

Summary of Financial Results for the Fiscal Year Ended March 31, 2016

May 12, 2016

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled date of annual shareholders meeting: June 22, 2016

Scheduled date of commencement of dividend payments: May 30, 2016

Scheduled date of submission of securities report: June 23, 2016

Supplementary briefing materials to be created: Yes

Investors meeting to be held: Yes (for institutional investors and analysts)

1. Consolidated business performance for the fiscal year ended March 31, 2016

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

(Figures are rounded down to the nearest one million yen.)

(1) Consolidated operating results

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2016	40,132	-25.9	2,125	-70.7	1,095	-85.9	877	-83.4
Fiscal year ended March 31, 2015	54,132	68.0	7,253	512.4	7,745	300.8	5,297	--

(Note): Comprehensive income: Fiscal year ended March 31, 2016: -1,428 million yen (-118.2 %)

Fiscal year ended March 31, 2015: 7,848 million yen (622.8 %)

	Net income per share	Net income per share after residual equity adjustment	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2016	13.04	12.77	2.6	2.1	5.3
Fiscal year ended March 31, 2015	74.37	72.92	15.7	14.2	13.4

(Reference): Investment gain or loss by equity method: Fiscal year ended March 31, 2016: -37 million yen

Fiscal year ended March 31, 2015: -- million yen

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2016	47,859	32,594	66.2	473.78
Fiscal year ended March 31, 2015	56,829	37,279	64.1	522.94

(Reference): Shareholders' equity: Fiscal year ended March 31, 2016: ¥31,693 million

Fiscal year ended March 31, 2015: ¥36,414 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the term
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2016	4,226	-959	-3,520	4,589
Fiscal year ended March 31, 2015	3,135	-1,706	-2,822	4,952

2. State of dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2015	--	6.00	--	8.00	14.00	989	18.8	2.9
Fiscal year ended March 31, 2016	--	8.00	--	8.00	16.00	1,092	122.7	3.2
Fiscal year ending March 31, 2017 (forecast)	--	8.00	--	8.00	16.00		45.2	

3. Consolidated business performance forecasts for the fiscal year ending March 31, 2017

(From April 1, 2016 to March 31, 2017)

(Percentage figures denote increases or decreases compared with the same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	20,000	-5.4	1,500	13.5	1,300	53.3	900	32.4	13.81
Full-year	43,000	7.1	3,500	64.7	3,200	192.1	2,300	162.1	35.37

*Notes

(1) Important changes in subsidiaries during the fiscal year under review (changes in specified subsidiaries that caused the scope of consolidation to change): none

Companies added to the scope: -- companies (names)
 Companies removed from the scope: -- companies (names)

(2) Changes in accounting policy and in accounting estimates, and restatements

- (i) Changes in accounting policy due to the revision of accounting standards and the like: applied
- (ii) Changes in accounting policy other than those stated in item (i) above: none
- (iii) Changes in accounting estimates: none
- (iv) Restatements: none

(3) Numbers of outstanding shares (common stock)

- (i) Numbers of outstanding shares at the end of the terms (including treasury stock):
- (ii) Numbers of treasury shares at the end of the terms:
- (iii) Average numbers of shares outstanding during the periods:

March 2016	74,919,379 shares	March 2015	74,919,379 shares
March 2016	8,023,683 shares	March 2015	5,285,426 shares
March 2016	67,292,440 shares	March 2015	71,227,477 shares

(Reference) Summary of non-consolidated business performance

Non-consolidated business performance for the fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(1) Non-consolidated operating results

(Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2016	31,852	-9.0	-184	--	252	-90.0	292	-82.8
Fiscal year ended March 31, 2015	34,992	18.7	1,179	--	2,522	89.6	1,698	--

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
Fiscal year ended March 31, 2016	4.34	4.25
Fiscal year ended March 31, 2015	23.85	23.39

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2016	33,281	26,574	77.6	386.23
Fiscal year ended March 31, 2015	39,050	30,494	76.2	427.60

(Reference): Shareholders' equity: Fiscal year ended March 31, 2016: 25,837 million yen
 Fiscal year ended March 31, 2015: 29,775 million yen

* Statement relating to execution status for audit procedures

This summary of financial results falls outside the scope of audit procedures based on the stipulations of the Financial Instruments and Exchange Act. The audit procedures for financial statements based on the stipulations of the Act were not completed at the time this summary was disclosed.

* Explanations for the appropriate use of business forecasts and other items warranting special mention

The business forecasts presented above are produced on the basis of information accessible on the date of their announcement. Actual performance may differ materially from these forecasts due to underlying uncertainties.

Accompanying Documents

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1. Consolidated Operating Results

(1) Analysis relating to consolidated operating results

(i) Overview of the fiscal year under review

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.

(ii) Consolidated operating results

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.

(iii) Forecasts for the next fiscal year

The Japanese, U.S., and European markets are expected to remain firm. Meanwhile, uncertainty will remain in the Chinese market overall, although there are signs of a recovery in certain sectors of the economy. On the profit front, the cost to sales ratio is expected to improve as production adjustment is almost complete.

