory Auditors examined the Company's non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in net assets, and notes to non-consolidated financial statements), their supporting schedules, and the Company's consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in net assets, and notes to consolidated financial statements) for the fiscal year under review.

2. Results of the Audit

(1) Results of the audit of the business report and its supporting schedules

- (a) The business report and its supporting schedules present fairly the state of the Company in conformity with the relevant laws and the Articles of Incorporation.
- (b) No misconduct or material fact contrary to the relevant laws or the Articles of Incorporation has been found with respect to the execution of Directors' duties.
- (c) The contents of Board of Directors resolutions on the internal control system are fair and reasonable. No item requiring special mention has been found with respect to the contents of the Business Report and the execution of Directors' duties concerning said internal control system.

(2) Results of the audit of non-consolidated financial statements and their supporting schedules

The methods and results of the audit conducted by Ernst & Young ShinNihon LLC, Accounting Auditors, are fair and reasonable.

(3) Results of the audit of consolidated financial statements

The methods and results of the audit conducted by Ernst & Young ShinNihon LLC, Accounting Auditors, are fair and reasonable.

May 11, 2016

Board of Statutory Auditors
Tsugami Corporation

Keiji Hayazaki, Standing Statutory Auditor
Kenji Yamada, Statutory Auditor
Morikuni Uchigasaki, Outside Statutory Auditor
Hitoshi Yoshida, Outside Statutory Auditor
Hideo Teramoto, Outside Statutory Auditor

Reference Materials for the Annual Shareholders Meeting

Item 1: Reduction of Legal Capital Surplus

In order to ensure flexible and nimble future capital policies, in accordance with Article 448, Paragraph 1 of the Companies Act, it is proposed to reduce and transfer the legal capital surplus in the full amount to other capital surplus.

1. Amount of the reduction of legal capital surplus

5,884,070,811 yen

2. Amount of the increase in other capital surplus

5,884,070,811 yen

3. Date when the decrease in legal capital surplus will become effective

The date when the decrease in legal capital surplus will become effective will be July 29, 2016 (plan), after the period for creditors making objections

Item 2: Appointment of Eight Directors

The term of office for all Directors shall expire at the close of this Annual Shareholders Meeting.

We therefore propose the reappointment of the eight Directors.

The eight candidates for the position of Director are as follows:

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
1	Takao Nishijima (December 14, 1947)	<p>May 1970 Joined the Fuji Bank, Limited. (now Mizuho Bank, Ltd.)</p> <p>February 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>June 2000 Director and General Manager of the Sales Development Division, Control Headquarters</p> <p>April 2003 Representative Director, Chairman and CEO</p> <p>April 2012 Representative Director, Chairman and CEO (current positions)</p>	10 thousand
2	Toshio Honma (August 2, 1952)	<p>April 1975 Joined the Hokuetsu Bank, Ltd.</p> <p>April 2002 Manager of the Nagaoka Shinsan Branch of the Hokuetsu Bank, Ltd.</p> <p>April 2004 Manager of the Shinmachi Branch of Hokuetsu Bank, Ltd.</p> <p>April 2006 Manager of the Naoetsu Branch of Hokuetsu Bank, Ltd.</p> <p>April 2008 Managing Executive Officer and General Manager of the Administration Division of the Company</p> <p>June 2009 Director, Managing Executive Officer and General Manager of the Administration Division of the Company</p> <p>May 2011 Director and Senior Advisor of the Company</p> <p>June 2011 Standing Statutory Auditor</p> <p>June 2013 Representative Director, COO, Administration (current positions)</p>	10 thousand

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
3	Toshiharu Niijima (November 14, 1954)	<p>November 1979 Joined the Company</p> <p>October 2003 Leader of the Automatic Lathe Group, Technology Headquarters</p> <p>April 2006 Managing Executive Officer and General Manager of the Technology Headquarters</p> <p>June 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>April 2009 Senior Executive Officer and General Manager of the Nagaoka Factory</p> <p>June 2009 Representative Director, Senior Executive Officer and General Manager of the Nagaoka Factory</p> <p>April 2012 Representative Director, COO, Plant Manager</p> <p>December 2014 Representative Director, COO, Technology Manager (current positions)</p>	14 thousand
4	Byun Jae- Hyun (July 10, 1956)	<p>October 1982 General Manager of the Import Business Division of Samsung C&T Corporation</p> <p>July 2000 CEO of DI Corporation</p> <p>January 2007 Vice President of Exicon Co., Ltd.</p> <p>January 2010 President of TSUGAMI KOREA Co., Ltd.</p> <p>April 2012 Senior Executive Officer, Overseas division, President of TSUGAMI KOREA Co., Ltd.</p> <p>June 2012 Director, Senior Executive Officer, Overseas division, President of TSUGAMI KOREA Co., Ltd.</p> <p>June 2013 Director, Senior Advisor, President of TSUGAMI KOREA Co., Ltd., President of TSUGAMI Universal Pte. Ltd.</p> <p>September 2014 Director, Senior Advisor, President of TSUGAMI KOREA Co., Ltd. (current positions)</p>	0

