

Annual Securities Report

From April 1, 2009 to March 31, 2010

Document submitted to EDINET

Tsugami Corporation (E01480)

(The English translation of Yuukasyouken-Houkokusyo)

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Document submitted	Annual Securities Report
Applicable law clause	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 21, 2010
Fiscal year	The 107th term (from April 1, 2009 to March 31, 2010)
Corporate name	Tsugami Corporation
Name and title of representative	Takao Nishijima, Chairman and CEO
Address of home office	1-9-10, Horidome-cho, Nihonbashi, Chuo-ku, Tokyo
Telephone number	+81-3-3808-1711 (key number)
Contact person	Keiji Hayazaki, Senior Manager, Management Headquarters
Nearest contact point	1-9-10, Horidome-cho, Nihonbashi, Chuo-ku, Tokyo
Telephone number	+81-3-3808-1711 (key number)
Contact person	Keiji Hayazaki, Senior Manager, Management Headquarters
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

Chapter 1. Corporate Information

Section 1. Overview of the Company's Situation

1. Changes in major financial data

Fiscal term	103 rd term	104 th term	105 th term	106 th term	107 th term
Closing month and year	March 2006	March 2007	March 2008	March 2009	March 2010
(1) Consolidated financial data					
Net sales (million yen)	34,006	36,557	28,495	22,687	15,598
Ordinary income (loss) (million yen)	5,363	5,535	2,756	626	-117
Net income (loss) (million yen)	5,530	3,447	1,629	-873	-244
Net assets (million yen)	23,272	23,450	21,916	19,718	19,882
Total assets (million yen)	36,827	35,943	32,732	25,703	31,147
Net assets per share (yen)	306.53	322.67	319.50	289.07	294.29
Net income (loss) per share (yen)	71.38	46.36	23.03	-12.88	-3.65
Net income per share after residual equity adjustment (yen)	70.81	46.05	22.86	–	–
Capital adequacy ratio (%)	63.2	65.0	66.3	76.0	63.2
Earnings on equity (%)	26.17	14.79	7.24	–	–
Price-earnings ratio (times)	13.30	14.56	14.50	–	–
Cash flows from operating activities (million yen)	1,551	4,142	3,946	439	2,299
Cash flows from investing activities (million yen)	-1,020	-383	-1,394	-1,803	-1,358
Cash flows from financing activities (million yen)	-1,845	-3,157	-2,696	1,210	-268
Cash and cash equivalents at the end of the term (million yen)	2,796	3,496	3,352	3,188	3,842
Number of employees (Average number of temporary employees in addition to the above)	605 (305)	601 (427)	591 (464)	580 (404)	570 (182)

Fiscal term	103 rd term	104 th term	105 th term	106 th term	107 th term
Closing month and year	March 2006	March 2007	March 2008	March 2009	March 2010
(2) Financial data of the submitting company					
Net sales (million yen)	33,262	35,255	27,962	22,043	14,818
Ordinary income (loss) (million yen)	5,016	5,110	2,564	625	-393
Net income (loss) (million yen)	5,333	3,257	1,544	-540	-408
Capital (million yen)	10,599	10,599	10,599	10,599	10,599
(Number of shares issued) (thousand shares)	(89,019)	(79,019)	(68,019)	(68,019)	(68,019)
Net assets (million yen)	22,747	22,723	21,137	19,277	19,319
Total assets (million yen)	36,215	35,186	32,031	25,425	29,771
Net assets per share (yen)	299.63	312.66	308.02	282.55	285.88
Dividend per share	8.00	10.00	10.00	10.00	5.00
(Of which, interim dividend per share) (yen)	(3.00)	(4.00)	(5.00)	(5.00)	(0.00)
Net income (loss) per share (yen)	68.99	43.80	21.82	-7.98	-6.09
Net income per share after residual equity adjustment (yen)	68.44	43.51	21.66	–	–
Capital adequacy ratio (%)	62.8	64.3	65.3	75.1	64.2
Earnings on equity (%)	25.77	14.36	7.09	–	–
Price-earnings ratio (times)	13.76	15.41	15.31	–	–
Dividend payout ratio (%)	11.6	22.8	45.83	–	–
Number of employees	423	425	412	523	517
(Average number of temporary employees in addition to the above)	(192)	(247)	(244)	(190)	(47)

- Notes
1. Net sales do not include consumption taxes (consumption tax and local consumption tax; the same shall apply hereinafter).
 2. Since net losses were posted in the 106th and 107th term, net income per share after residual equity adjustment in the consolidated financial data and the financial data of the submitting company has no value, although there were residual securities.
 3. Since net losses were posted in the 106th and 107th term, earnings on equity and the price-earnings ratio in the consolidated financial data and the financial data of the submitting company have no value.
 4. Since net losses were posted in the 106th and 107th term, the dividend payout ratio in the financial data of the submitting company has no value.