The Group's forecasts are as follows:

Consolidated business performance forecasts for the fiscal year ending March 31, 2017

	(Million yen)	
	First half	Full year
Net sales	20,000	43,000
Operating income	1,500	3,500
Ordinary income	1,300	3,200
Net income attributable to owners of parent	900	2,300

(2) Analysis relating to the consolidated financial position

(i) State of assets, liabilities and net assets

Assets totaled 47,859 million yen at the end of the fiscal year under review, decreasing 8,969 million yen from the end of the previous fiscal year.

The decrease resulted primarily from a 1,191 million yen decrease in trade notes and accounts receivable, 4,400 million yen in inventories, 1,544 million yen in property, plant and equipment and 1,168 million yen in Investment securities.

Liabilities came to 15,265 million yen, decreasing 4,284 million yen from the end of the previous fiscal year.

The decrease resulted mainly from a 2,418 million yen decrease in trade notes and accounts payable, a 727 million yen fall in short-term loans payable, 349 million yen drop in income taxes payable and 573 million yen decrease in deferred tax liabilities.

Net assets stood at 32,594 million yen at the end of the fiscal year under review, decreasing 4,684 million yen from the end of the previous fiscal year.

The decline mainly reflected increase of 877 million yen in net income attributable to owners of parent which offset a decreases of 1,018 million yen in valuation difference on available-for-sale securities, 1,131 million yen fall in foreign currency translation adjustment, 1,092 million yen in dividends paid and 2,238 million yen in treasury stock.

As a result of the changes stated above, the capital adequacy ratio came to 66.2%, rising 2.1 percentage points from the end of the previous fiscal year.

(ii) State of cash flows

Cash and cash equivalents declined by 362 million yen from the end of the previous fiscal year, to 4,589 million yen at the end of the consolidated fiscal year under review.

(Cash flows from operating activities)

Cash provided by operating activities was 4,226 million yen. (provided 3,135 million yen previous year)

The result principally reflected increases in cash, including a net income before taxes and other adjustments of 1,190 million yen, depreciation and amortization of 1,092 million yen, 940 million yen decrease in trade notes and accounts receivable and 2,890 million yen decrease in inventories, which offset decreases in cash, such as a 1,765 million yen decrease in trade notes and accounts payable and 987 million yen in corporate and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 959 million yen. (used 1,706 million yen previous year)

The cash outflow was primarily attributable to decrease in cash that resulted from a 449 million yen outlay for the purchase of property, plant and equipment, 301 million yen for the purchase of investment securities and 333 million yen for the payments of long-term loans to Indian production subsidiary.

(Cash flows from financing activities)

Cash used for financing activities was 3,520 million yen. (used 2,822 million yen previous year)

The cash outflow resulted from mainly from decreases in cash, decrease in short-term loans payable of 212 million yen, 2,241 million yen spent on the purchase of treasury stock and dividends paid of 1,092 million yen.

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Capital adequacy ratio	53.9	68.6	59.3	64.1	66.2
Capital adequacy ratio on a market value basis (%)	136.6	86.9	85.4	94.2	57.1
Cash flow/interest-bearing debt ratio (annual)	5.4	2.0	8.5	2.2	1.4
Interest coverage ratio (times)	6.4	24.2	5.1	10.7	18.7

(Notes) Capital adequacy ratio: shareholders' equity/ total assets; capital adequacy ratio on a market value basis: aggregate market value of shares/ total assets; cash flow/interest-bearing debt ratio: interest-bearing debt/ cash flows; interest coverage ratio: cash flows/ interest expenses.

* Each of these indicators is calculated on the basis of consolidated financial figures.

* Aggregate market value of shares is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares issued at the end of the fiscal year (after treasury stock deduction).

* Cash flows used are cash flows from operating activities stated in the consolidated statements of cash flows.