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
5	Donglei TANG (November 27, 1962)	<p>July 1992 Joined Tokyo Seimitsu Co., Ltd.</p> <p>November 2005 Administration Officer and General Manager of China Office of the Company, and President of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>April 2009 Executive Officer and Manager of Shanghai Office of the Company, and President of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>April 2010 Managing Executive Officer in Charge of China Operations of the Company, and Vice Chairman and President of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>June 2010 Director, Managing Executive Officer in Charge of China Operations of the Company, and Vice Chairman and CEO of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>April 2012 Director, Senior Executive Officer, President of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>June 2013 Director, Senior Advisor, President of PRECISION TSUGAMI (CHINA) CORPORATION (current positions)</p>	0
6	Takeo Nakagawa (October 12, 1938)	<p>May 1999 Professor Emeritus at the University of Tokyo (current post)</p> <p>October 2000 CEO of Fine Tech Corporation</p> <p>June 2002 Director of Nippon Pillar Packing Co., Ltd. (current position)</p> <p>June 2007 Auditor at FANUC Ltd. (current position)</p> <p>June 2008 Director of the Company (current position)</p> <p>February 2014 Director of OSG CORPORATION (current position)</p> <p>April 2015 CEO of Fine Tech Corporation (current position)</p>	20 thousand

Candidate number	Name (Date of birth)	Career summary, and positions and responsibilities at the Company (including representation at other companies, etc.)	Number of shares in the Company held
7	Shigeru Nishiyama (March 4, 1948)	<p>June 1971 Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation)</p> <p>June 2006 Deputy President and Representative Director of Sumitomo Mitsui Financial Group, Inc.</p> <p>December 2008 Representative Director, President of HORAI Co., Ltd.</p> <p>June 2010 Representative Director, CEO of HORAI Co., Ltd.</p> <p>June 2013 Director of the Company (current position)</p> <p>June 2013 Auditor at Mitsui Sugar Co., Ltd. (current position)</p>	0
8	Kunio Shimada (August 16, 1959)	<p>April 1986 Registered as an attorney Attorney with Iwata Godo Attorneys and Counsellors at Law</p> <p>October 1991 Registered as an attorney in New York State</p> <p>June 2000 Managing Director of Mizuho Servicing Co., Ltd. (current position)</p> <p>July 2010 Representative partner at Shimada Hamba & Osajima (current position)</p> <p>June 2011 Director of the Company (current position)</p> <p>November 2013 Supervisory Officer of Hulic Reit, Inc. (current position)</p>	0

- Notes
1. Mr. Takeo Nakagawa, Mr. Shigeru Nishiyama and Mr. Kunio Shimada are candidates for the position of outside directors.
 2. The Company has notified the Tokyo Stock Exchange of the appointment of Mr. Takeo Nakagawa and Mr. Kunio Shimada as independent directors.
 3. The Company requests the appointment of Mr. Takeo Nakagawa, Mr. Shigeru Nishiyama and Mr. Kunio Shimada as its outside directors based on its assessment that they possess deep insight and experience in general, and can advise the Company's management from a broad perspective.
 4. Mr. Takeo Nakagawa concurrently holds the position of Director and CEO of Fine Tech Corporation. The Company has sold products, etc. (amounting to 9 million yen in the fiscal year ended March 31, 2015) to Fine Tech Corporation, but these sales are insignificant, accounting for less than 0.1% of the Group's annual consolidated net sales, and the Company believes that these transactions have no impact on Mr. Takeo Nakagawa's independence and that Mr. Takeo Nakagawa is capable of executing the duties of outside and independent director appropriately. Mr. Shigeru Nishiyama served as Director of Sumitomo Mitsui Financial Group, Inc. (the financial holding company of Sumitomo Mitsui Banking Corporation) until June 2008. The Sumitomo Mitsui Financial Group, Inc. is one of the Company's main financial institutions. No special interest exists between the Company and each of the other candidates for the position of Director.
 5. The Company has executed an agreement with Mr. Takeo Nakagawa, Mr. Shigeru Nishiyama and Mr. Kunio Shimada on the limitation of liability for damages as provided for under the provisions of Paragraph 1, Article 423 of the Companies Act according to the provisions of Paragraph 1, Article 427 thereof. When Mr. Nakagawa, Mr. Nishiyama and Mr. Shimada are reappointed as Directors, the Company will execute an agreement with these three Directors on the limitation of liability for damages as provided for under the provisions of Paragraph 1, Article 423 of the Companies Act according to the Articles of Incorporation of the Company and the provisions of Paragraph 1, Article 427 of the Companies Act. In addition, the limited amount of liability for damages under the said agreement shall be the minimum liability stipulated under laws.
 6. Although Mr. Takeo Nakagawa, Shigeru Nishiyama and Mr. Kunio Shimada are currently outside directors of the Company, their term of office as outside director is eight years for Mr. Takeo Nakagawa, three years for Mr. Shigeru Nishiyama and five years for Mr. Kunio Shimada at the close of this annual shareholders meeting.