2. Corporate history

March 1937	Tsugami Mfg., Co., Ltd. established with capital of 2 million yen in Nagaoka, Niigata
December 1938	Head office relocated to Kyobashi-ku, Tokyo
September 1941	All plants in Nagaoka factory completed
February 1945	Tsugami Precision Engineering Industry Co., Ltd. absorbed and renamed Shinsyu Plant
February 1948	Head office relocated to Minato-ku, Tokyo
May 1949	Listed on Tokyo Stock Exchange, Osaka Securities Exchange, and Niigata Stock Exchange
October 1961	Toyo Seiki K.K. absorbed and made Ibaraki Plant
July 1968	Zao Seisakusho K.K. established
September 1970	Tsugami <i>Sogo Kenkyusho</i> (Research Institute) established in Nagaoka.
November 1970	Corporate name changed to Tsugami Corporation
September 1974	Tsugami Machine Tool Trading Corp. established
March 1975	Ibaraki Plant closed and sold
October 1982	Corporate name changed to Tsugami Corporation
May 1988	Shares of Azuma Shimamoto Ltd. (corporate name changed to Tsugami Shimamoto Ltd.) acquired
April 1991	Tsugami Precision Co., Ltd. (currently a consolidated subsidiary) established
May 1991	Weldon Machine Tool Inc., a U.S. manufacturer of machine tools, acquired (corporate name changed to WMT Corporation)
April 1997	Tsugami High Tech Co., Ltd. (currently Tsugami Machinery Co., Ltd., a consolidated subsidiary) established
November 2001	Shares of Tsugami Techno Co., Ltd. acquired
December 2002	Liquidation of WMT Corporation completed
September 2003	Precision Tsugami (China) Corporation (currently a consolidated subsidiary) established
April 2004	Tsugami Machine Tool Trading Corp. absorbed
October 2004	Shimamoto Precision Ltd. and Tsugami Techno Co., Ltd. merged. The corporate name of the new company as a result of the merger is Tsugami Shimamoto Ltd. Tsugami High Tech Co., Ltd. and Tsugami Machinery Co., Ltd. merged. The corporate name of the new company is Tsugami Machinery Co., Ltd. (currently a consolidated subsidiary).
February 2005	Invests in Rem Sales LLC (currently an affiliate to which the equity method is not applied)
November 2005	New plants in Nagaoka and Shinsyuu 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

3. Businesses

The Group (Tsugami Corporation and its affiliates) consists of Tsugami Corporation (“the Company”), seven subsidiaries, and two affiliates and engages primarily in the manufacture and sale of machine tools and other products, including automatic lathes, grinding machines, machining centers, and rolling machines. The Group undertakes additional business activities, including research on individual companies and other services.

The two business segments below are identical to the classifications used in the business segment information in Notes of 1 (1) Consolidated financial statements of Section 5. Financial Situations.

The following is a description of the positions of Group companies in the Group’s businesses:

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

(i) Machine tool business

Machine tools are manufactured and sold primarily by the Company. Precision Tsugami (China) Corporation, a subsidiary, also manufactures and sells machine tools. The Company purchases and sells some machine tools. Products are sold also by Tsugami Machinery Co., Ltd., a subsidiary, Tsugami (Thai) Co., Ltd., a subsidiary, and Rem Sales LLC, an affiliate.

The Company outsources part of the manufacturing processes to Tsugami Precision Co., Ltd. and Precision Tsugami (China) Corporation, subsidiaries.