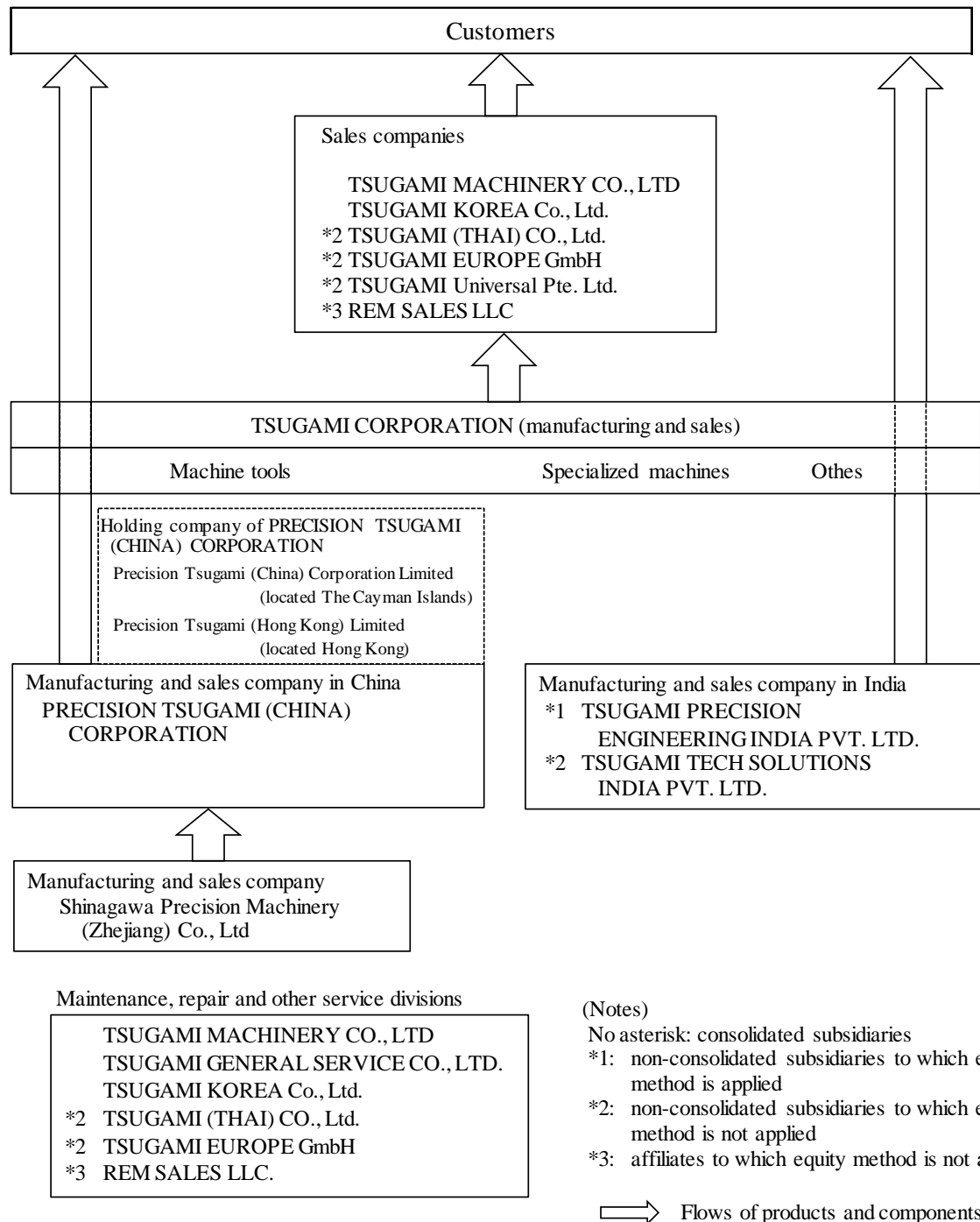
Interest-bearing debt covers all liabilities stated in the consolidated balance sheets for which interest has been paid. Interest expenses stated in the consolidated statements of cash flows is used as interest expenses.

- (3) Basic policy relating to profit distribution, and dividends for the fiscal year under review and the following fiscal year
 The Group adopts a 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 this policy, the Group is united in its commitment to strengthening its business structure and achieving stable dividends.
 The Group will also deal appropriately with the acquisition of treasury stock for the flexible enforcement of capital policies and other purposes as part of its measures for returning profits to shareholders, based on a comprehensive assessment of factors, including the need, financial conditions and share price trends.
 For the consolidated fiscal year ended March 31, 2016, the Company has decided to pay annual dividends of 16 yen per share, including interim dividends of 8 yen per share and year-end dividends of 8 yen per share.
 For the consolidated fiscal year ending March 31, 2017, the Company plans to pay annual dividends of 16 yen per share, including interim dividends of 8 yen per share and year-end dividends of 8 yen per share.
- (4) Business and other risks
 Risks that may adversely affect the operating results, share prices, financial situation and other aspects of the Group include the following:
- (i) Effects of business fluctuations
 The machine tool industry is an industry that is susceptible to the effects of business fluctuations. The Group is continuing its efforts to minimize the effects that unexpected market downsizing can have on its performance, by reducing fixed costs and taking other steps in an attempt to maximize management efficiency. Sudden and unexpected changes, however, may affect the Group's production, business performance and financial situation.
 - (ii) Effects of changes in prices of raw materials
 The prices of cast metals and iron and steel products, the main raw materials of products of the Group, are influenced by movements of exchange rates and the international supply-demand situation. Increases in prices of raw materials for those reasons may affect the Group's production, business performance, and financial situation.
 - (iii) Effects of fluctuations in exchange rates
 Each year, overseas sales are accounting for a greater percentage of total sales of the Group's products. Exports by the Group are denominated in yen, and they are not directly influenced by exchange rate fluctuations in principle. A sharp appreciation of the yen, however, prompts agents and users overseas to ask the Group to lower its selling prices for its products. In addition, the risk of an exchange loss attributable to fluctuations in the Chinese Yuan is rising in proportion to the growing weight of production at manufacturing factories in China.
 - (iv) Effects of overseas operations
 Subsidiaries in China and India manufactures and sells machine tools, and the Group sells products and provides after-the-sale services through subsidiaries in South Korea, India, Thailand, Germany and others. Deterioration in political situations and changes in laws and regulations in those countries may affect the Group's production, business performance and financial standing.
 - (v) Effects of matters relating to quality
 The Group is united in its commitment to improving quality, in addition to proactively developing new products and introducing them to markets. Nonetheless, unexpected issues, such as accidents and poor service, may affect the Group's production, business performance and financial conditions should they arise.
 - (vi) Effects relating to intellectual property rights
 To protect its technologies, the Group applies for patents for them and acquires intellectual property rights. However, if other companies infringe on the intellectual property rights of the Group, if the invalidation of intellectual property rights of the Group is sought, or if injunctions against the manufacture and sale of products are filed against the Group in association with infringements of intellectual property rights, then this may affect the Group's production, business performance and financial conditions.
 - (vii) Effects of the situation
 The Group deals with range of industries, including the electronics, information and telecommunications, and automobile industries. The Group pays close attention to the environment and credit risk. However, if the situation of customer, especially those with which the Group conducts large transactions, changes because of amendments to contracts, changes in the business environment, business downturns, or other factors, this may could the Group's production, business performance, and financial situation.
 - (viii) Effects of natural disasters
 The Group has production, selling, and service bases worldwide, and may therefore be affected by disasters that might be caused by a range of phenomena, including natural disasters, computer viruses, and terrorism.
 The Group has production bases in Niigata and in China. If large natural disasters, such as earthquakes and floods, should occur, and if as a result the supply of products should become impossible or be delayed, then this may affect the Group's production, business performance and financial situation.