Item 3: Delegation of the decision about the offering of subscription rights to shares as stock options for a stock-linked compensation plan to the Board of Directors with conditions particularly favorable to executive officers of the Company and employees with similar positions

Under the provisions of Articles 236, 238, and 239 of the Company Law, we request the shareholders to approve the delegation of the decision about the offering of subscription rights to shares as stock options for a stock-linked compensation plan to the Board of Directors in conditions particularly favorable to the executive officers of the Company and employees with similar positions.

1. Reason for offering of the subscription rights to shares for subscription under especially favorable conditions

The Company has been granting subscription rights to shares as stock options for a stock-linked compensation plan. The grants were designed to establish a closer link between the Company's stock prices and results and the officers and employees so that they share with shareholders not only benefits from high stock prices, but also the risks of low stock prices, bolstering their morale and enthusiasm for improving business results.

2. The outline and the numerical limit of the subscription rights to shares whose offering terms may be determined based on the resolution made at the above general meeting of shareholders scheduled

- (1) The numerical limit of the subscription rights to shares, the offering terms of which may be determined based on the above delegation

The maximum number of the subscription rights to shares as described in below (3) shall be 153.

The total number of the Company's shares that are issued in exchange of the exercise of the subscription rights to shares shall be limited to a maximum of 153,000 shares of the Company's common stock. If the number of shares (as defined below) is adjusted in accordance with the provisions stipulated in (i), (3) below, the maximum number of shares shall be the number calculated by multiplying the number of shares after the adjustment by the maximum number of the above subscription rights to shares.

- (2) No transfer of cash shall be required for the subscription rights to shares, the offering terms of which may be determined based on the above delegation

- (3) The outline of the subscription rights to shares, the offering terms of which may be determined based on the above delegation

- (i) Type and the number of shares that are the object of the subscription rights to shares

The type of shares that are the object of the subscription rights to shares shall be common stocks of the Company. The number of shares for each subscription right to shares (the "Number of Granted Shares") shall be 1000 shares.

However, if a share-split (including a gratis allotment of common stocks of the Company; the same shall apply below regarding the descriptions of the share-split) or a reverse share-split is conducted for common stocks of the Company after the date of resolution at the above general meeting of shareholders (the "Resolution Date"), the Number of Granted Shares shall be adjusted by applying the following formula, with fractions of less than one share rounded down to the nearest one share:

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \text{Ratio of share-split / reverse share-split}$$

In addition to the above case, if an adjustment of the Number of Granted Shares is considered to be necessary for unavoidable reasons, the Company shall carry out the adjustment deemed reasonable.

- (ii) 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 of 1 yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.
- (iii) Exercise period of the subscription rights to shares
Within 20 years from the day following the allotment date of the subscription rights to shares
- (iv) Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription rights to shares
 - i. The amount of increase in capital when shares are issued with the exercise of the subscription rights to shares shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 17 of the Corporate Calculation Regulation, and fractions of less than 1 yen shall be rounded up to the nearest 1 yen.
 - ii. The amount of increase in the capital reserve when shares are issued upon exercise of the subscription rights to shares shall be the amount calculated by deducting the amount of capital to be increased as stated in the preceding paragraph i from the maximum amount of increase in capital, etc., as stated in the same paragraph i above.
- (v) Restriction on acquiring the subscription rights to shares by assignment
Acquisition of the subscription rights to shares by assignment shall require approval by a resolution of the Board of Directors.
- (vi) Provisions concerning the acquisition of the subscription rights to shares
If a proposal for a merger agreement in which the Company ceases to exist, or a proposal for a stock swap agreement or a stock transfer plan in which the Company will become a wholly owned subsidiary, is approved at a general meeting of shareholders of the Company, the Company may acquire the subscription rights to shares on the date stipulated separately by the Company's Board of Directors.
- (vii) Fractions of less than 1 share occurring on exercise of the subscription rights to shares
If a fraction of less than 1 share to be delivered to the holder of the subscription rights to shares occurs upon exercise of the subscription rights to shares, it shall be rounded down to the nearest 1 share.
- (viii) Other conditions for exercise of the subscription rights to shares
 - i. In principle, a holder of the subscription rights to shares may exercise the subscription rights to shares within the period described in Provision (iii) above, only 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.
 - ii. Any other conditions associated with the exercise of the subscription rights to shares shall be determined by the resolution of a meeting of the Company's Board of Directors.