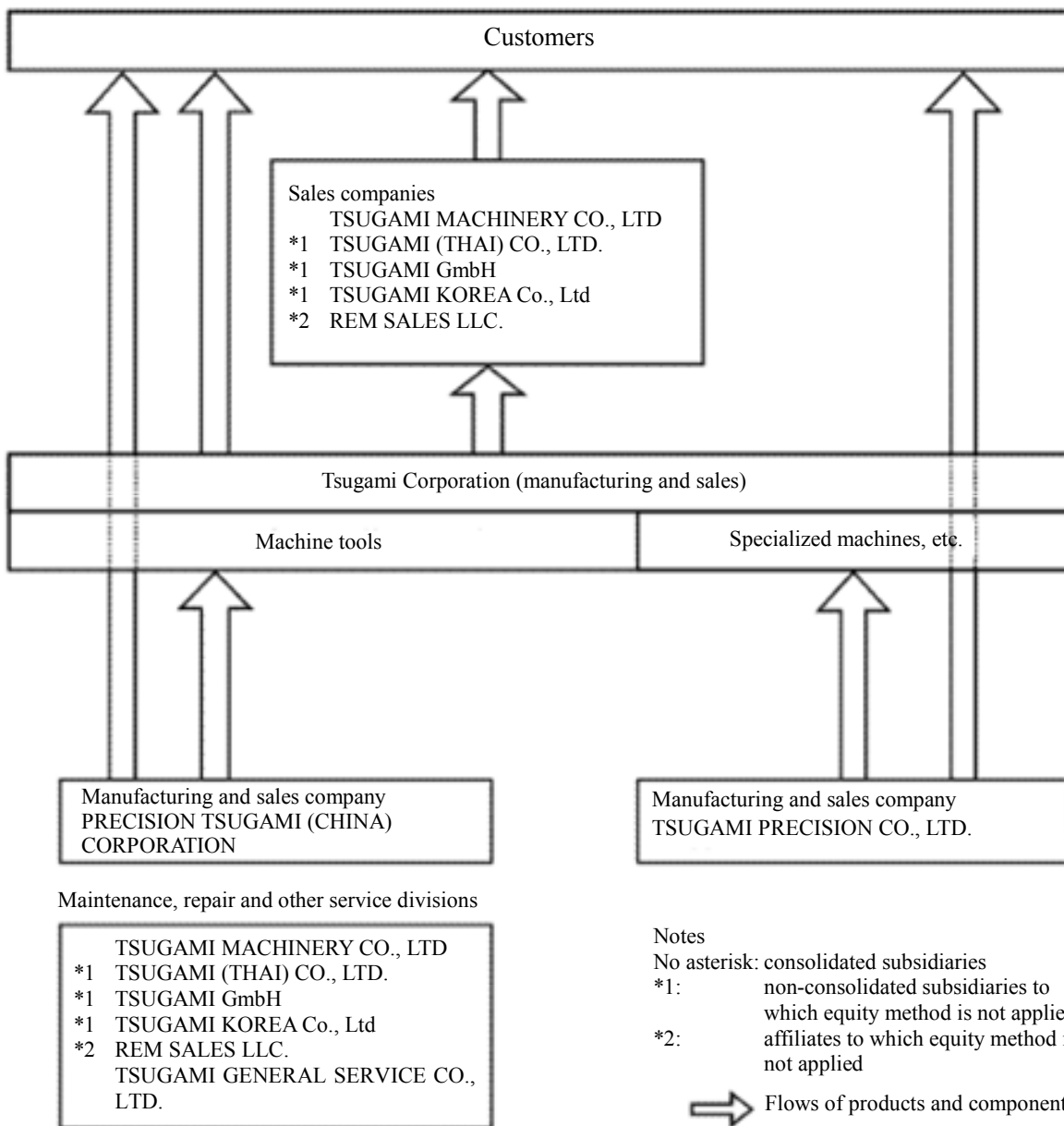
(ii) Specialized machines and other businesses

Specialized machines, measurement instruments, and tools are manufactured and sold by the Company. Certain of the parts and components of the products are purchased from Tsugami Precision Co., Ltd.

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

(2) Business diagram

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



4. Situations of affiliates

Name	Address	Capital or investments	Major business	Ownership of voting rights (%)	Relations
Consolidated subsidiaries					
Tsugami Machinery Co., Ltd.	Kawasaki-ku, Kawasaki-shi, Kanagawa	60 million yen	Machine tool business	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	Specialized machines and other businesses	100	Checks and maintains buildings and equipment on the premises of plants; carries out the agency of nonlife insurance. There are interlocking officers.
Tsugami Precision Co., Ltd.	Chuo-ku, Tokyo	10 million yen	Machine tool business and specialized machines and other businesses	100	Processes, assembles, and sells products of the Company. There are interlocking officers.
Precision Tsugami (China) Corporation (Note 2, 3)	Zhejiang, China	71 million yuan	Machine tool business	100	Processes, assembles, and sells products of the Company. There are interlocking officers.

Notes 1. The names of business segments are entered in the major business column.

2. Precision Tsugami (China) Corporation is a specified subsidiary.

3. 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	4,695 million yen
(2) Ordinary income	301 million yen
(3) Net income	261 million yen
(4) Net assets	1,391 million yen
(5) Total assets	5,255 million yen

5. Employees

(1) Group employees

As of March 31, 2010

Business segment	Number of employees	
Machine tool business	499	(171)
Specialized machines and other businesses	34	(3)
Company-wide (common)	37	(8)
Total	570	(182)

Notes 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 classified into the Company-wide (common) category is the number of employees belonging to the administration division that is not able to be classified into specific segments.

(2) Employees of the submitting company

As of March 31, 2010

Number of employees	Average age	Average service years	Average annual salary (thousand yen)
517 (47)	43.5	18.7	4,779

Notes 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 the Company to other companies (53 employees) are not included.

