

(Translation of Yuukasyouken-Houkokusyo)

[Cover]

Document submitted	Annual Securities Report
Applicable law clause	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 22, 2017
Fiscal year	The 114th term (from April 1, 2016 to March 31, 2017)
Corporate name	TSUGAMI CORPORATION
Name and title of representative	Takao Nishijima, Chairman and CEO
Address of home office	12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo
Telephone number	+81-3-3808-1711 (key number)
Contact person	Toshio Honma, Representative Director, CFO
Nearest contact point	12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo
Telephone number	+81-3-3808-1711 (key number)
Contact person	Toshio Honma, Representative Director, CFO
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

Chapter 1. Corporate Information

Section 1. Overview of the Company's Situation

1. Changes in major financial data

(1) Consolidated financial data

Fiscal term	110 th term	111 th term	112 th term	113 th term	114 th term
Closing month and year	March 2013	March 2014	March 2015	March 2016	March 2017
Net sales (million yen)	52,812	32,225	54,132	40,132	41,050
Ordinary income (loss) (million yen)	6,800	1,932	7,745	1,095	2,848
Net income attributable to owners of parent (million yen)	4,207	344	5,297	877	2,630
Comprehensive income (million yen)	4,885	1,085	7,848	-1,428	3,516
Net assets (million yen)	31,998	31,587	37,279	32,594	31,462
Total assets million yen(Million yen)	45,919	52,250	56,829	47,859	50,127
Net assets per share (yen)	427.86	428.18	522.94	473.78	510.43
Net income (loss) per share (yen)	57.16	4.72	74.37	13.04	41.91
Net income per share after residual equity adjustment (yen)	56.28	4.64	72.92	12.77	40.93
Capital adequacy ratio (%)	68.6	59.3	64.1	66.2	61.1
Earnings on equity (%)	14.29	1.10	15.72	2.58	8.44
Price-earnings ratio (times)	9.48	130.68	10.34	31.37	17.66
Cash flows from operating activities (million yen)	1,914	714	3,135	4,226	5,550
Cash flows from investing activities (million yen)	-2,381	-713	-1,706	-959	920
Cash flows from financing activities (million yen)	303	445	-2,822	-3,520	-6,353
Cash and cash equivalents at the end of the term (million yen)	5,296	6,044	4,952	4,589	4,561
Number of employees (Average number of temporary employees in addition to the above)	1,420 (161)	1,832 (130)	1,959 (102)	1,614 (105)	1,959 (95)

(2) Financial data of the submitting company

Fiscal term	110 th term	111 th term	112 th term	113 th term	114 th term
Closing month and year	March 2013	March 2014	March 2015	March 2016	March 2017
Net sales (million yen)	35,852	29,491	34,992	31,852	28,601
Ordinary income (loss) (million yen)	6,914	1,330	2,522	252	706
Net income (loss) (million yen)	5,125	-70	1,698	292	1,253
Capital (million yen)	12,345	12,345	12,345	12,345	12,345
(Number of shares issued) (thousand shares)	(74,919)	(74,919)	(74,919)	(74,919)	(64,919)
Net assets (million yen)	30,837	29,692	30,494	26,574	24,708
Total assets (million yen)	42,090	41,800	39,050	33,281	33,331
Net assets per share (yen)	412.08	401.99	427.60	386.23	400.56
Dividend per share	12.00	12.00	14.00	16.00	16.00
(Of which, interim dividend per share) (yen)	(6.00)	(6.00)	(6.00)	(8.00)	(8.00)
Net income (loss) per share (yen)	69.64	-0.97	23.85	4.34	19.96
Net income per share after residual equity adjustment (yen)	68.56	--	23.39	4.25	19.50
Capital adequacy ratio (%)	72.1	69.6	76.2	77.6	72.1
Earnings on equity (%)	18.19	--	5.78	1.05	5.03
Price-earnings ratio (times)	7.78	--	32.24	94.18	37.07
Dividend payout ratio (%)	17.2	--	58.7	368.4	80.1
Number of employees	452	441	430	439	439
(Average number of temporary employees in addition to the above)	(143)	(111)	(90)	(93)	(83)

- (Note) 1. Net sales do not include consumption taxes (consumption tax and local consumption tax; the same shall apply hereinafter).
2. Since net losses were posted, net income per share after residual equity adjustment in the financial data of the submitting company for the 111th term have no value, although there were residual securities.
3. Since net losses were posted in the 111th term, earnings on equity, price-earnings ratio and the dividend payout ratio in the financial data of the submitting company has no value.

2. Corporate history

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

3. Businesses

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

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

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

(i) Japan

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

(ii) China

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

(iii) South Korea

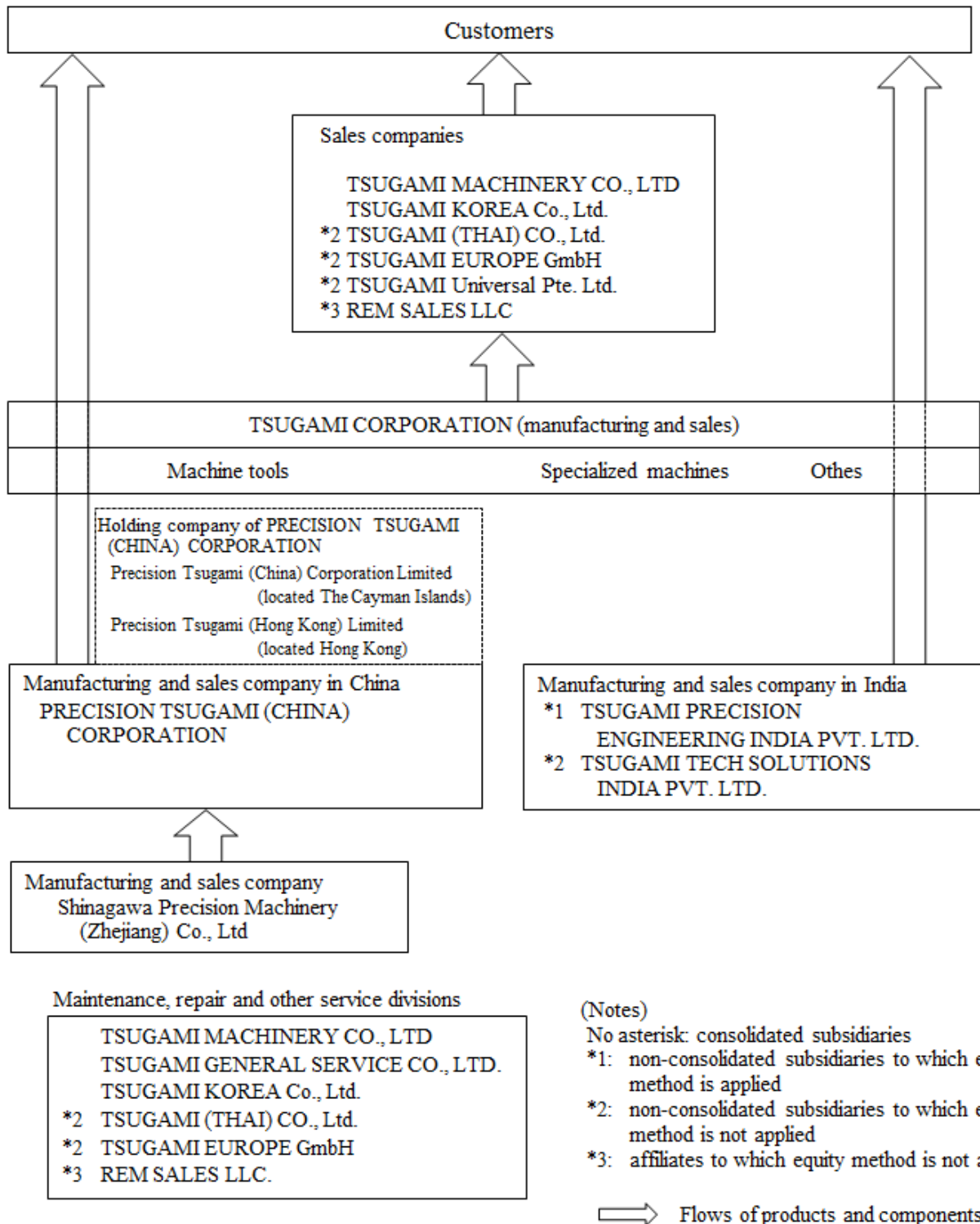
TSUGAMI Korea Co., Ltd. sells products of the Company.

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

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

(2) Business diagram

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



4. Situations of affiliates

Name	Address	Capital or investments	Major business	Ownership of voting rights (%)	Relations
(Consolidated subsidiaries) TSUGAMI MACHINAERY CO., LTD.	Kawasaki-ku, Kawasaki-shi, Kanagawa	60 million yen	Sales, installation and repairing of machine tool parts in Japan.	100	Sells products and parts of the Company; installs and repairs products of the Company. There are interlocking officers.
TSUGAMI GENERAL SERVICE CO., LTD.	Nagaoka-shi, Niigata	42 million yen	Inspections and maintenance of buildings and facilities of factories and non-life insurance agency operations in Japan.	100	Checks and maintains buildings and equipment on the premises of the Company's plants; carries out the agency of nonlife insurance of the Company. There are interlocking officers.
PRECISION TSUGAMI (CHINA) CORPORATION (Note 1, 2, 3)	Zhejiang, China	287 million yuan	Manufacturing and sales of machine tools in China.	100 (100)	Manufactures and sells products of the Company. There are interlocking officers.
Shinagawa Precision Machinery (Zhejiang) Co., Ltd (Note 3)	Zhejiang, China	35 million yuan	Manufacturing and sales of machine tool castings in China.	100 (100)	Manufactures and sells of machine tool castings for products of the Company. There are interlocking officers.
TSUGAMI KOREA Co., Ltd.	Anyang-Si, South Korea	1,000 million won	Sales of machine tools in South Korea.	100	Sells products of the Company. There are interlocking officers.
Precision Tsugami (China) Corporation Limited (Note 1)	The Cayman Islands	3 Hong Kong dollar	Holding Company	100	Holds all shares in Precision Tsugami (Hong Kong) Limited. There are interlocking officers.
Precision Tsugami (Hong Kong) Limited (Note 1, 3)	Hong Kong, China	490 million Hong Kong dollar	Holding Company	100 (100)	Holds all shares in PRECISION TSUGAMI (CHINA) CORPORATION.
(Non-consolidated subsidiaries to which equity method is applied) TSUGAMI PRECISION ENGINEERING INDIA PRIVATE LIMITED (Note 3)	Oragadam, Dt. Tamil Nadu, India	495 million Indian rupee	Manufacturing and sales of machine tools in India.	90.9 (15.1)	Manufactures and sells products of the Company. There are interlocking officers.

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

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

Information on major profit and other items

(1) Net sales	¥26,830 million
(2) Ordinary income	¥2,679 million
(3) Net income	¥1,996 million
(4) Net assets	¥10,122 million
(5) Total assets	¥21,851 million

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

5. Employees

(1) Group employees

As of March 31, 2017

Business segment	Number of employees	
Japan	482	(95)
China	1,454	(--)
South Korea	23	(--)
Total	1,959	(95)

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

2. The number of employees rose by 344 from the end of the previous fiscal year to 1,454 because of a significant increase in production at PRECISION TSUGAMI (CHINA) CORPORATION in the fiscal year under review.

(2) Employees of the submitting company

As of March 31, 2017

Number of employees	Average age	Average service years	Average annual salary (thousand yen)
439 (83)	42.6	18.0	5,863

(Note) 1. The number of employees is the number of people employed by the Group. The figure in parentheses is the annual average of temporary employees and is not included in the number of employees. Workers on loan from other companies to the Company (seven employees) are included. Workers on loan from the Company to other companies (87 employees) are not included. The employees of the Company are classified into Japan Segment.

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

(3) Labor union

The labor union of the Company belongs to JAM, an industrial union. The number of union members, who have concluded union-shop contracts, is 294.

Labor-management relations are good.

Section 2. Business Situation

1. Overview of operating results

(1) Operating results

During the consolidated fiscal year under review, the Japanese economy continued to recover moderately, chiefly reflecting improvements in corporate earnings and employment.

In the machine tool industry, both the domestic market and the U.S. and European markets grew gradually. In the Chinese market, signs of a recovery emerged in all industries from the third quarter.

In this environment, TSUGAMI Corporation (the "Company") and its affiliates (the "Group") sought to boost sales in auto parts-related sectors and a wide range of other industries. As a result, net sales increased from a year ago, and income also rose, reflecting the posting of a gain on sales of non-current assets, in addition to higher net sales.

Consolidated net sales for the fiscal year under review increased 2.3% year on year, to ¥41,050 million.

Consolidated net sales in Japan decreased 8.8% year on year, to ¥10,305 million. Consolidated exports increased 6.6% year on year, to ¥30,744 million. The export ratio increased from 71.8% for the previous fiscal year, to 74.9%.

Consolidated operating income increased 45.1% year on year, to ¥3,083 million. Consolidated ordinary income increased 160.0% year on year, to ¥2,848 million and consolidated net income attributable to owners of parent increased 199.8% year on year, to ¥2,630 million for the fiscal year under review.

Operating results by business segment are as follows:

- (i) In Japan, net sales stood at ¥28,894 million, down 9.8 % year on year. Operating income was ¥233 million.
- (ii) In China, net sales were ¥26,747 million, up 8.1 % year on year. Operating income was ¥2,938 million.
- (iii) In South Korea, net sales were ¥1,312 million, down 18.4 % year on year. Operating income was ¥78 million.

(2) Cash flows

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

2. Production, orders received, and sales

(1) Production performance

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

Business segment	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017) (Million yen)	Year on year (%)
Japan	25,637	89.1
China	19,882	117.7
South Korea	--	--
Total	45,520	99.7

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

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

(2) Orders received

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

(3) Sales performance

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

Business segment	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017) (Million yen)	Year on year (%)
Japan	21,876	87.6
China	17,905	131.5
South Korea	1,268	81.6
Total	41,050	102.3

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

2. The amounts above do not include consumption taxes.

3. Management Policy, Management Environment and Issues to Be Addressed, etc.

The Group's basic management policy is to contribute to society by constantly anticipating market needs and generating new value, underpinned by the precision technologies it has been developing since the Company was first established.

We are determined to achieve sustained growth over the long term, through the provision of high-precision, high-speed and high-rigidity products that meet our customers' needs.

Regarding the management environment, we will focus on the following challenges based on the recognition described in [Section 2 Business Situation, 1. Overview of operating results, (1) Operating results].

(Challenges in the medium to long term)

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

(1) Introduction of new products targeting growth fields

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

(2) Business strategies targeting growth regions

The Group will 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.

(3) Management streamlining and customer satisfaction enhancement

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

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

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

Forward-looking statements in the document are based on the judgments of the Group's management as of the end of the fiscal year under review.

4. Business and other risks

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

(1) Effects of business fluctuations

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

(2) Effects of changes in prices of raw materials

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

(3) Effects of fluctuations in exchange rates

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

(4) Effects of overseas operations

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.

(5) Effects of matters relating to quality

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

(6) Effects relating to intellectual property rights

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

(7) Effects of the situation

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

(8) Effects of natural disasters

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

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

5. Significant management contracts

Not applicable.

6. Research and development activities

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

Total R&D expenses in the entire Group in the fiscal year under review were ¥1,320 million.

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

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

During the fiscal year under review, the Company developed the SS38MH-5AX CNC precision automatic lathe, the M08JL5-II, M06DY-II, and M08DY-II CNC lathe and the TMA6JC turning center.