2. Status of the Group

The TSUGAMI Group engages primarily in the manufacture and sales of machine tools and other products, including Automatic lathes, Grinding machines, Machining centers and Rolling machines. The Group undertakes additional business activities, including research on individual companies and other services.

Businesses operated by the Group (the key companies in the Group) are as presented in the following figure.



(Note) TSUGAMI EEUPOPE GmbH has changed its trade name from TSUGAMI GmbH on April 13, 2015.

3. Management Policy

(1) Basic management policy

The Group believes that the basis for its management is anticipating market needs and contributing to society by generating new value through the precision technologies it has accumulated since its foundation. Guided by this basic policy, the Group is striving to offer high-precision, high-speed and high-rigidity products that satisfy the needs of its customers.

(2) Medium- and long-term management strategies

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

(i) Introduction of new products targeting growth fields

The Group is focused on developing new products that respond fully to customer demands, targeting markets where future growth is expected, including auto parts, which require that ecological and energy-saving needs are met, and small high-precision parts processing in the fields of IT, including sophisticating HDDs and smart phones, telecommunications and medical care.

(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

The Group is seeking to unify sales, production and administrative organizations, including those of affiliates, and to streamline management in an attempt to increase its collective capabilities as a corporate group.

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.

4. Basic Approach to the Selection of Accounting Standards

The Group's policy is to prepare its consolidated financial statements in accordance with Japanese accounting standards for the time being, to facilitate comparisons between periods and comparisons between companies. The Group will address the issue of adoption of International Financial Reporting Standards (IFRS) as appropriate, taking into consideration conditions both inside and outside of Japan.

5. Consolidated financial statements

(1) Consolidated Balance Sheets

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2015)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	5,175	4,744
Trade notes and accounts receivable	7,054	5,862
Merchandise and finished goods	8,264	8,035
Work in process	5,684	3,800
Raw materials and supplies	8,750	6,463
Consumption taxes receivable	1,017	781
Deferred tax assets	443	489
Other	513	509
Allowance for doubtful accounts	-43	-47
Total current assets	36,861	30,639
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,564	10,759
Accumulated depreciation	-5,167	-5,134
Buildings and structures (net)	6,396	5,625
Machinery, equipment and vehicles	10,067	9,790
Accumulated depreciation	-5,895	-6,243
Machinery, equipment and vehicles (net)	4,171	3,547
Land	564	473
Leased assets	55	38
Accumulated depreciation	-27	-18
Leased assets (net)	27	19
Construction in progress	3	0
Other	1,243	1,145
Accumulated depreciation	-956	-905
Other (net)	287	240
Total property, plant and equipment	11,451	9,906
Intangible assets	756	698
Investments and other assets		
Investment securities	6,148	4,980
Shares of subsidiaries and associates	11	11
Investments in capital of subsidiaries and associates	1,131	893
Long-term loans receivable	316	583
Deferred tax assets	1	2
Other	*2 149	*2 143
Total investments and other assets	7,759	6,614
Total non-current assets	19,967	17,219
Deferred assets		
Stock issuance cost	0	--
Total deferred assets	0	--
Total assets	56,829	47,859

	(Million yen)	
	Figures at the end of the previous consolidated fiscal year (As of March 31, 2015)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2016)
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,276	5,857
Short-term loans payable	6,855	6,127
Income taxes payable	616	267
Provision for bonuses	227	205
Advances received	545	542
Provision for product warranties	448	324
Other	882	659
Total current liabilities	17,851	13,983
Non-current liabilities		
Deferred tax liabilities	1,084	511
Provision for directors' retirement benefits	18	16
Net defined benefit liability	535	703
Other	58	50
Total non-current liabilities	1,698	1,281
Total liabilities	19,550	15,265
Net assets		
Shareholders' equity		
Capital stock	12,345	12,345
Capital surplus	5,889	5,884
Retained earnings	15,963	15,653
Treasury stock	-2,738	-4,837
Total shareholders' equity	31,460	29,045
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,798	1,779
Foreign currency translation adjustment	2,123	991
Remeasurements of defined benefit plans	32	-123
Total accumulated other comprehensive income	4,953	2,647
Subscription rights to shares	865	900
Total net assets	37,279	32,594
Total liabilities and net assets	56,829	47,859