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 324.

Labor-management relations are good.

Section 2. Business Situation

1. Overview of operating results

(1) Operating results

The Japanese economy continued to confront challenging conditions during the consolidated fiscal year under review, compared with levels before a global economic crisis. Nonetheless, signs of a recovery did appear, as certain sectors moved out of the business slump that had followed in the wake of the global financial turmoil.

The machine tool industry showed a modest uptrend, but results did not reach past levels. Demand, nonetheless, picked up in emerging nations in Asia, including China, at the end of 2009, and IT and related industries, including the hard disk drive (HDD) industry, achieved a remarkable recovery.

In this environment, Tsugami Corporation (the “Company”) and its affiliates (the “Group”) were proactive in seeking to supply precision machine tools to markets based on precision processing knowhow they have accumulated over the years to meet demands in emerging countries, such as China, and advancing needs of customers in IT and related industries. As a result of such initiatives, orders began to increase in the fourth quarter of the consolidated fiscal year under review. In addition, the Group worked to review and streamline its production systems by taking steps such as building up production at Chinese plants, in an attempt to boost production capacity, deal with the appreciation of the yen and make its products more price competitive.

Consolidated net sales improved in the fourth quarter, but for the fiscal year under review declined 31.2% year on year, to 15,598 million yen, reflecting declines up to the third quarter. Consolidated net sales in Japan plunged 59.7%, to 4,346 million yen. Consolidated exports slipped 5.5%, to 11,251 million yen. The export ratio rose from 52.5% for the previous fiscal year, to 72.1%. Consolidated operating income dropped 89.5%, to 84 million yen. The ordinary loss and net loss were 117 million yen and 244 million yen, respectively.

Operating results by business segment are as follows:

- (i) In the machine tool business, net sales stood at 15,084 million yen, down 31.4% year on year. Operating income was 1 million yen.
- (ii) In the specialized machines and other businesses, net sales were 514 million yen, down 26.5% year on year. Operating income was 83 million yen.

(2) Cash flows

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

2. Production, orders received, and sales

(1) Production performance

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

Business segment	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010) (million yen)	Year on year (%)
Machine tool business	18,302	-21.7
Specialized machines and other businesses	500	-24.4
Total	18,802	-21.8

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

2. The amounts above do not include consumption taxes.

(2) Orders received

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

(3) Sales performance

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

Business segment	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010) (million yen)	Year on year (%)
Machine tool business	15,084	-31.4
Specialized machines and other businesses	514	-26.5
Total	15,598	-31.2

Notes 1. Transactions between the segments were canceled out.

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

There were no customers accounting for 10% or more of total sales in the fiscal year under review, and therefore a description of sales by customer is omitted.

	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	
	Amount (million yen)	Ratio (%)
Rem Sales LLC	2,360	10.4

3. The amounts above do not include consumption taxes.

3. Challenges to address

(Challenges in the medium to long term)

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

(1) Introduction of new products targeting growth fields

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

(2) Business strategies targeting growth regions

The Group will aggressively build up its operations over the medium and long term with actions that include the expansion and upgrading of production, sales and after-sales service organizations in markets where investor confidence is high, such as China, Southeast Asia and India.

In an additional initiative, the Group will actively promote sales of its products in Europe, where market penetration has been limited, through a subsidiary in Germany and agents with which it aligned recently.

The Group will also seek to generate business alliance effects in the joint manufacture and sale of machine tools with Tornos S. A. of Switzerland.

(3) Management streamlining and customer satisfaction enhancement

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

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

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.

(Immediate challenges)

In the fiscal year under review, consolidated business performance was markedly influenced by operating conditions, which declined rapidly with the financial crisis in the United States. However, demand in China and other emerging economies in Asia improved toward the end of last year, and the IT industry, including the HDD sector, is staging a significant recovery. In these circumstances, the Company has been receiving strong orders since the fourth quarter and has been taking steps to boost its production capacity, primarily at its plants in China.

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 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 plants in China.

(3) Effects of matters relating to quality

The Group is developing and launching new products. Meanwhile, the Group has established environment conservation and quality assurance systems, including ISO14001 and ISO9001 certificates. To strengthen the Quality Assurance Division in

preparation for unexpected failures, the Group has added a user support team, quality assurance team, and manufacturing technology team. In this way, the Group strives to handle failures promptly and appropriately, thereby minimizing the effects on operating results.

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 752 million yen.

(1) Machine tool business

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 G300/G350 CNC high-precision cylindrical grinding machine, the S205/206, C180, and MB25 CNC high-precision automatic lathe, and the VA35H vertical machining center.

R&D expenses relating to the business were 752 million yen.

(2) Specialized machines and other businesses

There were no R&D expenses relating to the businesses in the fiscal year under review.