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

(1) Analysis relating to the consolidated financial position

(Current assets)

Current assets at the end of the fiscal year under review increased ¥1,828 million, to ¥32,468 million, primarily reflecting an increase of ¥3,983 million in trade notes and accounts receivable which offset a decrease of ¥2,185 million in inventories.

(Non-current assets)

Non-current assets at the end of the fiscal year under review increased ¥439 million, to ¥17,659 million, primarily reflecting an increase of ¥2,177 million in investment securities which offset decreases of ¥988 million in buildings and structures and ¥673 million in machinery, equipment and vehicles.

(Current liabilities)

Current liabilities at the end of the fiscal year under review increased ¥2,778 million, to ¥16,762 million, primarily reflecting increases of, ¥3,748 million in trade notes and accounts payable, ¥363 million in advance received and ¥258 million in income taxes payable offsetting ¥1,943 million decrease in short-term loans payable.

(Non-current liabilities)

Non-current liabilities at the end of the fiscal year under review increased ¥621 million, to ¥1,902 million primarily because of an increase in deferred tax liabilities of ¥614 million.

(Net assets)

Net assets at the end of the fiscal year under review decreased ¥1,131 million, to ¥31,462 million, primarily reflecting increases of ¥2,630 million in net income attributable to owners of parent and ¥1,528 million in valuation difference on available-for-sale securities which offset decreases of ¥3,734 million in treasury stock, ¥1,034 million in dividends paid and ¥662 million in foreign currency translation adjustment.

In the consolidated fiscal year under review, the Company has retired 10,000,000 treasury shares worth ¥5,380 million by using its capital surplus.

(2) Analysis of cash flows

(Cash flows)

Cash and cash equivalents declined by ¥27 million from the end of the previous fiscal year, to ¥4,561 million at the end of the consolidated fiscal year under review.

(Cash flows from operating activities)

Cash provided by operating activities was ¥5,550 million. (provided ¥4,226 million previous year)

The result principally reflected increases in cash, including a net income before taxes and other adjustments of ¥3,666 million, depreciation and amortization of ¥989 million, ¥3,871 million increase in trade notes and accounts payable and ¥1,574 million decrease in inventories, which offset decreases in cash, such as a ¥4,086 million increase in trade notes and accounts receivable and ¥864 million in corporate and other taxes paid.

(Cash flows from investing activities)

Cash provided by investing activities was ¥920 million. (used ¥959 million previous year)

The cash inflow was primarily attributable to a ¥1,343 million increase in cash that resulted from the proceeds from sales of property, plant and equipment, offsetting cash outflow consisting of a ¥270 million payment into deposits (deposits made until the completion of the soil contamination investigation as a result of the sale of property, plant and equipment) and a ¥162 million purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash used for financing activities was ¥6,353 million. (used ¥3,520 million previous year)

The cash outflow resulted mainly from decreases in cash, ¥1,629 million decrease in short-term loans payable, ¥3,739 million spent on the purchase of treasury stock and dividends paid of ¥1,034 million.

(3) Analysis relating to consolidated operating results

Net sales in the fiscal year under review stood at ¥41,050 million, (up 2.3% year on year). Operating income was ¥3,083 million (up 45.1% year on year). A net income attributable to owners of parent was ¥2,630 million (up 199.8% year on year).

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

Section 3. Facilities

1. Overview of capital investment

Capital expenditures of the Group were ¥311 million.

Capital expenditures by business segment are as follows:

Capital expenditures in Japan were ¥81 million, which was allocated primarily to production facilities at Nagaoka factory of the Company.

Capital expenditures in China were ¥160 million, which was allocated primarily to production facilities at PRECISION TSUGAMI (CHINA) CORPORATION, a subsidiary.

Capital expenditures in South Korea were ¥69 million, which was allocated primarily to facilities at TSUGAMI KOREA Co., Ltd., a subsidiary.

The Group's own funds for the capital expenditures.

For the sale of important facilities, the Company sold land and buildings in Shinshu Factory and posted gain on the sale of non-current assets of ¥849 million.

2. Major facilities

The table below shows major facilities of the Group.

(1) Submitting company

As of March 31, 2017

Factory (location)	Business segment	Facilities	Book value (Million yen)						Number of employees
			Buildings	Machinery and equipment	Land (m ²)	Leased assets	Other	Total	
Nagaoka factory (Nagaoka-shi, Niigata)	Japan	Equipment for producing machine tools	1,478	245	219 (71,303)	13	145	2,101	365 (74)

(2) Overseas subsidiary

As of March 31, 2017

Corporate name	Factory (location)	Business segment	Facilities	Book value (Million yen)						Number of employees
				Buildings	Machinery and equipment	Land (m ²)	Leased assets	Other	Total	
PRECISION TSUGAMI (CHINA) CORPORATION	China factory (Zhejiang, China)	China	Equipment for producing machine tools	2,288	2,528	--	--	81	4,899	1,382 (--)
Shinagawa Precision Machinery (Zhejiang) Co., Ltd	China factory (Zhejiang, China)	China	Equipment for producing machine tools	352	104	--	--	12	469	72 (--)

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

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

3. Main equipment that is out of service is as follows:

As of March 31, 2017

Factory (location)	Business segment	Facilities	Book value (Million yen)						Number of employees
			Buildings	Machinery and equipment	Land (m ²)	Leased assets	Other	Total	
Niigata factory (Higashi-ku, Niigata-shi, Niigata)	Japan	Idle asset	234	9	164 (18,245)	--	12	421	-- (--)

3. Equipment introduction and retirement plans

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

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

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

Corporate name, factory	Location	Business segment	Facilities	Planned investments (Million yen)		Financing method	Planned start and completion date	
				Total	Amount paid		Start	Completion
Nagaoka factory of the Company	Nagaoka-shi, Niigata	Japan	Buildings and others	800	--	Self-financing	April 2017	March 2018
PRECISION TSUGAMI (CHINA) CORPORATION	Zhejiang, China	China	Buildings, machinery and equipment	1,155	--	Self-financing	April 2017	March 2018

Section 4. Situation of Submitting Company

1. Shares of the Company

(1) Total number of shares and other information

(i) Total number of shares

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

(ii) Shares issued

Type	Number of shares issued at end of fiscal year (March 31, 2017)	Number of shares issued on the date of the submission of the report (June 22, 2017)	Stock exchange or registered financial instruments dealers association	Remarks
Common stock	64,919,379	64,919,379	The First Section of the Tokyo Stock Exchange	Number of shares per unit: 1,000
Total	64,919,379	64,919,379	--	--

(Note) The figures in the number of shares issued on the date of the submission of the report column do not include shares issued through the exercise of subscription rights to shares from June 1, 2017 through the date of the submission of the report.

(2) Subscription rights to shares

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

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription rights to shares	59	59
Number of own subscription rights to shares of the subscription rights to shares	--	--
Type of shares underlying subscription rights to shares	Common stock	Same as at left
Number of shares underlying subscription rights to shares	59,000	59,000
Amount to be paid for the exercise of subscription rights to shares (yen)	1	Same as at left
Exercise period	From July 1, 2005 to June 30, 2025	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription rights to shares (yen)	Issue price: 1 Amount per share to be credited to capital: 1	Same as at left
Conditions for the exercise of subscription rights to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--	--

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

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription rights to shares	22	22
Number of own subscription rights to shares of the subscription rights to shares	--	--
Type of shares underlying subscription rights to shares	Common stock	Same as at left
Number of shares underlying subscription rights to shares	22,000	22,000
Amount to be paid for the exercise of subscription rights to shares (yen)	1	Same as at left
Exercise period	From July 21, 2006 to July 20, 2026	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription rights to shares (yen)	Issue price: 609 Amount per share to be credited to capital: 305	Same as at left
Conditions for the exercise of subscription rights to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	(Note 2)	Same as at left

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription rights to shares	14	14
Number of own subscription rights to shares of the subscription rights to shares	--	--
Type of shares underlying subscription rights to shares	Common stock	Same as at left
Number of shares underlying subscription rights to shares	14,000	14,000
Amount to be paid for the exercise of subscription rights to shares (yen)	1	Same as at left
Exercise period	From July 21, 2006 to July 20, 2026	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription rights to shares (yen)	Issue price: 609 Amount per share to be credited to capital: 305	Same as at left
Conditions for the exercise of subscription rights to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	(Note 2)	Same as at left

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription rights to shares	29	29
Number of own subscription rights to shares of the subscription rights to shares	--	--
Type of shares underlying subscription rights to shares	Common stock	Same as at left
Number of shares underlying subscription rights to shares	29,000	29,000
Amount to be paid for the exercise of subscription rights to shares (yen)	1	Same as at left
Exercise period	From July 10, 2007 to July 9, 2027	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription rights to shares (yen)	Issue price: 514 Amount per share to be credited to capital: 257	Same as at left
Conditions for the exercise of subscription rights to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	(Note 2)	Same as at left

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	24	24
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	24,000	24,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 10, 2007 to July 9, 2027	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 514 Amount per share to be credited to capital: 257	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	(Note 2)	Same as at left

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	37	37
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	37,000	37,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2008 to July 7, 2028	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 280 Amount per share to be credited to capital: 140	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	(Note 2)	Same as at left

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	12	10
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	12,000	10,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2008 to July 7, 2028	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 280 Amount per share to be credited to capital: 140	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	(Note 2)	Same as at left

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	93	93
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	93,000	93,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 7, 2009 to July 6, 2029	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 124 Amount per share to be credited to capital: 62	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	42	27
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	42,000	27,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 7, 2009 to July 6, 2029	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 124 Amount per share to be credited to capital: 62	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	51	51
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	51,000	51,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 6, 2010 to July 5, 2030	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 533 Amount per share to be credited to capital: 267	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	25	18
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	25,000	18,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 6, 2010 to July 5, 2030	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 533 Amount per share to be credited to capital: 267	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	92	92
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	92,000	92,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 5, 2011 to July 4, 2031	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 409 Amount per share to be credited to capital: 205	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	48	38
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	48,000	38,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 5, 2011 to July 4, 2031	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 409 Amount per share to be credited to capital: 205	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	131	131
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	131,000	131,000
Amount to be paid for the exercise of subscription right to shares (yen)	589	Same as at left
Exercise period	From July 3, 2014 to June 30, 2017	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 785 Amount per share to be credited to capital: 393	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	100	100
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	100,000	100,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 3, 2012 to July 2, 2032	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 460 Amount per share to be credited to capital: 230	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	44	35
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	44,000	35,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 3, 2012 to July 2, 2032	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 460 Amount per share to be credited to capital: 230	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	150	150
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	150,000	150,000
Amount to be paid for the exercise of subscription right to shares (yen)	575	Same as at left
Exercise period	From July 9, 2015 to June 30, 2018	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 755 Amount per share to be credited to capital: 378	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	134	134
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	134,000	134,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 9, 2013 to July 8, 2033	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 446 Amount per share to be credited to capital: 223	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	72	58
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	72,000	58,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 9, 2013 to July 8, 2033	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 446 Amount per share to be credited to capital: 223	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	170	170
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	170,000	170,000
Amount to be paid for the exercise of subscription right to shares (yen)	584	Same as at left
Exercise period	From July 8, 2016 to June 30, 2019	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 750 Amount per share to be credited to capital: 375	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	144	144
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	144,000	144,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2014 to July 7, 2034	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 453 Amount per share to be credited to capital: 227	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	63	58
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	63,000	58,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2014 to July 7, 2034	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 453 Amount per share to be credited to capital: 227	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxiii) Resolution at a Board of Directors meeting held on June 18, 2015

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	119	119
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	119,000	119,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 7, 2015 to July 6, 2035	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 527 Amount per share to be credited to capital: 263	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxiv) Resolution of the annual shareholders meeting held on June 18, 2015

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	84	68
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	84,000	68,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 7, 2015 to July 6, 2035	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 527 Amount per share to be credited to capital: 263	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxv) Resolution at a Board of Directors meeting held on June 22, 2016

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	160	160
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	160,000	160,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2016 to July 7, 2036	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 273 Amount per share to be credited to capital: 136	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

(xxvi) Resolution of the annual shareholders meeting held on June 22, 2016

	At end of fiscal year under review (March 31, 2017)	At end of month preceding date of submission of the report (May 31, 2017)
Number of subscription right to shares	139	119
Number of own subscription right to shares of the subscription right to shares	--	--
Type of shares underlying subscription right to shares	Common stock	Same as at left
Number of shares underlying subscription right to shares	139,000	119,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	Same as at left
Exercise period	From July 8, 2016 to July 7, 2036	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen)	Issue price: 273 Amount per share to be credited to capital: 136	Same as at left
Conditions for the exercise of subscription right to shares	(Note 1)	Same as at left
Matters relating to the transfer of subscription right to shares	The approval of the Board of Directors is required for the transfer of subscription right to shares.	Same as at left
Matters relating to subrogation payments	--	--
Matters relating to the delivery of subscription right to shares in association with reorganization acts	--	--

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

(3) Exercise of bonds with subscription rights to shares with an amended exercise price

Not applicable.

(4) Features of rights plan

Not applicable.

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

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares)	Change in capital stock (Million yen)	Capital stock (Million yen)	Change in Legal capital surplus (Million yen)	Legal capital surplus (Million yen)
August 1, 2016 (Note 1)	--	74,919,379	--	12,345	-5,884	--
August 10, 2016 (Note 2)	-10,000,000	64,919,379	--	12,345	--	--

(Note) 1. In accordance with Article 448, Paragraph 1 of the Companies Act, it reduced and transfer the legal capital surplus to other capital surplus.

2. The decrease of outstanding shares was due to the retirement of treasury stock.

(6) Ownership of shares by owner

As of March 31, 2017

Classification	Ownership of shares (one unit is 1,000 shares)								Fractional shares (shares)
	Government and local governments	Financial institutions	Securities companies	Other corporations	Foreign corporations and individuals		Individuals and others	Total	
					Entities other than individuals	Individuals			
Number of shareholders	--	347	29	116	124	5	5,573	5,881	--
Number of shares held (unit)	--	21,963	1,623	5,957	14,425	25	20,556	64,549	370,379
Holdings (%)	--	34.0	2.5	9.2	22.4	0.0	31.9	100.0	--

(Note) 1. Treasury stock (4,930,207 shares) includes 4,930 units in the individuals and others category and 207 fractional shares.

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

(7) Major shareholders

As of March 31, 2017

Name	Address	Number of shares held (thousand shares)	Ratio of holdings to the number of shares issued (%)
Japan Trustee Services Bank, Ltd. (trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	7,129	10.98
TSUGAMI CORPORATION	12-20, Tomizawa-cho, Nihonbashi, Chuo-ku, Tokyo	4,930	7.59
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	3,392	5.22
Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.)	1-8-12, Harumi, Chuo-ku, Tokyo	2,592	3.99
The Dai-ichi Life Insurance Company, Limited (Standing agency: Trust & Custody Services Bank, Ltd.)	1-13-1, Yurakucho, Chiyoda-ku, Tokyo (1-8-12, Harumi, Chuo-ku, Tokyo)	2,104	3.24
DMG MORI SEIKI Co., Ltd.	106, Kitakoriyama-cho, Yamatokoriyama-shi, Nara	2,000	3.08
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	5TH FLOOR, TRINITY TOWER 9, THOMAS MORE STREET LONDON, E1W 1YT, UNITED KINGDOM	1,748	2.69
CBNY-GOVERNMENT OF NORWAY	388 GREENWICH STREET, NEW YORK, NY 10013 USA	1,619	2.49
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	1,516	2.33
The Hokuetsu Bank, Ltd.	2-2-14, Otedori, Nagaoka-shi, Niigata	1,484	2.28
Total	--	28,515	43.92

- (Note) 1. All shares held by Japan Trustee Services Bank, Ltd. relate to the trust service.
 2. All shares held by The Master Trust Bank of Japan, Ltd. relate to the trust service.
 3. All shares held by Mizuho Trust & Banking Co., Ltd. relate to the trust service.
 4. The number of shares held by The Dai-ichi Life Insurance Company, Limited 4 thousand shares in separate pension accounts.
 5. Templeton Investment Counsel, LLC and its joint holders (Franklin Templeton Investments Corp., Franklin Templeton Investments (Asia) Limited, and Franklin Advisers, Inc.) have sent the Company a copy of a change report relating to a large holding report dated February 6, 2017. According to the copy, they held the shares shown in the table below as of January 31, 2017. However, since the Company has not been able to confirm the number of shares held by them as of the end of the fiscal year, they are not included in the table above.