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (From April 1, 2015 to March 31, 2016)
Net sales	54,132	40,132
Cost of sales	*1 39,890	*1 31,164
Gross profit	14,241	8,968
Selling, general and administrative expenses		
Salaries and allowances	1,585	1,630
Provision for bonuses	57	74
Retirement benefit expenses	79	49
Provision for directors' retirement benefits	4	4
Research and development expenses	*2 1,278	*2 1,187
Insurance expenses	177	178
Provision of allowance for doubtful accounts	--	5
Provision for product warranties	465	431
Other	3,338	3,281
Total selling, general and administrative expenses	6,988	6,843
Operating income	7,253	2,125
Non-operating income		
Interest income	24	21
Dividend income	84	148
Rent income	46	51
Foreign exchange gains	1,071	--
Reversal of allowance for doubtful accounts	32	--
Insurance income	34	43
Other	68	56
Total non-operating income	1,360	322
Non-operating expenses		
Interest expenses	273	262
Loss on sales of notes payable	143	148
Foreign exchange losses	--	709
Share of loss of entities accounted for using equity method	--	37
Other	452	195
Total non-operating expenses	869	1,352
Ordinary income	7,745	1,095
Extraordinary income		
Gain on sales of non-current assets	*3 25	*3 4
Gain on sales of investments securities	2	2
Gain on reversal of subscription rights to shares	--	49
Subsidy income	37	187
Total extraordinary income	65	243
Extraordinary losses		
Loss on retirement of non-current assets	*4 19	*4 0
Loss on sales of non-current assets	*5 31	*5 14
Impairment loss	*6 60	*6 111
Loss on valuation of investments in capital of subsidiaries and associates	--	21
Loss on liquidation of business	16	--
Total extraordinary losses	129	148
Income before taxes and other adjustments	7,681	1,190
Corporate, inhabitant and enterprise taxes	2,126	418
Deferred taxes	258	-105
Total corporate and other taxes	2,384	313
Net income	5,297	877
Net income attributable to non-controlling interests	--	--
Net income attributable to owners of parent	5,297	877

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (From April 1, 2015 to March 31, 2016)
Net income	5,297	877
Other comprehensive income		
Valuation difference on available-for-sale securities	1,406	-1,018
Foreign currency translation adjustment	988	-1,033
Remeasurements of defined benefit plans, net of tax	156	-156
Share of other comprehensive income of entities accounted for using equity method	--	-98
Total other comprehensive income	* 2,551	* -2,305
Comprehensive income	7,848	-1,428
(Breakdown)		
Comprehensive income attributable to owners of parent	7,848	-1,428
Comprehensive income attributable to non-controlling interests	--	--

(3) Consolidated Statements of Changes in Net Assets
Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)

(Million yen)

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

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

Consolidated fiscal year under review (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
Cumulative effects of changes in accounting policies					
Restated balance	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
Cumulative effects of changes in accounting policies						
Restated balance	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

(4) Consolidated Statements of Cash Flows

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Net income (loss) before taxes and other adjustments	7,681	1,190
Depreciation and amortization	1,160	1,092
Loss on valuation of investments in capital of subsidiaries and associates	--	21
Gain on reversal of subscription rights to shares	--	-49
Share-based compensation expenses	315	177
Impairment loss	60	111
Subsidy income	-37	-187
Increase (decrease) in allowance for doubtful accounts	-54	5
Increase (decrease) in provision for bonuses	-19	-22
Increase (decrease) in provision for product warranties	150	-97
Increase (decrease) in net defined benefit liability	-138	-67
Interest and dividend income	-108	-170
Interest expenses	273	262
Share of (profit) loss of entities accounted for using equity method	--	37
Loss (gain) on sales of investment securities	-2	-2
Loss on retirement of non-current assets	19	0
Loss (gain) on sales of non-current assets	5	10
Foreign exchange losses (gains)	-756	229
Decrease (increase) in trade notes and accounts receivable	115	940
Decrease (increase) in inventories	114	2,890
Decrease (increase) in advance payments	28	57
Increase (decrease) in trade notes and accounts payable	-3,565	-1,765
Increase (decrease) in advances received	149	253
Decrease (increase) in consumption taxes refund receivable	-90	236
Other	276	-47
Sub total	5,581	5,106
Interest and dividend income received	94	146
Interest expenses paid	-294	-226
Proceeds from subsidy	37	187
Corporate and other taxes paid	-2,283	-987
Cash flows from operating activities	3,135	4,226
Cash flows from investing activities		
Payments into time deposits	-280	-375
Proceeds from withdrawal of time deposits	256	425
Purchase of property, plant and equipment	-1,011	-449
Proceeds from sales of property, plant and equipment	74	117
Purchase of intangible assets	-434	-47
Expenditure for acquisition of investment securities	-1	-301
Proceeds from sales of investment securities	2	2
Payments of long-term loans receivable	-315	-333
Other	3	2
Cash flows from investing activities	-1,706	-959
Cash flows from financing activities		
Increase in short-term loans payable	7,457	2,961
Decrease in short-term loans payable	-7,683	-3,174
Proceeds from sales of treasury stock	133	35
Purchase of treasury stock	-1,850	-2,241
Cash dividends paid	-866	-1,092
Repayments of lease obligations	-11	-9
Other	-0	--
Cash flows from financing activities	-2,822	-3,520
Effect of exchange rate change on cash and cash equivalents	300	-110
Net increase (decrease) in cash and cash equivalents	-1,092	-362
Cash and cash equivalents at the beginning of the term	6,044	4,952
Cash and cash equivalents at the end of the term	* 4,952	* 4,589

(5) Notes concerning the Consolidated Financial Statements

(Notes relating to the Going Concern Assumption)

No corresponding item exists.