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

(1) Analysis relating to the consolidated financial position

(Current assets)

Current assets at the end of the fiscal year under review rose 3,704 million yen, to 20,191 million yen (16,486 million yen at the end of the previous fiscal year), primarily reflecting an increase of 2,864 million yen in trade notes and accounts receivable and a 654 million yen rise in cash and deposits.

(Fixed assets)

Fixed assets at the end of the fiscal year under review increased 1,745 million yen, to 10,930 million yen (9,184 million yen at the end of the previous fiscal year). The primary reason for the increase was a 2,443 million yen rise in investment securities, which offset a 335 million yen decrease in deferred tax assets.

(Current liabilities)

Current liabilities at the end of the fiscal year under review climbed 5,440 million yen, to 9,296 million yen (3,855 million yen at the end of the previous fiscal year), mainly attributable to a 4,816 million yen increase in trade notes and accounts payable and a 508 million yen rise in short-term borrowings.

(Long-term liabilities)

Long-term liabilities at the end of the fiscal year under review declined 161 million yen, to 1,968 million yen (2,129 million yen at the end of the previous fiscal year) primarily because of a 300 million yen decrease in corporate bonds.

(Net assets)

Net assets at the end of the fiscal year under review were 19,882 million yen (net assets of 19,718 million yen for the previous fiscal year), primarily reflecting a 971 million yen increase in unrealized gains on marketable securities, which more than offset a net loss of 244 million yen, expenditure on the acquisition of treasury stock of 131 million yen, and dividends paid of 337 million yen.

(2) Analysis of cash flows

(Cash flows)

Cash and cash equivalents rose by 654 million yen from the end of the previous consolidated fiscal year, to 3,842 million yen at the end of the consolidated fiscal year under review. The following shows cash flows in each category in the fiscal year under review.

(Cash flows from operating activities)

Cash generated by operating activities was 2,299 million yen (439 million yen generated for the previous fiscal year). The result mainly reflected depreciation and amortization expenses of 750 million yen and an increase in trade notes and accounts payable of 4,878 million yen. These factors offset a decrease in cash, reflecting a net loss before taxes and other adjustments of 119 million yen, an increase in trade notes and accounts receivable of 2,880 million yen, and changes in other current assets of 129 million yen.

(Cash flows from investing activities)

Cash used for investing activities was 1,358 million yen (1,803 million yen used for the previous fiscal year). Key factors in this result included expenditure for the acquisition of tangible fixed assets of 306 million yen and expenditure for the acquisition of investment securities of 1,081 million yen.

(Cash flows from financing activities)

Cash used for financing activities was 268 million yen (1,210 million yen generated for the previous fiscal year). The cash outflow resulted mainly from the redemption of bonds of 300 million yen, an expenditure of 131 million yen on the acquisition of treasury stock, and dividends paid of 338 million yen. These factors offset fund increases from factors such as short-term borrowings of 508 million yen.

(3) Analysis relating to consolidated operating results

Net sales in the fiscal year under review stood at 15,598 million yen, down 31.2% year on year. Operating income was 84 million yen, declining 89.5% year on year. A net loss of 244 million yen was posted.

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 381 million yen.

Capital expenditures by business segment are as follows:

Capital expenditures in the machine tool business were 381 million yen, which was allocated primarily to production facilities at Nagaoka and Shinshu factories of the Company and Precision Tsugami (China) Corporation, a subsidiary.

There was no capital investment in the specialized machines and other businesses.

The Group's own funds and funds raised through the issuing of bonds were appropriated for the capital expenditures.

2. Major facilities

The table below shows major facilities of the Group.

(1) Submitting company

As of March 31, 2010

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)	Machine tool business	Equipment for producing machine tools	2,112	587	232 (71,339)	11	220	3,164	355 (120)
Shinshu factory (Saku-shi, Nagano)	Machine tool business and specialized machines and other businesses	Equipment for producing machine tools, and specialized machines and other products	649	560	22 (64,685)	5	38	1,277	94 (13)
Niigata factory (Niigata-shi, Niigata)	Machine tool business	Equipment for producing machine tools	69	3	164 (18,245)	–	10	248	–
Other (Kawasaki-ku, Kawasaki-shi, Kanagawa)	–	Apartments for unmarried employees	167	–	91 (469)	–	0	259	–

(2) Overseas subsidiary

As of March 31, 2010

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)	Machine tool business	Equipment for producing machine tools	363	563	– (–)	–	11	939	11 (144)

Notes 1. The book value in the “Other” column is a total value of tools, and equipment and fixtures and does not include construction in progress.