Name	Address	Number of shares and other securities (shares)	Holdings (%)
Templeton Investment Counsel, LLC	300 Southeast 2nd Street Ft. Lauderdale, Florida 33301 United States	Shares 2,451,812	3.78
Franklin Templeton Investments Corp.	5000 Yonge Street Suite 1200 Toronto, Ontario M2N 0A7 Canada	Shares 526,100	0.81
Franklin Templeton Investments (Asia) Limited	17th Floor, Chater House 8 Connaught Road Central Hong Kong	Shares 144,000	0.22
Franklin Advisers, Inc.	One Franklin Parkway, San Mateo, California 94403 United States	Shares 111,000	0.17

6. The Mitsubishi UFJ Financial Group have sent the Company a copy of a large holding report dated February 20, 2017. According to the copy, they held the shares shown in the table below as of February 13, 2017. However, since the Company has not been able to confirm the number of shares held by them as of the end of the fiscal year, they are not included in the table above.

Name	Address	Number of shares and other securities (shares)	Holdings (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	Shares 530,257	0.82
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	Shares 1,383,000	2.13
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	Shares 436,000	0.67
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo	Shares 470,459	0.72
MU Investments Co., Ltd.	2-3-11 Kandasurugadai, Chiyoda-ku, Tokyo,	Shares 136,000	0.21
Mitsubishi UFJ Asset Management (UK)Ltd.	24 Lombard Street, London, EC3V 9AJ, United Kingdom	Shares 334,000	0.51

(8) Voting rights

(i) Shares issued

As of March 31, 2017

Classification	Number of shares	Number of voting rights	Remarks
Nonvoting shares	--	--	--
Shares with limited voting rights (Treasury stock)	--	--	--
Shares with limited voting rights (other shares)	--	--	--
Shares with complete voting rights (Treasury stock)	Common stock 4,930,000	--	--
Shares with complete voting rights (other shares)	Common stock 59,619,000	59,619	--
Fractional shares	Common stock 370,379	--	--
Total number of shares issued	64,919,379	--	--
Number of voting rights of all shareholders	--	59,619	--

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

(ii) Treasury stock

As of March 31, 2017

Owner	Address of owner	Number of shares held under the owner's own name (shares)	Number of shares held under the name of any other person (shares)	Total number of shares held (shares)	Ratio of holdings to the number of shares issued (%)
Tsugami Corporation	12-20, Tomizawa-cho Nihonbashi, Chuo-ku, Tokyo	4,930,000	--	4,930,000	7.6
Total	--	4,930,000	--	4,930,000	7.6

(9) Stock option system

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

The details of the system are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Date of relevant resolution	June 15, 2012
Positions and numbers of officers to receive stock options	Employees of the Company 64 Directors of subsidiaries of the Company 3
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

Date of relevant resolution	June 15, 2012
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 19
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

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

Date of relevant resolution	June 15, 2012
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 4
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

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

Date of relevant resolution	June 21, 2013
Positions and numbers of officers to receive stock options	Employees of the Company 59 Directors of subsidiaries of the Company 2
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

Date of relevant resolution	June 21, 2013
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 23
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

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

Date of relevant resolution	June 21, 2013
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 4
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

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

Date of relevant resolution	June 20, 2014
Positions and numbers of officers to receive stock options	Employees of the Company 63
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

Date of relevant resolution	June 20, 2014
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 19
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

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

Date of relevant resolution	June 20, 2014
Positions and numbers of officers to receive stock options	The Company's directors 9 Statutory auditors 5
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

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

Date of relevant resolution	June 18, 2015
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 25
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

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

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

Date of relevant resolution	June 18, 2015
Positions and numbers of officers to receive stock options	The Company's directors 8 Statutory auditors 5
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

22. Stock options based on a resolution at the annual shareholders meeting held on June 22, 2016

A special resolution was passed at the 113th annual shareholders meeting held on June 22, 2016 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 22, 2016
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 24
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

23. Stock options based on a resolution at a Board of Directors meeting held on June 22, 2016

A meeting of the Board of Directors held on June 22, 2016 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company's directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 22, 2016
Positions and numbers of officers to receive stock options	The Company's directors 8 Statutory auditors 5
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

24. Stock options based on a resolution at the annual shareholders meeting held on June 21, 2017

A special resolution was passed at the 114th annual shareholders meeting held on June 21, 2017 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to titled executive officers and employees with similar positions of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Companies Act.

Date of relevant resolution	June 21, 2017
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 25
Type of shares underlying subscription rights to shares	Common stock
Number of shares	86,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the “Subscription Rights to Share Allocation Agreement” based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

25. Stock options based on a resolution at a Board of Directors meeting held on June 21, 2017

A meeting of the Board of Directors held on June 21, 2017 adopted a resolution on the determination of subscription requirements for subscription rights to shares to be issued as stock compensation-type stock options to the Company’s directors and statutory auditors under Articles 238 and 240 of the Companies Act.

Date of relevant resolution	June 21, 2017
Positions and numbers of officers to receive stock options	The Company’s directors 9 Statutory auditors 5
Type of shares underlying subscription rights to shares	Common stock
Number of shares	107,000 shares maximum
Amount to be paid for the exercise of subscription rights to shares	One yen per share
Exercise period	Within 20 years of the day following the date when the subscription rights to shares are granted
Conditions for the exercise of subscription rights to shares	Stipulated in a resolution of the Board of Directors of the Company and the “Subscription Rights to Share Allocation Agreement” based on the resolution concluded between the Company and the recipients of subscription rights to shares
Matters relating to the transfer of subscription rights to shares	The approval of the Board of Directors is required for the transfer of subscription rights to shares.
Matters relating to subrogation payments	--
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	--

2. Acquisition of Treasury stock

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

(1) Acquisition based on resolutions at the shareholders meeting

Not applicable.

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

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on November 12, 2015 (Acquisition period: from November 12, 2015 to May 11, 2016)	1,500,000	1,000,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	1,200,000	485,139,000
Number and total value of remaining Treasury stock	300,000	514,861,000
Ratio of Treasury stock that had not been acquired until the end of the fiscal year under review (%)	20.0	51.5
Treasury stock acquired in the current fiscal year	--	--
Ratio of Treasury stock that has not been acquired until the date of the submission of the report (%)	20.0	51.5

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on April 15, 2016 (Acquisition period: from April 15, 2015 to October 14, 2016)	1,500,000	700,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	1,500,000	670,105,000
Number and total value of remaining Treasury stock	--	29,895,000
Ratio of Treasury stock that had not been acquired until the end of the fiscal year under review (%)	--	4.3
Treasury stock acquired in the current fiscal year	--	--
Ratio of Treasury stock that has not been acquired until the date of the submission of the report (%)	--	4.3

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on June 22, 2016 (Acquisition period: from June 22, 2016 to September 9, 2016)	2,000,000	900,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	1,869,000	796,139,000
Number and total value of remaining Treasury stock	131,000	103,861,000
Ratio of Treasury stock that had not been acquired until the end of the fiscal year under review (%)	6.6	11.5
Treasury stock acquired in the current fiscal year	--	--
Ratio of Treasury stock that has not been acquired until the date of the submission of the report (%)	6.6	11.5

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on August 10, 2016 (Acquisition period: from August 10, 2016 to December 9, 2016)	2,000,000	1,000,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	704,000	406,303,000
Number and total value of remaining Treasury stock	1,296,000	593,697,000
Ratio of Treasury stock that had not been acquired until the end of the fiscal year under review (%)	64.8	59.4
Treasury stock acquired in the current fiscal year	--	--
Ratio of Treasury stock that has not been acquired until the date of the submission of the report (%)	64.8	59.4

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on December 12, 2016 (Acquisition period: from December 12, 2016 to June 20, 2017)	2,000,000	1,300,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	1,735,000	1,196,862,000
Number and total value of remaining Treasury stock	265,000	103,138,000
Ratio of Treasury stock that had not been acquired until the end of the fiscal year under review (%)	13.3	7.9
Treasury stock acquired in the current fiscal year	--	--
Ratio of Treasury stock that has not been acquired until the date of the submission of the report (%)	13.3	7.9

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on March 13, 2017 (Acquisition period: from March 14, 2017 to September 14, 2017)	2,000,000	1,450,000,000
Treasury stock acquired before the fiscal year under review	--	--
Treasury stock acquired in the fiscal year under review	241,000	176,585,000
Number and total value of remaining Treasury stock	1,759,000	1,273,415,000
Ratio of Treasury stock that had not been acquired until the end of the fiscal year under review (%)	88.0	87.8
Treasury stock acquired in the current fiscal year	1,225,000	1,011,363,000
Ratio of Treasury stock that has not been acquired until the date of the submission of the report (%)	26.7	18.1

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

Classification	Number of shares	Total value (yen)
Treasury stock acquired in the fiscal year under review	5,524	3,078,429
Treasury stock acquired in the current fiscal year	521	417,429

(Note) The Treasury stock acquired in the current fiscal year does not include fractional shares repurchased from June 1, 2017 to the date of the submission of the report.

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

Classification	Fiscal year under review		Current fiscal year	
	Number of shares	Total value disposed of (yen)	Number of shares	Total value disposed of (yen)
Acquired Treasury stock offered to prospective underwriters	--	--	--	--
Acquired Treasury stock cancelled	10,000,000	5,380,000,000	--	--
Acquired Treasury stock transferred in relation to mergers, stock swaps, and company splits	--	--	--	--
Other (Note 1,2)	348,000	204,470,000	95,000	57,475,000
Treasury stock held(Note 3)	4,930,207	--	6,060,728	--

- (Note) 1. Exercise of subscription rights to shares (348,000 shares, disposal of ¥204,470,000) in the fiscal year under review.
 Exercise of subscription rights to shares (95,000 shares, disposal of ¥57,475,000) in the current fiscal year.
 2. The Treasury stock disposed of in the current fiscal year does not include fractional shares transferred from June 1, 2017 to the date of the submission of the report.
 3. The Treasury stock held in the current fiscal year does not include fractional shares repurchased or transferred from June 1, 2017 to the date of the submission of the report.

3. Dividend Policy

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

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

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

For the year ended March 31, 2017, the Company has decided to pay annual dividends of 16 yen per share including interim dividends of 8 yen per share and a year-end dividends of 8 yen per share.

Dividends are determined by the Board of Directors.

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

For the fiscal year ending March 31, 2018 the Company plans to pay annual dividends of 16 yen per share, including interim dividends of 8 yen per share and year-end dividends of 8 yen per share.

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

The table below shows dividends for the fiscal year ended of March 31, 2017

Resolution	Total amount of dividend (Million yen)	Dividend per share (yen)
Resolution of Board of Directors on November 11, 2016	499	8.00
Resolution of Board of Directors on May 12, 2017	479	8.00

4. Trends in Stock Prices

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

Fiscal term	110 th term	111 th term	112 th term	113 th term	114 th term
Closing month and year	March 2013	March 2014	March 2015	March 2016	March 2017
Highest (yen)	983	677	814	788	783
Lowest (yen)	457	426	505	355	385

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

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

Month	October 2016	November	December	January 2017	February	March
Highest (yen)	586	637	726	726	714	783
Lowest (yen)	519	514	630	657	679	690

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

5. Officers

Male: 14 Female: -- (The ratio of female among the officers: -- %)

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Representative Director	Chairman and CEO	Takao Nishijima	December 14, 1947	May 1970 Joined the Fuji Bank, Limited. (now Mizuho Bank, Ltd.) Feb. 1999 Deputy General Manager of the Sales Division of Tokyo Seimitsu Co., Ltd. May 1999 General Manager of the Sales Development Division of the Company and Managing Director of Tsugami Kohan Co., Ltd. Jun. 2000 Director and General Manager of the Sales Development Division, Control Headquarters Apr. 2003 Representative Director, Chairman and CEO Apr. 2006 Representative Director, Chairman and CEO Apr. 2012 Representative Director, Chairman and CEO (current positions)	(Note 3)	10
Representative Director	COO, Technology	Toshiharu Nijima	November 14, 1954	Nov.1979 Joined the Company Oct. 2003 Leader of the Automatic Lathe Group, Technology Headquarters Apr. 2005 Executive Officer and Deputy General Manager of the Technology Headquarters Jul. 2005 Executive Officer and Acting General Manager of the Technology Headquarters Apr. 2006 Managing Executive Officer and General Manager of the Technology Headquarters Apr. 2008 Managing Executive Officer, General Manager of the Technology Headquarters and Deputy General Manager of the Production Headquarters Jun. 2008 Managing Executive Officer, General Manager of the Technology Headquarters, Deputy General Manager of the Production Headquarters and General Manager of the Nagaoka Factory Apr. 2009 Senior Executive Officer and General Manager of the Nagaoka Factory Jun. 2009 Representative Director, Senior Executive Officer and General Manager of the Nagaoka Factory Apr. 2012 Representative Director, COO, Plant Manager Dec. 2014 Representative Director, COO, Technology (current positions)	(Note 3)	14
Representative Director	CFO	Toshio Honma	August 2, 1952	Apr. 1975 Joined the Hokuetsu Bank, Ltd. Apr. 2002 Manager of the Nagaoka Shinsan Branch of the Hokuetsu Bank, Ltd. Apr. 2004 Manager of the Shinmachi Branch of Hokuetsu Bank, Ltd. Apr. 2006 Manager of the Naoetsu Branch of Hokuetsu Bank, Ltd. Apr. 2008 Managing Executive Officer and General Manager of the Administration Division of the Company Jun. 2009 Director, Managing Executive Officer and General Manager of the Administration Division of the Company May 2011 Director and Senior Advisor of the Company Jun. 2011 Standing Statutory Auditor Jun. 2013 Representative Director, COO, Administration (current positions) Apr. 2017 Representative Director, CFO (current positions)	(Note 3)	10