(Important Matters that Become Basis of Presenting Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 7

Names of consolidated subsidiaries

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

(2) Names of non-consolidated subsidiaries:

Non-consolidated subsidiaries:

TSUGAMI (THAI) CO., LTD.
TSUGAMI 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

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

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.

"(2) The non-consolidated subsidiaries (TSUGAMI (THAI) CO., LTD., Tsugami EUROPE GmbH, TSUGAMI TECH SOLUTIONS INDIA PRIVATE LIMITED and TSUGAMI Universal Pte. Ltd.) as well as the affiliate (REM SALES LLC), have little material effect on the consolidated net income or loss and the consolidated retained earnings, and further, have small significance in the Group as a whole.

For the above reason, the equity method is not applied on these companies. "

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

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

4. Matters concerning significant accounting policies

(1) Valuation standard and valuation method of major assets

(i) Securities

Other securities

Securities with fair market value:

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

Securities without fair market value:

Cost accounting method using the moving average method

(ii) Derivatives

Market value method

- (iii) Inventories:
Primarily cost accounting method using the moving average method (The values in the consolidated balance sheet were calculated using the book-value write-down method based on the decline of profitability).
- (2) Depreciation and amortization methods used for material depreciable and amortizable assets
- (i) Property, plant and equipment (excluding leased assets)
Depreciation is principally computed by the declining-balance method.
However, buildings acquired on or after April 1, 1998, excluding fittings, equipment, and foreign subsidiary, are depreciated on a straight-line basis.
The significant service lives are summarized as follows:
Buildings and structures: 15-38 years
Machinery and transportation vehicle: 9 year
- (ii) Intangible assets (excluding leased assets)
Intangible assets are amortized using the straight-line method.
However, software for in-house use is amortized on a straight-line basis over the expected usable period, up to five years.
- (iii) Leased assets
Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.
- (3) Accounting standards for major deferred assets
Stock issuance cost
This is amortized using the straight-line method (3 years).
- (4) Accounting standards for significant allowances
- (i) Allowance for doubtful accounts
To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.
- (ii) Allowance for employees' bonuses
To provide for the payment of employees' bonuses, the Company and its domestic subsidiaries provide accrued bonuses for employees based on the projected amount for the current consolidated fiscal year.
- (iii) Allowance for directors' retirement benefits
Certain of the Company's consolidated subsidiaries recorded an allowance for retirement benefits for directors equivalent to the amount payable in accordance with their rules for directors' retirement benefits.
- (iv) Allowance for product warranties
To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.
- (5) Accounting policies for retirement benefits
- "(i) Period attribution method of the expected amount of retirement benefits
As a method of attributing the expected amount of retirement benefits to the period before the end of the consolidated fiscal year under review to calculate retirement benefit obligations, we use the projected benefit method."
- (ii) Method of expensing net retirement benefit obligation at transition and actuarial gains and losses
Any actuarial difference is expensed equally from the fiscal year following its accrual over an average remaining service period (5 years) of employees at the time of the accrual using the straight-line method.
- (iii) Accounting method of unrecognized actuarial gain or loss and unrecognized prior service cost
Unrecognized actuarial gains and losses and unrecognized prior service costs after tax are recorded as remeasurements of defined benefit plans in the net assets section as a component of accumulated other comprehensive income.

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

Monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates at the consolidated closing date. Foreign currency translation adjustment 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. Foreign currency translation adjustment are included in "Foreign currency translation adjustment" in net assets.

(7) Significant hedge accounting method

(i) Hedge accounting method

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

(ii) Hedging instrument and hedged item

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

Hedging instrument: exchange contracts

Hedged item: foreign currency receivables

(iii) Hedging policy

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

(iv) Method for assessing hedging effectiveness

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

(8) Scope of Funds in Consolidated Cash Flow Statements

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

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

Accounting method for consumption taxes

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

(Changes in Accounting 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.

(Changes in Method of Presentation)

(Consolidated Balance Sheets)

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

As a result, "Other" of 1,427 million yen in the current liabilities in the consolidated balance sheets for the previous consolidated fiscal year was divided into "Advances received" of 545 million yen and "Other" of 882 million yen.

(Consolidated Statements of Income)

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

As a result, "Other" of 114 million yen in the non-operating income in the consolidated statements of income for the previous consolidated fiscal year was divided into "Rent income" of 46 million yen and "Other" of 68 million yen.