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

3. Equipment introduction and retirement plans

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

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

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

Corporate name, factory	Location	Business segment	Facilities	Planned investments (million yen)		Financing method	Planned start and completion date	
				Total	Amount paid		Start	Completion
Nagaoka factory of the Company	Nagaoka-shi, Niigata	Machine tool business	Machinery and equipment	200	–	Self-financing	April 2010	March 2011
Shinshu factory of the Company	Saku-shi, Nagano	Machine tool business and specialized machines and other businesses	Machinery and equipment	200	–	Self-financing	April 2010	March 2011
Precision Tsugami (China) Corporation	Zhejiang, China	Machine tool business	Buildings, machinery and equipment	800	–	Self-financing	April 2010	December 2010

Section 4. Situation of Submitting Company

1. Shares of the Company

(1) Total number of shares and other information

(i) Total number of shares

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

(ii) Shares issued

Type	Number of shares issued at end of fiscal year (March 31, 2010)	Number of shares issued on the date of the submission of the report (June 21, 2010)	Stock exchange or registered financial instruments dealers association	Remarks
Common shares	68,019,379	68,019,379	The First Section of the Tokyo Stock Exchange	Number of shares per unit: 1,000
Total	68,019,379	68,019,379	—	—

Notes 1. 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, 2010 through the date of the submission of the report.

2. The stock was delisted from the Osaka Securities Exchange on October 30, 2009.

(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, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription rights to shares (Note 1)	119	119
Number of own subscription rights to shares of the subscription rights to shares	–	–
Type of shares underlying subscription rights to shares	Common shares	Same as at left
Number of shares underlying subscription rights to shares	119,000	119,000
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) (Note 2)	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	Partial exercise of each subscription rights to shares is not allowed. Other conditions shall be as set forth in the “Subscription Rights to Share Allocation Agreement,” entered into between the Company and each holder.	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	–	–

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

If the Company carries out a share-split or a reverse share-split for its common stock after the date on which subscription rights to shares are issued (hereinafter the “Issue Date”), the Number of Granted Shares shall be adjusted in proportion to the split or reverse split ratio. If a fraction of less than one share is generated by the adjustment, it shall be rounded down.

If an adjustment of the Number of Granted Shares is considered to be necessary for unavoidable reasons, for example if the Company reduces capital, is merged, or breaks up, after the Issue Date, the Company shall carry out an adjustment deemed reasonable, considering the conditions of the capital reduction, merger, or break-up.

2. Amount to be paid for the exercise of each subscription right to shares

The amount to be paid for the exercise of each subscription right to shares shall be one yen, which is the amount to be paid in for one of the shares that will be issued or transferred through the exercise of the subscription rights to shares, multiplied by the Number of Granted Shares.

If the Company issues new common shares or disposes of treasury common stock (except for the exercise of subscription rights to shares) at a price lower than the market value after the Issue Date, the Exercise Price shall be adjusted as specified in the mathematical expression below. Fractions of less than one yen after the adjustment shall be rounded.

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

The “number of shares outstanding” in the expression above shall be the number of issued shares in the Company minus the number of treasury stock held by the Company. If the Company disposes of treasury stock, the “number of shares

newly issued” shall read the “number of treasury stock to be disposed of.”

If the Company carries out a share-split of a reverse share-split for its common stock after the Issue Date, the Exercise Price shall be adjusted in proportion to the split or reverse split ratio. A fraction of less than one yen as a result of the adjustment shall be rounded up.

If an adjustment of the Exercise Price is considered to be necessary for unavoidable reasons, for example if the Company reduces capital, is merged, or breaks up, after the Issue Date, the Company shall carry out an adjustment deemed reasonable, considering the conditions of the capital reduction, merger, or breakup.

3. Conditions for the exercise of subscription rights to shares

- (i) A holder of the subscription rights to shares may exercise the subscription rights to shares only when the holder no longer holds a position as the Company’s director (including an executive officer in a company with a committee), statutory auditor, and/or titled executive officer. 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. (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)
- (ii) Regardless of the preceding paragraph, if the holder may not exercise the subscription rights to shares until June 30, 2024, he/she may exercise the subscription rights to shares from July 1, 2024.
- (iii) If the holder dies, the heir may exercise the subscription rights to shares. In this case, the heir may only exercise the subscription rights to shares within a period of six months from the day following the date on which the holder became deceased. (If the end of the specified period is not a business day, it shall be the business day immediately preceding that day.)

The table below shows the details of the subscription rights to shares issued under the Company Law.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription rights to shares (Note 1)	51	51
Number of own subscription rights to shares of the subscription rights to shares	–	–
Type of shares underlying subscription rights to shares	Common shares	Same as at left
Number of shares underlying subscription rights to shares	51,000	51,000
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) (Note 2, 4)	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 3)	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 5)	Same as at left

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the subscription rights to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription rights to shares

(i) A holder of the subscription rights to shares may exercise the subscription rights to shares only when the holder no longer holds a position as the Company’s director (including an executive officer in a company with a committee), corporate auditor, titled 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 (hereinafter the “Rights Start Date”). (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)

(ii) Other conditions associated with the exercise of subscription rights to shares shall be approved by the Board of Directors.