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Director	Senior Advisor, President of TSUGAMI KOREA Co., Ltd.,	Byun Jae- Hyun	July10, 1956	<p>Oct. 1982 General Manager of the Import Business Division of Samsung C&T Corporation</p> <p>Jul. 2000 CEO of DI Corporation</p> <p>Jan. 2007 Vice President of Exicon Co., Ltd.</p> <p>Jan. 2010 President of TSUGAMI KOREA Co., Ltd.</p> <p>Apr. 2012 Senior Executive Officer, Overseas division, President of TSUGAMI KOREA Co., Ltd.</p> <p>Jun. 2012 Director, Senior Executive Officer, Overseas division, President of TSUGAMI KOREA Co., Ltd.</p> <p>Jun. 2013 Director, Senior Advisor, President of TSUGAMI KOREA Co., Ltd., President of TSUGAMI Universal Pte. Ltd.</p> <p>Sep. 2014 Director, Senior Advisor, President of TSUGAMI KOREA Co., Ltd. (current positions)</p>	(Note 3)	--
Director	Head of Product Division, Nagaoka Plant Manager	Nobuyuki Nagai	November 18, 1956	<p>Apr. 1979 Joined the Company</p> <p>Jun. 2000 General manager of the Sales and Planning Division</p> <p>Apr. 2004 Executive Officer and Head of Overseas sales</p> <p>Apr. 2013 Senior Executive Officer, General Manager of the Purchasing Division</p> <p>Feb. 2015 Senior Executive Officer, General Manager of the Product Control Division</p> <p>Oct. 2016 Executive Advisor, General Manager of the Administration Division</p> <p>Apr. 2017 Executive Advisor, Plant Manager and General Manager of the Administration Division</p> <p>Jun. 2017 Director, Head of Product Division, Nagaoka Plant Manager (current positions)</p>	(Note 3)	53
Director	Vice president of PRECISION TSUGAMI (CHINA) CORPORATION	Wang Xiaokun	November 7, 1971	<p>Jan. 2006 Joined Shokuken Co., Ltd.,</p> <p>Nov. 2007 Dupy Manager of Rongcheng Bodelong Foodstuff Co., Ltd.,</p> <p>Mar. 2011 Vice President of the Sales Division of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>Jan. 2013 General Manager of the Sales Division of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>Aug. 2013 Vice President of PRECISION TSUGAMI (CHINA) CORPORATION and General Manager of Sales Division I</p> <p>Dec. 2015 Vice President and Head of Sales of PRECISION TSUGAMI (CHINA) CORPORATION</p> <p>Nov. 2016 Director, Vice president and Executive General Manager of Sales Department of PRECISION TSUGAMI (CHINA) CORPORATION (current positions)</p> <p>Jun. 2017 Director and Vice president of PRECISION TSUGAMI (CHINA) CORPORATION (current positions)</p>	(Note 3)	--

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Director		Takeo Nakagawa	October 12, 1938	May 1999 Professor Emeritus at the University of Tokyo (current post) Oct. 2000 CEO of Fine Tech Corporation (current positions) Jun. 2007 Auditor at FANUC CORPORATION (current position) Jun. 2008 Director of the Company (current position) Feb. 2014 Director of OSG CORPORATION (current position) Apr. 2015 CEO of Fine Tech Corporation (current position) Aug. 2016 Director of Sharp Corporation (current position)	(Note 3)	20
Director		Shigeru Nishiyama	March 4, 1948	Jun. 1971 Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation) Jun. 2006 Deputy President and Representative Director of Sumitomo Mitsui Financial Group, Inc. Dec. 2008 Representative Director, President of HORAI Co., Ltd. Jun. 2010 Representative Director, CEO of HORAI Co., Ltd. Jun. 2013 Director of the Company (current position) Jun. 2013 Auditor at Mitsui Sugar Co., Ltd. (current position)	(Note 3)	--
Director		Kunio Shimada	August 16, 1959	Apr. 1986 Registered as an attorney(current position) Attorney with Iwata Godo Attorneys and Counsellors at Law Oct. 1991 Registered as an attorney in New York State Jun. 2000 Managing Director of Mizuho Servicing Co., Ltd. (current position) Jul. 2010 Representative partner at Shimada Hamba & Osajima (current position) Jun. 2011 Director of the Company (current position) Nov. 2011 Supervisory Officer of Hulic Reit, Inc. (current position)	(Note 3)	--

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Standing Statutory Auditor		Keiji Hayazaki	April 25, 1954	Apr. 1979 Joined Mitsui Bank (now Sumitomo Mitsui Banking Corporation) Jan. 2005 General Manager of Administration Division of the Company Jul. 2005 Executive Officer, Senior Manager of Administration Division, Finance Apr. 2012 Senior Executive Officer and Senior Manager, Administration Division, Finance, General affairs Jun. 2014 Standing Statutory Auditor of the Company (current position)	(Note 4)	--
Standing Statutory Auditor		Kenji Yoneyama	March 7, 1965	Apr. 1988 Joined The Hokuetsu Bank, Ltd. Apr. 2011 Manager of the Ishiyama Branch of The Hokuetsu Bank, Ltd. Apr. 2013 Manager of the Kanda Branch of The Hokuetsu Bank, Ltd. Apr. 2015 Advisor of Accounting of the Company Oct. 2015 General Manager of Finance and Administration Apr. 2016 General Manager of Accounting Apr. 2017 Senior Advisor of Accounting Jun. 2017 Standing Statutory Auditor of the Company (current position)	(Note 6)	--
Statutory Auditor		Morikuni Uchigasaki	August 6, 1950	Jul. 2005 Joined Mori Seiki Co., Ltd. (now DMG MORI SEIKI CO., LTD.) Jun. 2006 Director Accounting / Finance HQ Executive Officer of MORI SEIKI CO., LTD. Jun. 2008 Managing director of MORI SEIKI CO., LTD. Jun. 2009 Operating Director of MORI SEIKI CO., LTD. Jun. 2011 Standing Auditor of DMG MORI SEIKI CO., LTD Jun. 2014 Advisor of DMG MORI SEIKI CO., LTD (current position) Auditor at TAIYO KOKI CO., LTD. (current position) Statutory Auditor of the Company (current position)	(Note 4)	--
Statutory Auditor		Hitoshi Yoshida	November 26, 1959	Apr. 1983 Joined TOKYO SEIMITSU CO., LTD. Apr. 2002 Executive Officer of the Metrology Company and Leader of Multi-purpose measuring Group of TOKYO SEIMITSU CO., LTD. Apr. 2005 Managing Executive Officer of the Metrology Company of TOKYO SEIMITSU CO., LTD. Jun. 2005 Director of TOKYO SEIMITSU CO., LTD. Oct. 2007 President of the Metrology Company of TOKYO SEIMITSU CO., LTD. Jun. 2011 Representative Director of TOKYO SEIMITSU CO., LTD. Apr. 2015 President and CEO of TOKYO SEIMITSU CO., LTD. (current position) Jun. 2015 Statutory Auditor of the Company (current position)	(Note 5)	--

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Statutory Auditor		Hideo Teramoto	May 20, 1960	Apr. 1983 Joined the Daiichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Company, Limited) Apr. 2010 Executive Officer, General Manager, Corporate Planning Department of The Dai-ichi Life Insurance Company, Limited Apr. 2011 Managing Executive Officer, General Manager, Corporate Planning Department of The Dai-ichi Life Insurance Company, Limited Jun. 2012 Director, Managing Executive Officer, General Manager, Corporate Planning Department of The Dai-ichi Life Insurance Company, Limited Apr. 2013 Director, Managing Executive Officer, Deputy Chief General Manager for Group Management Headquarters The Dai-ichi Life Insurance Company, Limited Jun. 2014 Statutory Auditor of the Company (current position) Apr. 2015 Director, Senior Managing Executive Officer, Chief General Manager for Marketing Promotion of The Dai-ichi Life Insurance Company, Limited (current position) Apr. 2017 Director, Dai-ichi Life Holdings, Inc. (current position) Representative Director, Vice Chairman, The Dai-ichi Life Insurance Company, Limited (current position)	(Note 4)	--
Total						107

- (Note) 1. Directors Takeo Nakagawa, Shigeru Nishiyama and Kunio Shimada are outside directors.
 2. Statutory Auditors Morikuni Uchigasaki, Hideo Teramoto and Hitoshi Yoshida are outside statutory auditors.
 3. One year from the closing of the annual shareholders meeting held on June 21, 2017
 4. Four years from the closing of the annual shareholders meeting held on June 20, 2014
 5. Four years from the closing of the annual shareholders meeting held on June 18, 2015
 6. Four years from the closing of the annual shareholders meeting held on June 21, 2017

6. Corporate Governance

(1) Corporate governance

(Basic policy on corporate governance)

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

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

(i) Corporate governance system

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

The Company operates based on a statutory auditor system involving the Board of Directors and the Board of Statutory Auditors. The Company had eight directors (including three outside directors) and five statutory auditors (including three outside statutory auditors) as of June 23, 2016.

The Company positions the Board of Directors and Board of Statutory Auditors as key organs for corporate governance and makes decisions through comprehensive discussions and studies of management challenges and significant matters to address. To enhance corporate governance, the Company has placed the Audit Office (two officers) under the direct control of the CEO and has established a Risk Management Committee and an Information Security Committee.

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

II) Development of internal control system

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

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

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

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

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

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

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

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

iii. Rules and systems concerning risk management

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

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

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

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

facts are found

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

III) Accounting audit

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

The certified public accountants who carried out accountancy service for the Company are Messrs. Kazunari Tsukada and Eishi Daikoku, who all work for Ernst & Young ShinNihon LLC. Seven certified public accountants and 13 other members assisted with the accountancy service.

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

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

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

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

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

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

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

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

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

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

(ii) Compensation paid to Directors and Statutory Auditors

Post	Total compensation (Million yen)	Breakdown of compensation (Million yen)				Number of officers
		Basic compensation	Stock option	Bonus	Compensation benefit	
Director (excluding Outside Director)	146	110	35	--	--	5
Statutory Auditor (excluding Outside Auditor)	29	22	7	--	--	2
Outside officer	56	46	9	--	--	6

(Note) 1. The above figures include one director who retired on February 13, 2017.

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

(iii) Share holding

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

21 stocks ¥7,157 million

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

At end of the previous fiscal year

Specific stocks held

Stock	Number of shares	Balance sheet amount (Million yen)	Purpose
Tokyo Seimitsu Co., Ltd.	1,033,000	2,279	To strengthen the business relationship
FANUC CORPORATION	50,000	874	To strengthen the business relationship
YAMAZEN CORPORATION	500,000	427	To strengthen the business relationship
DAIKIN INDUSTRIES, LTD	46,700	392	To strengthen the business relationship
YUASA TRADING CO., LTD.	100,000	264	To strengthen the business relationship
THK CO., LTD.	59,000	122	To strengthen the business relationship
DMG MORI SEIKI CO., LTD.	100,000	103	To strengthen the business relationship
The Hokuetsu Bank, Ltd.	522,551	95	To strengthen the business relationship
The Hachijuni Bank, Ltd.	196,000	95	To strengthen the business relationship
The Daishi Bank, Ltd.	241,000	93	To strengthen the business relationship
Minebea Co., Ltd	100,000	87	To strengthen the business relationship
Mitsubishi UFJ Financial Group, Inc.	134,800	70	To strengthen the business relationship
The Dai-ichi Life Insurance Company, Limited	38,700	52	To strengthen the business relationship
Teikoku Tsushin Kogyo Co., Ltd.	80,000	13	To strengthen the business relationship
TOMITA CO., LTD.	8,938	6	To strengthen the business relationship

At end of the fiscal year under preview

Specific stocks held

Stock	Number of shares	Balance sheet amount (Million yen)	Purpose
Tokyo Seimitsu Co., Ltd.	1,033,000	3,620	To strengthen the business relationship
FANUC CORPORATION	50,000	1,141	To strengthen the business relationship
DAIKIN INDUSTRIES, LTD	46,700	522	To strengthen the business relationship
YAMAZEN CORPORATION	500,000	501	To strengthen the business relationship
YUASA TRADING CO., LTD.	100,000	308	To strengthen the business relationship
DMG MORI SEIKI CO., LTD.	100,000	173	To strengthen the business relationship
THK CO., LTD.	59,000	165	To strengthen the business relationship
The Hokuetsu Bank, Ltd.	52,782	151	To strengthen the business relationship
MinebeaMitsumi Inc.	100,000	148	To strengthen the business relationship
The Hachijuni Bank, Ltd.	196,000	123	To strengthen the business relationship
The Daishi Bank, Ltd.	241,000	106	To strengthen the business relationship
Mitsubishi UFJ Financial Group, Inc.	134,800	94	To strengthen the business relationship
Dai-ichi Life Holdings, Inc.	38,700	77	To strengthen the business relationship
Teikoku Tsushin Kogyo Co., Ltd.	80,000	15	To strengthen the business relationship
TOMITA CO., LTD.	10,194	7	To strengthen the business relationship

(Note) The Dai-ichi Life Insurance Company, Limited shifted to a holding company through a corporate split and changed its trade name to Dai-ichi Life Holdings, Inc. on October 1, 2016.

(iv) Outline of contracts for limitation of liability

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

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

(v) Decision-making body of dividends etc.

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

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

(vi) Number of directors

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

(vii) Requirements for a resolution to elect directors

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

(viii) Requirements for a special resolution in shareholders meeting

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

(2) Audit fees

(i) Breakdown of compensation to auditing certified public accountants

Classification	Previous fiscal year		Fiscal year under review	
	Compensation for audit certification work (Million yen)	Compensation for non-audit work (Million yen)	Compensation for audit certification work (Million yen)	Compensation for non-audit work (Million yen)
Submitting company	33	3	33	30
Consolidated subsidiaries	--	--	--	--
Total	33	3	33	30

(ii) Other important compensation

Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)

PRECISION TSUGAMI (CHINA) CORPORATION, a consolidated subsidiary, signed agreements for audit certification work and outsourcing of accounting audit and internal governance support in relation to listing on stock markets in Asia with Ernst & Young Hua Ming Certified Public Accountants, which belongs to the same network as the accounting auditor for the Company. Fees payable in relation to the two agreements is ¥19 million.

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

PRECISION TSUGAMI (CHINA) CORPORATION, a consolidated subsidiary, signed agreements for audit certification work and outsourcing of accounting audit and internal governance support in relation to listing on stock markets in Asia with Ernst & Young Hua Ming Certified Public Accountants, which belongs to the same network as the accounting auditor for the Company. Fees payable in relation to the two agreements is ¥16 million.

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

Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)

The Company paid fees to the accounting auditor for its work to support the IPO of its subsidiary PRECISION TSUGAMI (CHINA) CORPORATION, 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 Companies Act and disclosure documents.

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

The Company paid compensation to accounting auditors for assurance engagements for PRECISION TSUGAMI (CHINA) CORPORATION, one of the Company's subsidiaries, in accordance with the International Standard on Assurance Engagement (ISAE3000).

(iv) Policy for determining audit fees

Not applicable.

Section 5. Financial Status

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

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

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

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

2. Audit certification

Under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year under review (from April 1, 2016 to March 31, 2017) and the financial statements for the 114th fiscal year (from April 1, 2016 to March 31, 2017) were audited by Ernst & Young ShinNihon LLC.