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

As a result, "Payment fee" of 313 million yen in the non-operating expenses in the consolidated statements of income for the previous consolidated fiscal year was include in "Other".

(Consolidated Statements of Cash Flows)

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

As a result, "Other" of 1 million yen in the cash flows from investing activities in the consolidated statements of cash flows for the previous consolidated fiscal year was divided into "Expenditure for acquisition of investment securities" of minus 1 million yen and "Other" of 3 million yen.

(Consolidated Balance Sheet)

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

	Previous consolidated fiscal year (As of March 31, 2015)	Consolidated fiscal year under review (As of March 31, 2016)
Amount of discount for bills receivable	985	1,395
Amount of discount for export bills receivable	2,269	2,128

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

	Previous consolidated fiscal year (As of March 31, 2015)	Consolidated fiscal year under review (As of March 31, 2016)
Investments and other assets	1	2

(Consolidated Statement of Income)

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

(Million yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Cost of sales	16	366

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

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
	1,278	1,187

*3.Breakdown of gain on sales of non-current assets

(Million yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Machinery and equipment	25	3
Vehicles	--	0
Others	--	0
Total	25	4

*4. Breakdown of loss on retirement of non-current assets

(Million yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Buildings	10	--
Machinery and equipment	8	--
Others	0	0
Total	19	0

*5. Breakdown of the loss on sales of non-current assets

(Million yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Machinery and equipment	31	14
Others	--	0
Total	31	14

*6. Impairment loss

The Group posted an impairment loss for the group of assets below.

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

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

The business assets of the Group are grouped based on the mutual relationships among the businesses. Leased assets and idle assets are grouped individually. The assets above have been changed from business assets to leased assets, and their profitability has declined. Their book value has been therefore reduced to the recoverable amount, and an impairment loss of 60 million yen has been recorded in extraordinary losses. The recoverable value of this asset group is measured in accordance with the net sales value. Machinery and equipment are evaluated based on their trading price in the market.

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

Location	Use	Type
Kawasaki-shi, Kanagawa	Assets planned to be sold (Old company house)	Buildings

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

Since the expected sale value of the assets above, which are planned to be sold, is lower than the book value, the Group reduced the book value to the recoverable amount and posted an impairment loss of 111 million yen in extraordinary expenses. The recoverable amount was measured by the net sale value and was calculated based on the expected sale value.

The assets above were planned to be sold when the impairment loss was posted. They were in fact sold in March 2016.

(Consolidated Statements of Comprehensive Income)

* Recycling and tax effect relating to other comprehensive income

(Million yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Valuation difference on available-for-sale securities:		
Amount arising during fiscal year under review	1,899	-1,468
Recycling	--	--
Before tax effect adjustment	1,899	-1,468
Tax effect	-492	450
Valuation difference on available-for-sale securities	1,406	-1,018
Foreign currency translation adjustment:		
Amount arising during fiscal year under review	988	-1,033
Remeasurements of defined benefit plans, net of tax:		
Amount arising during fiscal year under review	102	-235
Recycling	139	9
Before tax effect adjustment	241	-225
Tax effect	-85	69
Remeasurements of defined benefit plans, net of tax	156	-156
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during fiscal year under review	--	-98
Total other comprehensive income	2,551	-2,305

(Consolidated Statements of Changes in Net Assets)
Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

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

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

(Notes) 1. The increase in common stock of treasury stock of 3,128 thousand shares due to the purchase of 3,123 thousand shares on the Tokyo Stock Exchange, and the purchase of 5 thousand shares of odd-lot shares.
2. The decrease in common stock of treasury stock of 405 thousand shares was due to the exercise of stock options.

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

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

3. Matters relating to dividends

(1) Dividends paid

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

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

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

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

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

	Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Outstanding shares				
Common stock	74,919	--	--	74,919
Total	74,919	--	--	74,919
Treasury stock				
Common stock Note 1.2	5,285	2,972	234	8,023
Total	5,285	2,972	234	8,023

(Notes) 1. The increase in common stock 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.

2. The decrease in common stock of treasury stock of 234 thousand shares was due to the exercise of stock options.

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

Category	Description of subscription rights to shares	Type of shares to be issued under subscription rights to shares	Number of shares to be issued under subscription rights to shares				Outstanding balance at the end of the consolidated fiscal year (million yen)
			Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year	
Submitting company (parent company)	Subscription rights to shares as stock options	--	--	--	--	--	736
Consolidated subsidiary	Subscription rights to shares as stock options	--	--	--	--	--	164
Total		--	--	--	--	--	900

3. Matters relating to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 13, 2015	Common stock	557	8.00	March 31, 2015	May 29, 2015
Board of directors meeting held on November 12, 2015	Common stock	534	8.00	September 30, 2015	November 30, 2015

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

(Resolution)	Type of shares	Total amount of dividend (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 12, 2016	Common stock	535	Retained earnings	8.00	March 31, 2016	May 30, 2016

(Consolidated Statements of Cash Flows)

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

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Cash and cash accounts	5,175	4,744
Time deposits with maturity of more than 3 months	-223	-155
Cash and cash equivalents	4,952	4,589

(Securities)

1. Other securities

Previous consolidated fiscal year (As of March 31, 2015)

(Million yen)