4. The issue price is the sum of the amount paid for the subscription right to shares of 608 yen and the amount to be paid for the exercise of the subscription rights to shares of one yen.

5. Matters relating to the delivery of subscription rights to shares in association with reorganization acts

Policy for determining the features of the delivery of subscription rights to shares of the company involved in reorganization

If the Company carries out a merger (limited to a case in which the Company is to be extinguished as a result of the merger), an absorption-type company split or incorporation-type company split (limited to a case in which the Company is to be a divisively reorganizing company), or a stock swap or stock transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the subscription rights to shares of the stock company provided for in sub-items (a) to (e) of Article 236, Paragraph 1, Item 8 of the Company Law (hereinafter the “Reorganizing Company”) are to be delivered to the holders of the subscription rights to shares remaining (hereinafter “Remaining Subscription Rights to Shares”) immediately before the effective date of Reorganization Acts (date when the merger comes into force, when the absorption-type company split comes into force, when the stock company incorporated as a result of the incorporation-type company split is established, when the stock swap comes into force, or when the full parent company incorporated as a result of the stock transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, stock swap agreement, or stock transfer plan stipulates that the subscription rights to shares of the Reorganizing Company are to be delivered under the following conditions:

- i Number of subscription rights to shares of the Reorganizing Company to be delivered
The same as the number of Remaining Subscription Rights to Shares held by the holder
- ii Type of Reorganizing Company shares underlying the subscription rights to shares
Common shares in the Reorganizing Company
- iii Number of Reorganizing Company shares underlying the subscription rights to shares
To be determined in accordance with Note 1 above with the conditions of the Reorganization Act considered
- iv Amount of assets contributed on exercise of the subscription rights to shares
The amount of assets contributed on exercise of each subscription right to share to be delivered shall be the amount to be paid after reorganization, which is specified below, multiplied by the number of Reorganizing Company shares underlying the subscription rights to shares, which is specified in iii above. The amount to be paid after reorganization shall be one yen per share in the Reorganizing Company that will be delivered through the exercise of each subscription right to shares to be delivered.
- v Exercise period of the subscription rights to shares
From the start day of the exercise period in the table above and the effective date of Reorganization Acts, whichever is later, to the expiry date of the exercise period in the table above.
- vi Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription rights to shares
 - a. The amount of increase in capital when shares are issued with the exercise of the subscription rights to shares shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 40 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest one yen.
 - b. The amount of increase in capital reserve when shares are issued with the exercise of the subscription rights to shares shall be the maximum amount of increase in capital, etc., which is mentioned in (a) above, minus the amount of increase in capital, which is also mentioned in (a) above.
- vii Restriction on acquiring the subscription rights to shares by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of subscription rights to shares by assignment.
- viii Provisions concerning the acquisition of the subscription rights to shares
If item (a), (b), (c), (d), or (e) below is approved in the shareholders meeting of the Company (if a resolution for it is passed at a Board of Directors meeting or it is determined by the chief executive officer of the Company if a resolution at the shareholders meeting is not required), the Company may acquire subscription rights to shares without

charge on a date specified by the Board of Directors separately.

- a. Approval of a merger agreement where the Company is to be extinguished
 - b. Approval of a company split agreement or company split plan where the Company is to be a divisively reorganizing company
 - c. Approval of a stock swap agreement or a stock transfer plan where the Company is to be a wholly owned subsidiary
 - d. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating the acquisition of any share issued by the Company by assignment shall require the approval of the Company.
 - e. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating that the acquisition of shares underlying subscription rights to shares by assignment shall require the approval of the Company or that the Company will acquire all shares underlying subscription rights to shares through a resolution of a shareholders meeting
- ix Other conditions for exercise of the subscription rights to shares
The same as the conditions for the exercise of subscription rights to shares specified above.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription rights to shares (Note 1)	46	46
Number of own subscription rights to shares of the subscription rights to shares	—	—
Type of shares underlying subscription rights to shares	Common shares	Same as at left
Number of shares underlying subscription rights to shares	46,000	46,000
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) (Note 2, 4)	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 3)	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 5)	Same as at left

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the subscription rights to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription rights to shares

(i) A holder of the subscription rights to shares may exercise the subscription rights to shares only when the holder no longer holds a position as the Company’s director (including an executive officer in a company with a committee), statutory auditor, titled 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 (hereinafter the “Rights Start Date”). (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)

(ii) Other conditions associated with the exercise of subscription rights to shares shall be approved by the Board of Directors.