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

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

1. Consolidated Financial Statements, etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2016)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	4,744	4,666
Trade notes and accounts receivable	5,862	9,846
Merchandise and finished goods	8,035	7,108
Work in process	3,800	3,756
Raw materials and supplies	6,463	5,249
Consumption taxes receivable	781	718
Deferred tax assets	489	488
Other	509	676
Allowance for doubtful accounts	-47	-41
Total current assets	30,639	32,468
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,759	8,651
Accumulated depreciation	-5,134	-4,014
Buildings and structures (net)	5,625	4,636
Machinery, equipment and vehicles	9,790	8,297
Accumulated depreciation	-6,243	-5,423
Machinery, equipment and vehicles (net)	3,547	2,874
Land	473	450
Leased assets	38	38
Accumulated depreciation	-18	-20
Leased assets (net)	19	17
Construction in progress	0	0
Other	1,145	987
Accumulated depreciation	-905	-770
Other (net)	240	217
Total property, plant and equipment	9,906	8,196
Intangible assets	698	649
Investments and other assets		
Investment securities	4,980	7,157
Shares of subsidiaries and associates	11	11
Investments in capital of subsidiaries and associates	893	915
Long-term loans receivable	583	593
Deferred tax assets	2	2
Other	*2 143	*2 131
Total investments and other assets	6,614	8,813
Total non-current assets	17,219	17,659
Total assets	47,859	50,127

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2016)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2017)
Liabilities		
Current liabilities		
Trade notes and accounts payable	5,857	9,606
Short-term loans payable	6,127	4,183
Income taxes payable	267	525
Provision for bonuses	205	232
Advances received	542	905
Provision for product warranties	324	322
Other	659	986
Total current liabilities	13,983	16,762
Non-current liabilities		
Deferred tax liabilities	511	1,125
Provision for directors' retirement benefits	16	22
Net defined benefit liability	703	718
Other	50	36
Total non-current liabilities	1,281	1,902
Total liabilities	15,265	18,665
Net assets		
Shareholders' equity		
Capital stock	12,345	12,345
Capital surplus	5,884	478
Retained earnings	15,653	17,250
Treasury stock	-4,837	-2,986
Total shareholders' equity	29,045	27,087
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,779	3,308
Foreign currency translation adjustment	991	329
Remeasurements of defined benefit plans	-123	-104
Total accumulated other comprehensive income	2,647	3,533
Subscription rights to shares	900	842
Total net assets	32,594	31,462
Total liabilities and net assets	47,859	50,127

(ii) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Net sales	40,132	41,050
Cost of sales	*1 31,164	*1 31,418
Gross profit	8,968	9,631
Selling, general and administrative expenses		
Salaries and allowances	1,630	1,601
Provision for bonuses	74	79
Retirement benefit expenses	49	52
Provision for directors' retirement benefits	4	5
Research and development expenses	*2 1,187	*2 1,320
Insurance expenses	178	164
Provision of allowance for doubtful accounts	5	--
Provision for product warranties	431	472
Other	3,281	2,853
Total selling, general and administrative expenses	6,843	6,547
Operating income	2,125	3,083
Non-operating income		
Interest income	21	23
Dividend income	148	141
Rent income	51	39
Reversal of allowance for doubtful accounts	--	5
Insurance income	43	59
Share of profit of entities accounted for using equity method	--	11
Other	56	44
Total non-operating income	322	325
Non-operating expenses		
Interest expenses	262	185
Loss on sales of notes payable	148	90
Foreign exchange losses	709	25
Payment fee	82	156
Share of loss of entities accounted for using equity method	37	--
Other	113	102
Total non-operating expenses	1,352	560
Ordinary income	1,095	2,848
Extraordinary income		
Gain on sales of non-current assets	*3 4	*3 871
Gain on sales of investments securities	2	--
Gain on reversal of subscription rights to shares	49	35
Subsidy income	187	47
Total extraordinary income	243	954
Extraordinary losses		
Loss on retirement of non-current assets	*4 0	*4 91
Loss on sales of non-current assets	*5 14	*5 7
Impairment loss	*6 111	*6 26
Loss on valuation of investments in capital of subsidiaries and associates	21	--
Loss on valuation of golf club membership	--	9
Total extraordinary losses	148	135
Income before taxes and other adjustments	1,190	3,666
Corporate, inhabitant and enterprise taxes	418	1,076
Deferred taxes	-105	-40
Total corporate and other taxes	313	1,035
Net income	877	2,630
Net income attributable to non-controlling interests	--	--
Net income attributable to owners of parent	877	2,630

Consolidated Statements of Comprehensive Income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Net income	877	2,630
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,018	1,528
Foreign currency translation adjustment	-1,033	-673
Remeasurements of defined benefit plans, net of tax	-156	19
Share of other comprehensive income of entities accounted for using equity method	-98	11
Total other comprehensive income	-2,305	885
Comprehensive income	* -1,428	* 3,516
(Breakdown)		
Comprehensive income attributable to owners of parent	-1,428	3,516
Comprehensive income attributable to non-controlling interests	--	--

(iii) Consolidated statements of changes in net assets

Previous consolidated fiscal year (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

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	12,345	5,884	15,653	-4,837	29,045
Change during the fiscal year					
Cash dividends paid			-1,034		-1,034
Net income attributable to owners of parent			2,630		2,630
Purchase of treasury stock				-3,734	-3,734
Disposal of treasury stock		-25		204	179
Retirement of treasury stock		-5,380		5,380	--
Changes in items other than shareholders' equity during the fiscal year (net)					
Total change during the fiscal year	--	-5,405	1,596	1,850	-1,958
Balance as of March 31, 2017	12,345	478	17,250	-2,986	27,087

	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, 2016	1,779	991	-123	2,647	900	32,594
Change during the fiscal year						
Cash dividends paid						-1,034
Net income attributable to owners of parent						2,630
Purchase of treasury stock						-3,734
Disposal of treasury stock						179
Retirement of treasury stock						--
Changes in items other than shareholders' equity during the fiscal year (net)	1,528	-662	19	885	-58	826
Total change during the fiscal year	1,528	-662	19	885	-58	-1,131
Balance as of March 31, 2017	3,308	329	-104	3,533	842	31,462

(iv) Consolidated statements of cash flows

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Net income before taxes and other adjustments	1,190	3,666
Depreciation and amortization	1,092	989
Loss on valuation of investments in capital of subsidiaries and associates	21	--
Gain on reversal of subscription rights to shares	-49	-35
Share-based compensation expenses	177	98
Impairment loss	111	26
Subsidy income	-187	-47
Increase (decrease) in allowance for doubtful accounts	5	-5
Increase (decrease) in provision for bonuses	-22	27
Increase (decrease) in provision for product warranties	-97	7
Increase (decrease) in net defined benefit liability	-67	15
Interest and dividend income	-170	-165
Interest expenses	262	185
Share of (profit) loss of entities accounted for using equity method	37	-11
Loss (gain) on sales of investment securities	-2	--
Loss on retirement of non-current assets	0	91
Loss (gain) on sales of non-current assets	10	-864
Foreign exchange losses (gains)	229	64
Decrease (increase) in trade notes and accounts receivable	940	-4,086
Decrease (increase) in inventories	2,890	1,574
Decrease (increase) in advance payments	57	-138
Increase (decrease) in trade notes and accounts payable	-1,765	3,871
Increase (decrease) in advances received	253	382
Decrease (increase) in consumption taxes refund receivable	236	64
Other	-47	722
Sub total	5,106	6,434
Interest and dividend income received	146	142
Interest expenses paid	-226	-209
Proceeds from subsidy	187	47
Corporate and other taxes paid	-987	-864
Cash flows from operating activities	4,226	5,550
Cash flows from investing activities		
Payments into time deposits	-375	-155
Proceeds from withdrawal of time deposits	425	205
Payments into deposit	--	-270
Purchase of property, plant and equipment	-449	-162
Proceeds from sales of property, plant and equipment	117	1,343
Payments for retirement of property, plant and equipment	--	-8
Purchase of intangible assets	-47	-28
Expenditure for acquisition of investment securities	-301	-2
Proceeds from sales of investment securities	2	--
Payments of long-term loans receivable	-333	--
Other	2	-1
Cash flows from investing activities	-959	920
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-212	-1,629
Proceeds from sales of treasury shares	35	58
Purchase of treasury shares	-2,241	-3,739
Cash dividends paid	-1,092	-1,034
Repayments of lease obligations	-9	-8
Cash flows from financing activities	-3,520	-6,353
Effect of exchange rate change on cash and cash equivalents	-110	-145
Net increase (decrease) in cash and cash equivalents	-362	-27
Cash and cash equivalents at the beginning of the term	4,952	4,589
Cash and cash equivalents at the end of the term	* 4,589	* 4,561

Notes

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 7

Names of consolidated subsidiaries

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

(2) Names of non-consolidated subsidiaries:

Non-consolidated subsidiaries:

TSUGAMI (THAI) CO., LTD.
TSUGAMI 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

(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) 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)

The Company and its domestic consolidated subsidiaries adopt the declining-balance method.

However, buildings acquired on or after April 1, 1998, excluding fittings, equipment, and structures, and fittings, equipment, and structures acquired on or after April 1, 2016, are depreciated on a straight-line basis.

The Company's foreign consolidated subsidiaries use the straight-line method.

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 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 certain its consolidated 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 and certain its consolidated subsidiaries accrue repair expenses using an amount projected based on the past ratio of repairs.

(4) 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.

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

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

(6) 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.

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

Accounting method for consumption taxes

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

(Changes in accounting policies)

(Application of practical solution on change in depreciation method due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32 of June 17, 2016) was applied to the consolidated fiscal year under review. The depreciation method for fittings, equipment, and structures acquired on and after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on profit or loss for the consolidated fiscal year under review is insignificant.

(Changes in Method of Presentation)

(Consolidated Statements of Income)

"Payment fee" 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 ¥195 million in the non-operating income in the consolidated statements of income for the previous consolidated fiscal year was divided into "Payment fee" of ¥82 million and "Other" of ¥113 million.

(Consolidated Statements of Cash Flows)

In the previous fiscal year, "increase in short-term loans payable" and "repayment of short-term loans payable" that were included in "cash flows from financing activities" were shown on a gross basis. However, in consideration of the short periods and turnover of these items, the Company determined to post them as "net increase (decrease) in short-term loans payable" on a net basis starting from the current fiscal year under review. Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

As a result, ¥2,961 million showed in "increase in short-term loans payable" and -¥3,174 million in "repayment of short-term loans payable" that were included in cash flows from financing activities in the consolidated cash flow statement for the previous fiscal year have been reclassified into -¥212 million in "net increase (decrease) in short-term loans payable".

(Additional information)

(Application of the Implementation Guidance on the Recoverability of Deferred Tax Assets)

Implementation Guidance on the Recoverability of Deferred Tax Assets (ASBJ No. 26 of March 28, 2016) was applied to the consolidated fiscal year under review.

(Consolidated Balance Sheet)

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

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Amount of discount for bills receivable	1,395	1,141
Amount of discount for export bills receivable	2,128	2,333

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

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Investments and other assets	2	2

3. Contingent liability

With regard to the transfer of Shinshu Factory, which the Company implemented in the consolidated fiscal year under review, expenses for soil contamination investigation and others associated with its disposition are currently under examination and difficult to estimate rationally as of this time. Therefore, the Company has not recorded the expenses in the consolidated fiscal year under review.

(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, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Cost of sales	366	192

*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, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
	1,187	1,320

*3. Breakdown of gain on sales of non-current assets (Million yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Machinery and equipment	3	21
Land	0	913
Buildings and structures	--	-63
Others	0	--
Total	4	871

When one unit of non-current assets comprising buildings, structures and land were sold, a loss on sales was recorded for the portion of buildings and structures, while gain on sales was recorded for the portion of land. By calculating the difference between gain and loss on sale, gain on sale of non-current assets was recorded.

*4. Breakdown of loss on retirement of non-current assets (Million yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Buildings	--	77
Machinery and equipment	--	13
Others	0	1
Total	0	91

*5. Breakdown of the loss on sales of non-current assets (Million yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Machinery and equipment	14	7
Others	0	--
Total	14	7

*6. Impairment loss

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

Previous consolidated fiscal year (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 in extraordinary expenses. This consists of ¥82 million for buildings and ¥29 million of land. 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 fiscal year under review (from April 1, 2016 to March 31, 2017)

Location	Use	Type
Niigata-shi, Niigata	Idle asset	Buildings

Business assets of the Group are grouped based on business proximity, and idle assets are grouped by asset.

The Company determined to suspend the use of the above assets and changed their purpose of use from business assets to idle assets. Accordingly, it has reduced the book value of said assets to net realizable values and recorded ¥26 million as an extraordinary loss for impairment loss.

Net realizable values are determined based on net sale values and assessed based on real estate appraisals.

(Consolidated Statements of Comprehensive Income)

* Recycling and tax effect relating to other comprehensive income	(Million yen)	
	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Valuation difference on available-for-sale securities:		
Amount arising during fiscal year under review	-1,468	2,175
Recycling	--	--
Before tax effect adjustment	-1,468	2,175
Tax effect	450	-647
Valuation difference on available-for-sale securities	-1,018	1,528
Foreign currency translation adjustment:		
Amount arising during fiscal year under review	-1,033	-673
Remeasurements of defined benefit plans, net of tax:		
Amount arising during fiscal year under review	-235	-20
Recycling	9	46
Before tax effect adjustment	-225	25
Tax effect	69	-6
Remeasurements of defined benefit plans, net of tax	-156	19
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during fiscal year under review	-98	11
Total other comprehensive income	-2,305	885

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)

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

	Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Outstanding shares				
Common shares	74,919	--	--	74,919
Total	74,919	--	--	74,919
Treasury shares				
Common shares <small>Note 1, 2</small>	5,285	2,972	234	8,023
Total	5,285	2,972	234	8,023

(Notes) 1. The increase in common shares of treasury shares 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 shares of treasury shares 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 shares

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 shares	557	8.00	March 31, 2015	May 29, 2015
Board of directors meeting held on November 12, 2015	Common shares	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 shares	535	Retained earnings	8.00	March 31, 2016	May 30, 2016

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

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

	Number of shares at the beginning of the consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Outstanding shares				
Common shares <small>Note 1</small>	74,919	--	10,000	64,919
Total	74,919	--	10,000	64,919
Treasury shares				
Common shares <small>Note 2,3</small>	8,023	7,254	10,348	4,930
Total	8,023	7,254	10,348	4,930

(Notes) 1. The decrease in common shares of outstanding shares of 10,000 thousand shares was due to the retirement of treasury stock.

2. The increase in common shares of treasury shares of 7,254 thousand shares due to the purchase of 7,249 thousand shares on the Tokyo Stock Exchange, and the purchase of 5 thousand shares of odd-lot shares.

3. The decrease in common shares of treasury shares of 10,348 thousand shares was due to the retirement of treasury stock of 10,000 thousand shares and the exercise of stock options of 348 thousand shares.

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

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	--	--	--	--	--	679
Consolidated subsidiary	Subscription rights to shares as stock options	--	--	--	--	--	163
Total		--	--	--	--	--	842

3. Matters relating to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 12, 2016	Common shares	535	8.00	March 31, 2016	May 30, 2016
Board of directors meeting held on November 11, 2016	Common shares	499	8.00	September 30, 2016	November 30, 2016

(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, 2017	Common shares	479	Retained earnings	8.00	March 31, 2017	May 29, 2017

(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, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Cash and cash accounts	4,744	4,666
Time deposits with maturity of more than 3 months	-155	-105
Cash and cash equivalents	4,589	4,561

(Lease Transactions)

(Lessee)

Finance lease transactions without the transfer of ownership

(i) Leased assets

a. Property, plant and equipment

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

b. Intangible assets

Software

(ii) Depreciation and amortization methods for leased assets

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

(Financial Instruments)

1. Situation of financial instruments

(1) Policy for financial instruments

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

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

Trade notes and accounts receivable that are included in trade receivables are exposed to credit risk in relation to customers and the Company endeavors to reduce such risk pursuant to the credit management regulations. In addition, trade receivables denominated in foreign currencies arising from business operations overseas are exposed to foreign exchange fluctuation risk. Investment securities are mainly shares in companies with which the Company has business relationships and are exposed to changes in market prices and the Company monitors their market values on a quarterly basis.

The due dates of most trade notes and accounts payable, which are operating payables, are within four months.

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

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

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

(3) Supplementary explanation on fair values of financial instruments

The fair values of financial instruments are values based on market values, or if there are no market values, values reasonably calculated. Since variables are included in the calculation of fair values, they may change depending on assumptions.