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

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

Consolidated fiscal year under review (As of March 31, 2016)

(Million yen)

	Classification	Carrying amount on the consolidated balance sheet	Acquisition cost	Difference
Carrying amounts on the consolidated balance sheet exceeding the acquisition cost	(1)Shares	4,925	2,485	2,440
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	4,925	2,485	2,440
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1)Shares	52	54	-1
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	52	54	-1
Total		4,978	2,540	2,438

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

2. Other securities sold during the consolidated fiscal year

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

Classification	Amount of sale (million yen)	Total profit on sale (million yen)	Total loss on sale (million yen)
Shares	2	2	--

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

Classification	Amount of sale (million yen)	Total profit on sale (million yen)	Total loss on sale (million yen)
Shares	2	2	--

(Segment information)

a. Segment Information

1. Summary of reportable segments

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

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

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

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

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

Intersegment revenue and transfers are based on market prices.

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

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Million yen)

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

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

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

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

3. "Adjustment" of increases in property, plant and equipment and intangible assets of minus 60 million yen is the effect of intersegment adjustments.

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

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

(Million yen)

	Reportable segment				Adjustment (Note) 1 (Note) 2 (Note) 3	Consolidated financial statement amount (Note) 4
	Japan	China	South Korea	Total		
Net sales						
Net sales to external customers	24,965	13,612	1,554	40,132	--	40,132
Intersegment net sales or transfers to other accounts	7,061	11,121	53	18,237	-18,237	--
Total	32,027	24,734	1,607	58,369	-18,237	40,132
Segment income	-28	1,907	128	2,007	118	2,125
Segment assets	21,137	19,537	1,089	41,763	6,095	47,859
Other items						
Depreciation and amortization	365	721	19	1,105	-13	1,091
Increases in property, plant and equipment and intangible assets	130	417	48	595	--	595

(Note) 1. "Adjustment" of segment income of minus 118 million yen is the adjustment of unrealized income.

2. "Adjustment" of segment assets of 6,095 million yen includes Company-wide assets of 8,371 million yen and an effect of intersegment adjustments of minus 2,275 million yen.

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

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

Related information

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

1. Information by product and service

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

2. Information by area

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

1. Information by product and service

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

2. Information by area

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

Information on impairment loss on non-current assets by reportable segment

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

(Million yen)

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

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	111	--	--	--	111

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

No corresponding item existed.

Information on gain on negative goodwill by reportable segment

No corresponding item existed.

(Related Party information)

Transaction with the Company's directors and major shareholders

Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)

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

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

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

(Per Share information)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Net assets per share	522.94 yen	473.78 yen
Net income per share	74.37 yen	13.04 yen
Net income per share after residual equity adjustment	72.92 yen	12.77 yen

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

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)	Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)
Net income per share		
Net income attributable to owners of parent (million yen)	5,297	877
Amount not attributed to common shareholders (million yen)	--	--
Net income attributable to owners of parent on common stock (million yen)	5,297	877
Average number of shares during the period (thousand shares)	71,227	67,292
Net income per share after residual equity adjustment		
Adjustment in net income attributable to owners of parent (million yen)	--	--
Increase in common stock (thousand shares)	1,411	1,441
(Stock option) (thousand shares)	(1,411)	(1,441)
Summary of residual shares not included in the calculation of net income per share after residual equity adjustment because of no dilutive effect	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 20, 2014 (Number of shares: 200,000) (Consolidated subsidiary) Two types of subscription rights to shares as stock options (Number of the subscription rights to shares: 4,845,000 and 3,781,000)	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 15, 2012 (Number of shares: 152,000) Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 21, 2013 (Number of shares: 200,000)

(Important post-balance sheet events)

(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 thousand shares (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 thousand shares

(ii) Value of shares acquired 411 million yen

6. Other

(1) Supplementary Information

(i) Overseas net sales

Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	21,659	3,649	3,526	28,834
II Consolidated net sales				40,132
III Ratio of overseas net sales to consolidated net sales (%)	53.9	9.1	8.8	71.8

(Notes) 1. National or regional classifications are based on geographic proximity.

2. Major countries or regions in each classification

(1) Asia China, Thailand, South Korea, Singapore, the Philippines, and India

(2) America the United States and Mexico

(3) Europe Switzerland, Germany, France and Italy

3. Overseas net sales refer to net sales achieved by the Company and its consolidated subsidiaries in countries or regions other than Japan.

(ii) Net sales by machinery category

(Million yen)

	Previous consolidated fiscal year (from April 1, 2014 to March 31, 2015)		Consolidated fiscal year under review (from April 1, 2015 to March 31, 2016)		Year-on-year change	
		%		%		%
Automatic lathes	44,150	81.6	31,579	78.7	-12,571	-28.5
Grinding machines	3,222	5.9	4,399	11.0	1,176	36.5
Machining centers	1,536	2.8	570	1.4	-965	-62.9
Rolling machines and specialized machines	4,914	9.1	3,326	8.3	-1,588	-32.3
Other	307	0.6	257	0.6	-50	-16.3
Total	54,132	100.0	40,132	100.0	-13,999	-25.9
(Overseas net sales)	(44,419)	(82.1)	(28,834)	(71.8)	(-15,584)	(-35.1)