2. Matters relating to fair values of financial instruments

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

Previous consolidated fiscal year (As of March 31, 2016)

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	4,744	4,744	--
(2) Trade notes and accounts receivable	5,862	5,862	--
(3) Investment securities	4,978	4,978	--
Total assets	15,585	15,585	--
(1) Trade notes and accounts payable	5,857	5,857	--
(2) Short-term loans payable	6,127	6,127	--
(3) Income taxes payable	267	267	--
Total liabilities	12,253	12,253	--

Consolidated fiscal year under review (As of March 31, 2017)

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	4,666	4,666	--
(2) Trade notes and accounts receivable	9,846	9,846	--
(3) Investment securities	7,156	7,156	--
Total assets	21,669	21,669	--
(1) Trade notes and accounts payable	9,606	9,606	--
(2) Short-term loans payable	4,183	4,183	--
(3) Income taxes payable	525	525	--
Total liabilities	14,315	14,315	--

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

Assets

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

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

(3) Investment securities

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

Liabilities

(1) Trade notes and accounts payable and (2) Short-term loans payable (3) Income taxes payable

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

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

Classification	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Unlisted shares (Note)	1	1
Shares in affiliates	11	11

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

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

Previous consolidated fiscal year (As of March 31, 2016)

	Within one year (million yen)	Longer than one year, within five years (million yen)	Longer than five years, within ten years (million yen)	Over ten years (million yen)
Cash and deposits*	4,632	--	--	--
Trade notes and accounts receivable	5,862	--	--	--
Total	10,495	--	--	--

*Cash is excluded.

Consolidated fiscal year under review (As of March 31, 2017)

	Within one year (million yen)	Longer than one year, within five years (million yen)	Longer than five years, within ten years (million yen)	Over ten years (million yen)
Cash and deposits*	4,658	--	--	--
Trade notes and accounts receivable	9,846	--	--	--
Total	14,505	--	--	--

*Cash is excluded.

4. Scheduled repayment of short-term loans payable after the consolidated closing date.

Previous consolidated fiscal year (As of March 31, 2016)

	Within one year (million yen)	Longer than one year, within two years (million yen)	Longer than two years, within three years (million yen)	Longer than three years, within four years (million yen)	Longer than four years, within five years (million yen)	Over five years (million yen)
Short-term loans payable	6,127	--	--	--	--	--
Total	6,127	--	--	--	--	--

Consolidated fiscal year under review (As of March 31, 2017)

	Within one year (million yen)	Longer than one year, within two years (million yen)	Longer than two years, within three years (million yen)	Longer than three years, within four years (million yen)	Longer than four years, within five years (million yen)	Over five years (million yen)
Short-term loans payable	4,183	--	--	--	--	--
Total	4,183	--	--	--	--	--

(Securities)

1. Other securities

Previous consolidated fiscal year (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) 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, 2017)

(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	7,156	2,542	4,614
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	7,156	2,542	4,614
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1)Shares	--	--	--
	(2) Corporate bond	--	--	--
	(3)Others	--	--	--
	Subtotal	--	--	--
Total		7,156	2,542	4,614

(Note) Since unlisted stocks (whose consolidated balance sheet amount is ¥1 million) 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, 2015 to March 31, 2016)

(Million yen)

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

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

Not applicable.

(Derivatives Trading)

Not applicable.

(Pension and Severance Cost)

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

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

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

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

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

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

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

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

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Projected benefit obligations at beginning of year	2,072	2,247
Service cost	136	140
Interest cost	30	5
Actuarial loss (gain)	177	41
Benefits paid	-169	-133
Projected benefit obligations at end of year	2,247	2,300

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

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Pension assets at beginning of year	1,536	1,543
Expected return on pension assets	27	30
Actuarial gain (loss)	-58	20
Employer contributions	134	56
Benefits paid	-97	-68
Pension assets at end of year	1,543	1,581

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

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Projected benefit obligations (funded plans)	1,414	1,457
Pension assets	-1,543	-1,581
	-129	-123
Projected benefit obligations (unfunded plans)	832	842
Net liability and asset recognized in the consolidated balance sheet	703	718
Net defined benefit liability	703	718
Net liability and asset recognized in the consolidated balance sheet	703	718

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

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Service cost	136	140
Interest cost	30	5
Expected return on pension assets	-27	-30
Recognized actuarial gain or loss	9	46
Retirement benefit expenses for defined benefit plans	149	162

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

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

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

(Million yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Actuarial gains and losses	225	-25
Total	225	-25

(6) Remeasurements of defined benefit plans

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

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Unrecognized actuarial gains and losses	-176	-150
Total	-176	-150

(7) Matters relating to pension assets

(i) Significant components of pension assets

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

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Bonds	16.5%	17.0%
Stock	30.4%	30.6%
General accounts	39.7%	38.4%
Others	13.4%	14.0%
Total	100.0%	100.0%

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

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

(8) Matters relating to assumptions used for actuarial computation

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

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Discount rate	1.5%	0.3%
Expected long-term rate of return	2.0%	2.0%
Expected rate of salary increase	3.4%	3.4%

(Stock Options)

1. Expenses posted in relation to stock options

(Million yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Cost of sales	15	3
Selling, general and administrative expenses	162	95

2. Amounts posted gains due to vested stock options unexercised

(Million yen)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Gain on reversal of subscription rights to shares	49	35

3. Description and change in the scale of stock options

(1) Description of stock options

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

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

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

	2008 Stock compensation-type stock options Plan B	2009 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Titled executive officers 18	The Company's directors 7 Statutory auditors 4
Number of stock options by share type (Note 1)	Common stock 51,000 shares	Common stock 191,000 shares
Grant date	July 7, 2008	July 6, 2009
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 8, 2008 to July 7, 2028	July 7, 2009 to July 6, 2029

	2009 Stock compensation-type stock options Plan B	2010 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Titled executive officers and employees with similar positions 14	The Company's directors 7 Statutory auditors 4
Number of stock options by share type (Note 1)	Common stock 111,000 shares	Common stock 101,000 shares
Grant date	July 6, 2009	July 5, 2010
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 7, 2009 to July 6, 2029	July 6, 2010 to July 5, 2030

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

	2011 Stock compensation-type stock options Plan A	2011 Stock compensation-type stock options Plan B
Company	The Company	The Company
Positions and numbers of officers to receive stock options	The Company's directors 8 Statutory auditors 4	Executive officers and employees with similar positions 14
Number of stock options by share type (Note 1)	Common stock 165,000 shares	Common stock 100,000 shares
Grant date	July 4, 2011	July 4, 2011
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 5, 2011 to July 4, 2031	July 5, 2011 to July 4, 2031

	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Employees of the Company 64 Directors of subsidiaries of the Company 3	The Company's directors 9 Statutory auditors 4
Number of stock options by share type (Note 1)	Common stock 200,000 shares	Common stock 160,000 shares
Grant date	July 2, 2012	July 2, 2012
Vesting conditions	Not applicable	(Note 2)
Target period of service	July 2, 2012 to July 2, 2014	Not applicable
Exercise period	July 3, 2014 to June 30, 2017	July 3, 2012 to July 2, 2032

	2012 Stock compensation-type stock options Plan B	2013 10th general-type subscription rights to shares
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Executive officers and employees with similar positions 19	Employees of the Company 59 Directors of subsidiaries of the Company 2
Number of stock options by share type (Note 1)	Common stock 110,000 shares	Common stock 200,000 shares
Grant date	July 2, 2012	July 8, 2013
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	July 8, 2013 to July 8, 2015
Exercise period	July 3, 2012 to July 2, 2032	July 9, 2015 to June 30, 2018

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

	2014 11th general-type subscription rights to shares	2014 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Employees of the Company 63	The Company's directors 9 Statutory auditors 5
Number of stock options by share type (Note 1)	Common stock 200,000 shares	Common stock 190,000 shares
Grant date	July 7, 2014	July 7, 2014
Vesting conditions	Not applicable	(Note 2)
Target period of service	July 7, 2014 to July 7, 2016	Not applicable
Exercise period	July 8, 2016 to June 30, 2019	July 8, 2014 to July 7, 2034

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

	2014 Stock options Group B	2015 Stock compensation-type stock options Plan A
Company	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)	The Company
Positions and numbers of officers to receive stock options	Consolidated subsidiary's employees 44	The Company's directors 8 Statutory auditors 5
Number of stock options by share type (Note 1)	Common stock 3,781,000 shares	Common stock 131,000 shares
Grant date	March 14, 2014	July 6, 2015
Vesting conditions	Not applicable	(Note 2)
Target period of service	March 14, 2014 to March 16, 2017	Not applicable
Exercise period	March 17, 2017 to March 16, 2020	July 7, 2015 to July 6, 2035

	2015 Stock compensation-type stock options Plan B	2016 Stock compensation-type stock options Plan A
Company	The Company	The Company
Positions and numbers of officers to receive stock options	Executive officers and employees with similar positions 25	The Company's directors 8 Statutory auditors 5
Number of stock options by share type (Note 1)	Common stock 122,000 shares	Common stock 175,000 shares
Grant date	July 6, 2015	July 7, 2016
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 7, 2015 to July 6, 2035	July 8, 2016 to July 7, 2036

	2016 Stock compensation-type stock options Plan B
Company	The Company
Positions and numbers of officers to receive stock options	Executive officers and employees with similar positions 24
Number of stock options by share type (Note 1)	Common stock 150,000 shares
Grant date	July 7, 2016
Vesting conditions	(Note 2)
Target period of service	Not applicable
Exercise period	July 8, 2016 to July 7, 2036

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

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

(2) Change in the scale of stock options

The stock options that existed in the consolidated fiscal year under review ended March 31, 2017 are counted. The number of stock options is converted to the number of shares.

(i) Number of stock options

	2005 First compensation-type subscription rights to shares	2006 Stock compensation-type stock options Plan A	2006 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	59,000	22,000	19,000
Vested	--	--	--
Exercised	--	--	5,000
Lapsed	--	--	--
Unexercised	59,000	22,000	14,000

	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B	2008 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	29,000	36,000	37,000
Vested	--	--	--
Exercised	--	12,000	--
Lapsed	--	--	--
Unexercised	29,000	24,000	37,000

	2008 Stock compensation-type stock options Plan B	2009 Stock compensation-type stock options Plan A	2009 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	20,000	93,000	60,000
Vested	--	--	--
Exercised	8,000	--	18,000
Lapsed	--	--	--
Unexercised	12,000	93,000	42,000

	2010 Stock compensation-type stock options Plan A	2010 Stock compensation-type stock options Plan B
Company	The Company	The Company
Before vesting date (shares)		
End of previous fiscal year	--	--
Granted	--	--
Lapsed	--	--
Vested	--	--
Non-vested	--	--
After vesting date (shares)		
End of previous fiscal year	58,000	33,000
Vested	--	--
Exercised	7,000	8,000
Lapsed	--	--
Unexercised	51,000	25,000

	2011 Eighth general-type subscription rights to shares	2011 Stock compensation-type stock options Plan A	2011 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	218,000	102,000	66,000
Vested	--	--	--
Exercised	--	10,000	18,000
Lapsed	218,000	--	--
Unexercised	--	92,000	48,000

	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A	2012 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	152,000	115,000	62,000
Vested	--	--	--
Exercised	21,000	15,000	18,000
Lapsed	--	--	--
Unexercised	131,000	100,000	44,000

	2013 10th general-type subscription rights to shares	2013 Stock compensation-type stock options Plan A	2013 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	200,000	151,000	91,000
Vested	--	--	--
Exercised	50,000	17,000	19,000
Lapsed	--	--	--
Unexercised	150,000	134,000	72,000

	2014 11th general-type subscription rights to shares	2014 Stock compensation-type stock options Plan A	2014 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	200,000	--	--
Granted	--	--	--
Lapsed	--	--	--
Vested	200,000	--	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	--	161,000	86,000
Vested	200,000	--	--
Exercised	30,000	17,000	23,000
Lapsed	--	--	--
Unexercised	170,000	144,000	63,000

	2014 Stock options Group A	2014 Stock options Group B	2015 Stock compensation-type stock options Plan A
Company	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)	Consolidated subsidiary (Precision Tsugami (China) Corporation Limited)	The Company
Before vesting date (shares)			
End of previous fiscal year	--	3,781,000	--
Granted	--	--	--
Lapsed	--	--	--
Vested	--	3,781,000	--
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	4,845,000	--	131,000
Vested	--	3,781,000	--
Exercised	--	--	12,000
Lapsed	--	--	--
Unexercised	4,845,000	3,781,000	119,000

	2015 Stock compensation-type stock options Plan B	2016 Stock compensation-type stock options Plan A	2016 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Before vesting date (shares)			
End of previous fiscal year	--	--	--
Granted	--	175,000	150,000
Lapsed	--	--	--
Vested	--	175,000	150,000
Non-vested	--	--	--
After vesting date (shares)			
End of previous fiscal year	112,000	--	--
Vested	--	175,000	150,000
Exercised	26,000	10,000	4,000
Lapsed	2,000	5,000	7,000
Unexercised	84,000	160,000	139,000

(ii) Unit price information

(Yen)

	2005 First compensation-type subscription rights to shares	2006 Stock compensation-type stock options Plan A	2006 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Exercise price	1	1	1
Average stock price at the time of exercise	--	--	700
Fair valuation of unit price (grant date)	--	608	608

(Yen)

	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B	2008 Stock compensation-type stock options Plan A
Company	The Company	The Company	The Company
Exercise price	1	1	1
Average stock price at the time of exercise	--	551	--
Fair valuation of unit price (grant date)	513	513	279

(Yen)

	2008 Stock compensation-type stock options Plan B	2009 Stock compensation-type stock options Plan A	2009 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Exercise price	1	1	1
Average stock price at the time of exercise	514	--	501
Fair valuation of unit price (grant date)	279	123	123

(Yen)

	2010 Stock compensation-type stock options Plan A	2010 Stock compensation-type stock options Plan B
Company	The Company	The Company
Exercise price	1	1
Average stock price at the time of exercise	700	401
Fair valuation of unit price (grant date)	532	532

(Yen)

	2011 Eighth general-type subscription rights to shares	2011 Stock compensation-type stock options Plan A	2011 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Exercise price	481	1	1
Average stock price at the time of exercise	--	700	457
Fair valuation of unit price (grant date)	163	408	408

(Yen)

	2012 Ninth general-type subscription rights to shares	2012 Stock compensation-type stock options Plan A	2012 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Exercise price	589	1	1
Average stock price at the time of exercise	718	700	448
Fair valuation of unit price (grant date)	196	459	459

(Yen)

	2013 10th general-type subscription rights to shares	2013 Stock compensation-type stock options Plan A	2013 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Exercise price	575	1	1
Average stock price at the time of exercise	715	700	463
Fair valuation of unit price (grant date)	180	445	445

(Yen)

	2014 11th general-type subscription rights to shares	2014 Stock compensation-type stock options Plan A	2014 Stock compensation-type stock options Plan B
Company	The Company	The Company	The Company
Exercise price	584	1	1
Average stock price at the time of exercise	716	700	460
Fair valuation of unit price (grant date)	166	452	452

(HKD)

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

(Yen)

	2015 Stock compensation-type stock options Plan A	2015 Stock compensation-type stock options Plan B
Company	The Company	The Company
Exercise price	1	1
Average stock price at the time of exercise	700	447
Fair valuation of unit price (grant date)	526	526

(Yen)

	2016 Stock compensation-type stock options Plan A	2016 Stock compensation-type stock options Plan B
Company	The Company	The Company
Exercise price	1	1
Average stock price at the time of exercise	700	571
Fair valuation of unit price (grant date)	272	272

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

The following is the method of estimating a fair unit price of the 2016 stock options granted in the fiscal year:

The Company

(i) Valuation technique used: Black-Scholes method

(ii) Major fundamental figures and estimation method

	2016 Compensation-type subscription rights to shares Plan A and Plan B
Stock price volatility (Note 1)	45.957%
Expected remaining period (Note 2)	10.0 years
Projected dividend (Note 3)	16.00 yen per share
Risk-free interest rate (Note 4)	-0.288%

(Note) 1. The stock price volatility for the 2016 Plan A and Plan B compensation-type subscription rights to shares was calculated based on the closing price on the last trading day of each month in the past 10 years (from June 2006 to June 2016).

2. Since accumulated data is insufficient, reasonably estimating a remaining period is difficult. We thus estimate a period based on the assumption that stock options will be exercised at the mid-point of the exercise period.
3. The projected dividend is based on the actual dividend for the fiscal year ended March 31, 2016.
4. The rate is the yield of the government bond for the expected remaining period.

4. Method of estimating the number of vested stock options

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

(Deferred Tax Accounting)

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

	Previous consolidated fiscal year (As of March 31, 2016)	(Million yen) Consolidated fiscal year under review (As of March 31, 2017)
Deferred tax assets		
Allowance for doubtful accounts	14	13
Reserve for bonus payment	49	59
Net defined benefit liability	208	217
Reserve for product warranties	90	90
Loss on devaluation of investment securities	118	121
Loss on devaluation of affiliates' stock	7	7
Loss on devaluation of inventories	141	201
Impairment loss	44	49
Accrued enterprise taxes	9	38
Accrued sales commission	17	12
Unrealized income of inventories	60	109
Stock-based compensation expenses	180	182
Non-qualified contribution in-kind	831	849
Foreign tax credit carried forward	38	17
Other	117	140
Deferred tax assets subtotal	1,925	2,109
Valuation reserve	-1,226	-1,356
Deferred tax assets total	699	752
Deferred tax liabilities		
Valuation difference on available-for-sale securities	-658	-1,306
Reserve profit of overseas subsidiaries	-60	-80
Deferred tax liabilities total	-718	-1,387
Net deferred tax assets (liabilities)	-19	-634

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

	Previous consolidated fiscal year (As of March 31, 2016)	Consolidated fiscal year under review (As of March 31, 2017)
Legally effective tax rate	32.1%	30.7%
(Adjustments)		
Differences from applicable tax rates for overseas subsidiaries	-4.4%	-2.9%
Experiment and research expenses	-0.1%	-2.0%
Tax sparing	-11.5%	-3.7%
Items permanently excluded from nontaxable expenses, including entertainment costs	5.0%	1.1%
Increase (decrease) in valuation reserve	0.3%	2.5%
Change of tax rate	2.3%	--
Withholding tax on dividends from overseas subsidiaries	7.0%	2.1%
Effect of eliminating internal transactions	-5.9%	--
Other	1.5%	0.5%
Actual effective tax rate after applying tax effect	26.3%	28.3%

(Business Combination)

Not applicable.

(Asset Retirement Obligations)

Not stated because of the insignificant amount.

(Real estate for rent, etc.)

Not stated because of the insignificant amount.

(Segment Information)

Segment Information

1. Summary of reportable segments

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

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

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

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

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

Intersegment revenue and transfers are based on market prices.

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

Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Million yen)

	Reportable segment				Adjustment (Note) 1	Consolidated financial statement amount (Note) 2
	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 (loss)	-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
Investments in equity method affiliates	616	--	--	616	--	616
Increases in property, plant and equipment and intangible assets	130	417	48	595	--	595

(Note) 1. Adjustment details are as follows.

(1) "Adjustment" of segment income of ¥118 million is the adjustment of unrealized income.

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

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

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

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

(Million yen)

	Reportable segment				Adjustment (Note) 1	Consolidated financial statement amount (Note) 2
	Japan	China	South Korea	Total		
Net sales						
Net sales to external customers	21,876	17,905	1,268	41,050	--	41,050
Intersegment net sales or transfers to other accounts	7,017	8,841	43	15,903	-15,903	--
Total	28,894	26,747	1,312	56,953	-15,903	41,050
Segment income	233	2,938	78	3,250	-166	3,083
Segment assets	19,719	22,510	981	43,211	6,916	50,127
Other items						
Depreciation and amortization	292	689	20	1,002	-12	989
Investments in equity method affiliates	--	--	--	--	--	--
Increases in property, plant and equipment and intangible assets	81	160	69	311	--	311

(Note) 1. Adjustment details are as follows.

(1) "Adjustment" of segment income of ¥-166 million is the adjustment of unrealized income.

(2) "Adjustment" of segment assets of ¥6,916 million includes Company-wide assets of ¥10,037 million and an effect of intersegment adjustments of ¥-3,123 million.

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

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

Related information

Previous consolidated fiscal year (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 region

(1) Net sales

(Million yen)					
Japan	China	Asia	America	Europe	Total
11,298	14,155	7,503	3,649	3,526	40,132

(Note) Net sales are classified by country or region based on the customer's location.

(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, 2016 to March 31, 2017)

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 region

(1) Net sales

(Million yen)					
Japan	China	Asia	America	Europe	Total
10,306	17,393	6,873	3,173	3,303	41,050

(Note) Net sales are classified by country or region based on the customer's location.

(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, 2015 to March 31, 2016)

(Million yen)

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

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

(Million yen)

	Japan	China	South Korea	Corporate or elimination	Total
Impairment loss	26	--	--	--	26

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, 2015 to March 31, 2016)

Attributes	Name	Address	Capital or investments	Business	Ownership of voting rights (%)	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Affiliate	TSUGAMI PRECISION ENGINEERING INDIA PVT. LTD.	India	495 million Indian rupee	Manufacturing	(Owning) Direct: 90.9%	Manufacturing and sales of the Company's products Concurrent service by directors	Manufacturing and sales of the Company's products and parts (Note1)	468	Accounts receivable	466
							Lending of funds (Note2)	578	Long-term loans receivable	578

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

Attributes	Name	Address	Capital or investments	Business	Ownership of voting rights (%)	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Affiliate	TSUGAMI Universal Pte.Ltd.	Singapore	125 thousand Singapore dollar	Wholesale	(Owning) Direct: 80.0%	Sales of the Company's products and parts Concurrent service by directors	Sales of the Company's products and parts (Note1)	421	Accounts receivable	526
							Manufacturing and sales of the Company's products Concurrent service by directors	666	Accounts receivable	692
	TSUGAMI PRECISION ENGINEERING INDIA PVT. LTD.	India	495 million Indian rupee	Manufacturing	(Owning) Direct: 90.9%	Manufacturing and sales of the Company's products Concurrent service by directors	Lending of funds (Note2)	--	Long-term loans receivable	588

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.

(Per Share information)

	Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Net assets per share	473.78 yen	510.43 yen
Net income per share	13.04 yen	41.91 yen
Net income per share after residual equity adjustment	12.77 yen	40.93 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, 2015 to March 31, 2016)	Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)
Net income per share		
Net income attributable to owners of parent (million yen)	877	2,630
Amount not attributed to common shareholders (million yen)	--	--
Net income attributable to owners of parent on common stock (million yen)	877	2,630
Average number of shares during the period (thousand shares)	67,292	62,779
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)	1,441	1,498
(Stock option) (thousand shares)	(1,441)	(1,498)
Summary of residual shares not included in the calculation of net income per share after residual equity adjustment because of no dilutive effect	<p>Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 15, 2012 (Number of shares: 152,000)</p> <p>Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 21, 2013 (Number of shares: 200,000)</p> <p>Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 20, 2014 (Number of shares: 200,000)</p> <p>(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)</p>	<p>Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 15, 2012 (Number of shares: 131,000)</p> <p>Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 21, 2013 (Number of shares: 150,000)</p> <p>Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 20, 2014 (Number of shares: 170,000)</p> <p>(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)</p>

(Important post-balance sheet events)

1. Resolution on stock option

The company resolved to issue subscription rights to shares at the 114th annual shareholders meeting and at the Board of Directors meeting, held on June 21, 2017 respectively.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 24. Stock options based on a resolution at the annual shareholders meeting held on June 21, 2017 and 25. Stock options based on a resolution at a Board of directors meeting held on June 21, 2017.

2. Acquisition of treasury stock

At a meeting of the Board of Directors held on June 21, 2017, the Company resolved to acquire treasury stock under Paragraph 1 of Article 459 of the Companies Act and has acquired treasury stock. Details are as follows:

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: | 2,000 thousand shares (maximum)
(Ratio to the number of issued shares (excluding treasury stock): 3.42%) |
| (iv) Value of shares to be acquired: | ¥1,600 million (maximum) |
| (v) Acquisition period: | From June 21, 2017 to December 8, 2017 |
| (vi) Method of acquisition: | Acquisition on the Tokyo Stock Exchange |

(v) Consolidated supplementary schedule

Schedule of bonds

No corresponding item existed.

Schedule of borrowings

Classification	Balance at beginning of the fiscal year (million yen)	Balance at end of the fiscal year under review (million yen)	Average interest rate (%)	Repayment term
Short-term loans payable	6,127	4,183	4.35	--
Lease obligations to be repaid within a year	8	8	--	--
Lease obligations (excluding those to be repaid within a year)	15	10	--	From 2018 to 2022
Total	6,151	4,203	--	--

- (Note) 1. The average interest rate is the weighted average rate for the borrowings at the end of the term.
 2. The average interest rate of lease obligations is omitted, since lease obligations before the subtraction of the equivalent of interest included in total lease fees are posted in the consolidated balance sheets.
 3. The table below shows scheduled repayments of lease obligations (excluding those to be repaid within a year) with five years of the consolidated closing date.

(Million yen)

	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years
Lease obligations	6	2	0	0

Schedule of asset retirement obligations

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

(2) Other

Quarterly information for the fiscal year under review

(Accumulated total)	First quarter From April 1, 2016 to June 30, 2016	First half From April1, 2016 to September 30, 2016	First nine months From April1, 2016 to December 31, 2016	Full year under review From April 1, 2016 to March 31, 2017
Net sales (million yen)	8,665	18,401	30,488	41,050
Income before taxes and other adjustments (million yen)	291	1,065	2,949	3,666
Net income attributable to owners of parent on common stock (million yen)	149	730	2,111	2,630
Net income per share (yen)	2.30	11.39	33.30	41.91

(Quarterly)	First quarter From April 1, 2016 to June 30, 2016	Second quarter From July 1, 2016 to September 30, 2016	Third quarter From October 1, 2016 to December 31, 2016	Fourth quarter From January 1, 2017 to March 31, 2017
Net income per share (yen)	2.30	9.20	22.30	8.52

2. Non-Consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

(i) Non-consolidated balance sheets

	(Million yen)	
	Figures at the end of the previous fiscal year (As of March 31, 2016)	Figures at the end of the fiscal year under review (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	2,710	2,171
Trade notes receivable	*1 36	*1 125
Accounts receivable	*1 5,939	*1 6,213
Merchandise and finished goods	*1 4,906	4,804
Work in process	1,332	1,107
Raw materials and supplies	2,687	1,891
Consumption taxes receivable	757	715
Payments into deposit	--	270
Deferred tax assets	308	280
Other	*1 399	*1 224
Allowance for doubtful accounts	-51	-48
Total current assets	19,025	17,756
Non-current assets		
Property, plant and equipment		
Buildings	2,402	1,810
Structures	62	45
Machinery and equipment	345	255
Vehicles	1	0
Tools, furniture and fixtures	137	119
Land	473	450
Leased assets	19	17
Total property, plant and equipment	3,443	2,699
Intangible assets		
Software	49	46
Telephone subscription rights	10	10
Leased assets	2	1
Total intangible assets	62	58
Investments and other assets		
Investment securities	4,980	7,157
Shares in affiliates	4,015	3,913
Investments in capital of subsidiaries and associates	1,056	1,056
Long-term loans receivable from affiliates	608	611
Long-term loans receivable from employees	1	1
Other	88	77
Total investments and other assets	10,749	12,817
Total non-current assets	14,255	15,575
Total assets	33,281	33,331

(Million yen)

	Figures at the end of the previous fiscal year (As of March 31, 2016)	Figures at the end of the fiscal year under review (As of March 31, 2017)
Liabilities		
Current liabilities		
Trade notes payable	3,100	4,038
Accounts payable	* ₁ 1,539	* ₁ 1,744
Accounts payable - other	* ₁ 132	* ₁ 162
Accrued expenses payable	218	276
Income taxes payable	23	148
Provision for product warranties	183	177
Provision for bonuses	144	169
Other	* ₁ 293	* ₁ 196
Total current liabilities	5,634	6,913
Non-current liabilities		
Deferred tax liabilities	505	1,121
Provision for retirement benefits	516	551
Other	50	36
Total non-current liabilities	1,072	1,709
Total liabilities	6,707	8,622
Net assets		
Shareholders' equity		
Capital stock	12,345	12,345
Capital surplus		
Capital legal reserve	5,884	--
Other capital surplus	--	478
Total capital surplus	5,884	478
Retained earnings		
Other retained earnings		
Legal retained earnings		49
Deferred retained earnings	10,665	10,834
Total retained earnings	10,665	10,834
Treasury stock	-4,837	-2,986
Total shareholders' equity	24,057	20,721
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,779	3,308
Total Valuation and translation adjustments	1,779	3,308
Subscription rights to shares	736	679
Total net assets	26,574	24,708
Total liabilities and net assets	33,281	33,331

(ii) Non-consolidated statements of income

	(Million yen)	
	Previous fiscal year (From April 1, 2015 to March 31, 2016)	Fiscal year under review (From April 1, 2016 to March 31, 2017)
Net sales	*1 31,852	*1 28,601
Cost of sales	*1 27,919	*1 24,374
Gross profit	3,933	4,227
Selling, general and administrative expenses	*1 *2 4,118	*1 *2 4,137
Operating income	-184	89
Non-operating income		
Interest income	10	12
Dividend income	581	587
Rent income	55	41
Reversal of allowance for doubtful accounts	15	3
Foreign exchange gains	--	21
Insurance income	43	55
Other	62	58
Total non-operating income	*1 769	*1 779
Non-operating expenses		
Interest expenses	10	--
Leased asset expenses	40	30
Foreign exchange losses	108	--
Sales discount	6	6
Loss on sales of notes payable	81	64
Other	83	61
Total non-operating expenses	331	161
Ordinary income	252	706
Extraordinary income		
Gain on sales of non-current assets	--	869
Gain on sales of investment securities	2	--
Gain on reversal of subscription rights to shares	49	35
Total extraordinary income	51	905
Extraordinary losses		
Loss on retirement of non-current assets	0	70
Loss on sales of non-current assets	--	7
Impairment loss	111	26
Loss on valuation of investments in capital of subsidiaries and associates	21	--
Loss on valuation of golf club membership	--	9
Total extraordinary losses	133	114
Income before taxes and other adjustments	171	1,497
Corporate, inhabitant and enterprise taxes	23	248
Refund of income taxes	-99	--
Deferred taxes	-46	-4
Total corporate and other taxes	-121	244
Net income	292	1,253

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

Previous consolidated fiscal year (from April 1, 2015 to March 31, 2016)

(Million yen)

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

Consolidated fiscal year under review (from April 1, 2016 to March 31, 2017)

(Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Capital legal reserve	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Deferred retained earnings	Total retained earnings
Balance as of March 31, 2016	12,345	5,884	--	5,884	--	10,665	10,665
Change during the fiscal year							
Transfer from reserve to surplus		-5,884	5,884	--			
Cash dividends paid					49	-1,084	-1,034
Net income						1,253	1,253
Purchase of treasury stock							
Disposal of treasury stock			-25	-25			
Retirement of treasury stock			-5,380	-5,380			
Changes in items other than shareholders' equity during the fiscal year (net)							
Total change during the fiscal year	--	-5,884	478	-5,405	49	168	218
Balance as of March 31, 2017	12,345	--	478	478	49	10,834	10,884

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of March 31, 2016	-4,837	24,057	1,779	1,779	736	26,574
Change during the fiscal year						
Transfer from reserve to surplus						
Cash dividends paid		-1,034				-1,034
Net income		1,253				1,253
Purchase of treasury stock	-3,734	-3,734				-3,734
Disposal of treasury stock	204	179				179
Retirement of treasury stock	5,380	--				
Changes in items other than shareholders' equity during the fiscal year (net)			1,528	1,528	-57	1,471
Total change during the fiscal year	1,850	-3,336	1,528	1,528	-57	-1,865
Balance as of March 31, 2017	-2,986	20,721	3,308	3,308	679	24,708

Notes

(Significant accounting policies)

1. Valuation standards for securities

(1) Stocks of subsidiaries and affiliates

Cost accounting method using the moving average method

(2) Other securities

Securities with fair market value:

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

Securities without fair market value:

Cost accounting method using the moving average method

2. Valuation standard and method for 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.)

3. Depreciation method for Non-current assets

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

Depreciation is principally computed by the declining-balance method.

However, buildings acquired on or after April 1, 1998, excluding fittings, equipment, and structures, and fittings, equipment, and structures acquired on or after April 1, 2016, are depreciated on a straight-line basis.

The significant service lives are summarized as follows:

Buildings: 15-38 years

Machinery and equipment: 9 years

Tools, furniture and fixtures: 5 years

(2) Intangible 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.

(3) Leased assets

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

(4) Long-term prepaid expenses

This is computed using the straight-line method.

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

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

5. Accounting standards for allowances

(1) Allowance for doubtful accounts

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

(2) Allowance for employees' bonuses

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

(3) Allowance for retirement benefits

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

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

(4) Allowance for product warranties

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

6. Other important matters for the preparation of financial statements

(1) Accounting policy for retirement benefits

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

(2) Accounting method for consumption taxes

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

(Changes in Accounting Policy)

(Application of practical solution on change in depreciation method due to Tax Reform 2016)

Following the revision to the Corporation Tax Act, Practical Solution on a change in depreciation method due to Tax Reform 2016 (PITF No. 32 of June 17, 2016) was applied to the consolidated fiscal year under review. The depreciation method for fittings, equipment, and structures acquired on and after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on profit or loss for the consolidated fiscal year under review is insignificant.

(Changes in Method of Presentation)

(Balance sheets)

"Advance payments" had been posted as a separate item in the previous fiscal year, was included in "Other" of the current assets in the 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 Company changed the financial statements for the previous fiscal year.

As a result, "Advance payments" of ¥0 million and "Other" of ¥399 million in the current assets in the balance sheets for the previous fiscal year was include in "Other" of ¥399 million.

"Advances received" had been posted as a separate item in the previous fiscal year, was included in "Other" of the current liabilities in the 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 Company changed the financial statements for the previous fiscal year.

As a result, "Advances received" of ¥208 million and "Other" of ¥84 million in the current liabilities in the balance sheets for the previous fiscal year was include in "Other" of ¥293 million.

(Additional information)

(Application of the Implementation Guidance on the Recoverability of Deferred Tax Assets)

Implementation Guidance on the Recoverability of Deferred Tax Assets (ASBJ No. 26 of March 28, 2016) was applied to the fiscal year under review.

(Non-consolidated balance sheets)

* 1. Notes relating to subsidiaries and affiliates

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

	Previous fiscal year (As of March 31, 2016)	Fiscal year under review (As of March 31, 2017)
Short-term monetary receivables	2,439	3,477
Short-term monetary payables	594	684

2. Amount of discount for bills receivable

(Million yen)

	Previous fiscal year (As of March 31, 2016)	Fiscal year under review (As of March 31, 2017)
Amount of discount for bills receivable	1,395	1,141
Amount of discount for export bills receivable	2,128	2,333

3. Contingent liability

With regard to the transfer of Shinshu Factory, which the Company implemented in the fiscal year under review, expenses for soil contamination investigation and others associated with its disposition are currently under examination and difficult to estimate rationally as of this time. Therefore, the Company has not recorded the expenses in the fiscal year under review.

(Non-consolidated statements of income)

* 1. Net sales, amount of purchases and other in relation to transactions with subsidiaries and affiliates

(Million yen)

	Previous fiscal year (from April 1, 2015 to March 31, 2016)	Fiscal year under review (from April 1, 2016 to March 31, 2017)
Net sales	11,739	11,771
Amount of purchases	11,263	8,782
Selling, general and administrative expenses	183	144
Amount of transactions other than business transactions	464	494

* 2. Selling expenses accounted for approximately 25% of total expenses in the previous fiscal year and approximately 27% in the fiscal year under review. General and administrative expenses accounted for approximately 75% of total expenses in the previous fiscal year and approximately 73% in the fiscal year under review.

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

(Million yen)

	Previous fiscal year (from April 1, 2015 to March 31, 2016)	Fiscal year under review (from April 1, 2016 to March 31, 2017)
Salaries and allowances	760	760
Provision for bonuses	47	35
Retirement benefit expenses	31	35
Research and development expenses	1,053	1,294
Depreciation	11	5
Provision for product warranties	183	177

(Securities)

Previous fiscal year (As of March 31, 2016)

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

Fiscal year under review (As of March 31, 2017)

Shares in subsidiaries (whose balance sheet amount is ¥3,901 million) and shares in affiliates (whose balance sheet amount is ¥11 million) do not have any market prices, and determining their fair values is considered very difficult. They are therefore omitted.

(Deferred Tax Accounting)

	Previous fiscal year (As of March 31, 2016)	(Million yen) Fiscal year under review (As of March 31, 2017)
1. Breakdown of deferred tax assets and deferred tax liabilities by major cause		
Deferred tax assets		
Allowance for doubtful accounts	16	15
Provision for bonuses	43	51
Reserve for retirement benefits	153	168
Provision for product warranties	54	54
Loss on devaluation of investment securities	118	121
Loss on devaluation of stocks of subsidiaries and affiliates	7	7
Loss on devaluation of inventories	112	176
Impairment loss	44	49
Accrued enterprise taxes	6	36
Stock-based compensation expense	180	182
Non-qualified contribution in-kind	831	849
Foreign tax credit carried forward	38	17
Other	75	92
Deferred tax assets subtotal	<u>1,682</u>	<u>1,821</u>
Valuation reserve	<u>-1,221</u>	<u>-1,356</u>
Deferred tax assets total	<u>461</u>	<u>465</u>
Deferred tax liabilities		
Valuation difference on available-for-sale securities	<u>-658</u>	<u>-1,306</u>
Deferred tax liabilities total	<u>-658</u>	<u>-1,306</u>
Net deferred tax assets (liabilities)	<u>-197</u>	<u>-841</u>

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

	Previous fiscal year (As of March 31, 2016)	Fiscal year under review (As of March 31, 2017)
Legally effective tax rate	32.1%	30.7
(Adjustments)		
Residence tax on a per capita basis	8.6%	1.0%
Experiment and research expenses	-0.9%	-5.0%
Tax sparing	-80.1%	-9.1%
Items permanently excluded from nontaxable expenses, including entertainment costs	34.6%	2.6%
Items permanently excluded from gross revenue including Dividend income	-83.3%	-9.4%
Increase (decrease) in valuation reserve	2.3%	6.0%
Change of tax rate	16.1%	--
Other	-0.3%	-0.5%
Actual effective tax rate after applying tax effect accounting	<u>-70.9%</u>	<u>16.3%</u>

(Business Combination)
Not applicable.

(Important post-balance sheet events)

1. Resolution on stock option

The company resolved to issue subscription rights to shares at the 114th annual shareholders meeting and at the Board of Directors meeting, held on June 21, 2017 respectively.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 24. Stock options based on a resolution at the annual shareholders meeting held on June 21, 2017 and 25. Stock options based on a resolution at a Board of directors meeting held on June 21, 2017.

2. Acquisition of treasury stock

At a meeting of the Board of Directors held on June 21, 2017, the Company resolved to acquire treasury stock under Paragraph 1 of Article 459 of the Companies Act and has acquired treasury stock. Details are as follows:

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: | 2,000 thousand shares (maximum)
(Ratio to the number of issued shares (excluding treasury stock): 3.42%) |
| (iv) Value of shares to be acquired: | ¥1,600 million (maximum) |
| (v) Acquisition period: | From June 21, 2017 to December 8, 2017 |
| (vi) Method of acquisition: | Acquisition on the Tokyo Stock Exchange |

(iv) Supplementary schedule

Schedule of Property, plant and equipment and other assets

(Million yen)

	Assets at beginning of the fiscal year under review	Increase in the fiscal year under review	Decrease in the fiscal year under review	Depreciation or amortization in the fiscal year under review	Assets at end of the fiscal year under review	Accumulated depreciation or amortization at end of the fiscal year under review
Property, plant and equipment						
Buildings	2,402	12	482 (26)	121	1,810	2,719
Structures	62	--	8	9	45	353
Machinery and equipment	345	22	23	88	255	3,258
Vehicles	1	--	0	0	0	35
Tools, furniture and fixtures	137	30	1	47	119	553
Land	473	--	22	--	450	--
Leased assets	19	4	--	7	17	20
Total Property, plant and equipment assets	3,443	69	537 (26)	275	2,699	6,940
Intangible assets						
Software	49	12	--	15	46	--
Telephone subscription rights	10	--	--	--	10	--
Leased assets	2	--	--	1	1	--
Total Intangible assets	62	12	--	16	58	--

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

Facilities attached to buildings	Nagaoka factory	Factory renovation	¥11 million
Machinery and equipment	Nagaoka factory	Machine tool manufacturing equipment	¥22 million

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

Buildings	Shinshu factory	Decrease from sale	¥416 million
Buildings	Nagaoka factory	Decrease from retirement	¥39 million
Buildings	Niigata factory	Decrease from impairment loss due to suspension	¥26 million
Land	Shinshu factory	Decrease from sale	¥22 million

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

Schedule of allowances

(Million yen)

Classification	Assets at beginning of the fiscal year under review	Increase in fiscal year under review	Decrease in fiscal year under review	Assets at end of fiscal year under review
Allowance for doubtful accounts	54	51	54	51
Provision for bonuses	144	169	144	169
Provision for product warranties	183	177	183	177

(2) Details of major items in assets and liabilities

Information is omitted as consolidated financial statements were prepared.

(3) Other

Not applicable.

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

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

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

Section 7. Reference Information on Submitting Company

1. Information on the parent company of the submitting company

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

2. Other reference information

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

- (1) Annual securities report, and its attached documents and confirmation documents
113th fiscal year (from April 1, 2015 to March 31, 2016) Submitted to the director general of the Kanto Finance Bureau on June 23, 2016
- (2) Internal control report and its attached documents
Submitted to the director general of the Kanto Finance Bureau on June 23, 2016
- (3) Quarterly reports and confirmation documents
1st quarter of the 114th fiscal year (from April 1, 2016 to June 30, 2016) Submitted to the director general of the Kanto Finance Bureau on August 9, 2016
2nd quarter of the 114th fiscal year (from July 1, 2016 to September 30, 2016) Submitted to the director general of the Kanto Finance Bureau on November 14, 2016
3rd quarter of the 114th fiscal year (from October 1, 2016 to December 31, 2016) Submitted to the director general of the Kanto Finance Bureau on February 13, 2017
- (4) Extraordinary report
Submitted to the director general of the Kanto Finance Bureau on June 28, 2016
An extraordinary report under Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, Etc. (Results of exercise of voting rights at the annual shareholders meeting)
Submitted to the director general of the Kanto Finance Bureau on September 29, 2016
An extraordinary report under Article 19, paragraph 2, Item 12 of the Cabinet Office Ordinance concerning Disclosure of Corporate Businesses Conditions, etc. (events that significantly affect the Company and its Group's financial positions, business results and cash flow situations).
- (5) Report on state of purchase of Treasury stock
Reporting period (from June 1, 2016 to June 30, 2016) Submitted to Director General of Kanto Finance Bureau on July 14, 2016
Reporting period (from July 1, 2016 to July 31, 2016) Submitted to Director General of Kanto Finance Bureau on August 10, 2016
Reporting period (from August 1, 2016 to August 31, 2016) Submitted to Director General of Kanto Finance Bureau on September 14, 2016
Reporting period (from September 1, 2016 to September 30, 2016) Submitted to Director General of Kanto Finance Bureau on October 13, 2016
Reporting period (from October 1, 2016 to October 31, 2016) Submitted to Director General of Kanto Finance Bureau on November 14, 2016
Reporting period (from November 1, 2016 to November 30, 2016) Submitted to Director General of Kanto Finance Bureau on December 14, 2016
Reporting period (from December 1, 2016 to December 31, 2016) Submitted to Director General of Kanto Finance Bureau on January 13, 2017
Reporting period (from January 1, 2017 to January 31, 2017) Submitted to Director General of Kanto Finance Bureau on February 14, 2017
Reporting period (from February 1, 2017 to February 28, 2017) Submitted to Director General of Kanto Finance Bureau on March 14, 2017
Reporting period (from March 1, 2017 to March 31, 2017) Submitted to Director General of Kanto Finance Bureau on April 13, 2017
Reporting period (from April 1, 2017 to April 30, 2017) Submitted to Director General of Kanto Finance Bureau on May 12, 2017
Reporting period (from May 1, 2017 to May 31, 2017) Submitted to Director General of Kanto Finance Bureau on June 14, 2017

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

Not applicable.

Audit Report and Internal Control Audit Report of Independent Auditor

June 21, 2017

Board of Directors
Tsugami Corporation

Ernst & Young ShinNihon LLC

Designated and engagement partner with limited liability
Certified public accountant Kazunari Tsukada

Designated and engagement partner with limited liability
Certified public accountant Eishi Daikoku

(Financial statements audit)

We have audited the consolidated financial statements—balance sheets, statements of income, statements of changes in net assets, statements of cash flows, important matters that become basis of presenting consolidated financial statements, other notes and supplementary schedules—of Tsugami Corporation for the fiscal year from April 1, 2016 to March 31, 2017, which are stated in the Financial Status section, for audit certification under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Responsibility of management for consolidated financial statements

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

Responsibility of the auditor

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

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

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

Auditor's opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tsugami Corporation and subsidiaries As of March 31, 2017 and the consolidated results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

(Internal control audit)

We have audited the internal control report of Tsugami Corporation As of March 31, 2017 for audit certification under the provision of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act.

Responsibility of management for internal control report

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

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

Responsibility of the auditor

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

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

Auditor's opinion

In our opinion, the internal control report in which Tsugami Corporation states that the internal control over financial reporting As of March 31, 2017 is valid presents fairly, in all material respects, the Company's evaluation of its internal control over financial reporting, in conformity with standards for assessment concerning internal control over financial reporting generally accepted in Japan.

Interest

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

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

Independent Auditor's Report

June 21, 2017

Board of Directors
Tsugami Corporation

Ernst & Young ShinNihon LLC

Designated and engagement partner with limited liability
Certified public accountant Kazunari Tsukada

Designated and engagement partner with limited liability
Certified public accountant Eishi Daikoku

We have audited the financial statements—balance sheets, statements of income, statements of changes in net assets, significant accounting policies, other notes and supplementary schedules—of Tsugami Corporation for the fiscal year from April 1, 2016 to March 31, 2017, which are stated in the Financial Status section, for audit certification under the provision of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Responsibility of management for financial statements

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

Responsibility of the auditor

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

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

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

Auditor's opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tsugami Corporation and subsidiaries As of March 31, 2017 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

Interest

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

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