4. The issue price is the sum of the amount paid for the subscription right to shares of 608 yen and the amount to be paid for the exercise of the subscription right to shares of one yen.

5. Matters relating to the delivery of subscription rights to shares in association with reorganization acts

Policy for determining the features of the delivery of subscription rights to shares of the company involved in reorganization

If the Company carries out a merger (limited to a case in which the Company is to be extinguished as a result of the merger), an absorption-type company split or incorporation-type company split (limited to a case in which the Company is to be a divisively reorganizing company), or a stock swap or stock transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the subscription rights to shares of the stock company provided for in sub-items (a) to (e) of Article 236, Paragraph 1, Item 8 of the Company Law (hereinafter the “Reorganizing Company”) are to be delivered to the holders of the subscription rights to shares remaining (hereinafter “Remaining Subscription rights to shares”) immediately before the effective date of Reorganization Acts (date when the merger comes into force, when the absorption-type company split comes into force, when the stock company incorporated as a result of the incorporation-type company split is established, when the stock swap comes into force, or when the full parent company incorporated as a result of the stock transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, stock swap agreement, or stock transfer plan stipulates that the subscription rights to shares of the Reorganizing Company are to be delivered under the following conditions:

- i Number of subscription rights to shares of the Reorganizing Company to be delivered
The same as the number of Remaining Subscription Rights to Shares held by the holder
- ii Type of Reorganizing Company shares underlying the subscription rights to shares
Common shares in the Reorganizing Company
- iii Number of Reorganizing Company shares underlying the subscription rights to shares
To be determined in accordance with Note 1 above with the conditions of the Reorganization Act considered
- iv Amount of assets contributed on exercise of the subscription rights to shares
The amount of assets contributed on exercise of each subscription right to shares to be delivered shall be the amount to be paid after reorganization, which is specified below, multiplied by the number of Reorganizing Company shares underlying the subscription rights to shares, which is specified in iii above. The amount to be paid after reorganization shall be one yen per share in the Reorganizing Company that will be delivered through the exercise of each subscription right to shares to be delivered.
- v Exercise period of the subscription rights to shares
From the start day of the exercise period in the table above and the effective date of Reorganization Acts, whichever is later, to the expiry date of the exercise period in the table above.
- vi Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription rights to shares
 - a. The amount of increase in capital when shares are issued with the exercise of the subscription rights to shares shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 40 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest one yen.
 - b. The amount of increase in capital reserve when shares are issued with the exercise of the subscription rights to shares shall be the maximum amount of increase in capital, etc., which is mentioned in (a) above, minus the amount of increase in capital, which is also mentioned in (a) above.
- vii Restriction on acquiring the subscription rights to shares by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of subscription rights to shares by assignment.
- viii Provisions concerning the acquisition of the subscription rights to shares
If item (a), (b), (c), (d), or (e) below is approved in the shareholders meeting of the Company (if a resolution for it is passed at a Board of Directors meeting or it is determined by the chief executive officer of the Company if a resolution at the shareholders meeting is not required), the Company may acquire subscription rights to shares without

charge on a date specified by the Board of Directors separately.

- a. Approval of a merger agreement where the Company is to be extinguished
 - b. Approval of a company split agreement or company split plan where the Company is to be a divisively reorganizing company
 - c. Approval of a stock swap agreement or a stock transfer plan where the Company is to be a wholly owned subsidiary
 - d. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating the acquisition of any share issued by the Company by assignment shall require the approval of the Company.
 - e. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating that the acquisition of shares underlying subscription rights to shares by assignment shall require the approval of the Company or that the Company will acquire all shares underlying subscription rights to shares through a resolution of a shareholders meeting
- ix Other conditions for exercise of the subscription rights to shares
The same as the conditions for the exercise of subscription rights to shares specified above.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription rights to shares (Note 1)	67	67
Number of own subscription rights to shares of the subscription rights to shares	—	—
Type of shares underlying subscription rights to shares	Common shares	Same as at left
Number of shares underlying subscription rights to shares	67,000	67,000
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) (Note 2, 4)	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 3)	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 5)	Same as at left

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the subscription rights to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription rights to shares

(i) A holder of the subscription rights to shares may exercise the subscription rights to shares only when the holder no longer holds a position as the Company’s director (including an executive officer in a company with a committee), statutory auditor, titled 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 (hereinafter the “Rights Start Date”). (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)

(ii) Other conditions associated with the exercise of subscription rights to shares shall be approved by the Board of Directors.

4. The issue price is the sum of the amount paid for the subscription right to shares of 513 yen and the amount to be paid for the exercise of the subscription right to shares of one yen.

5. Matters relating to the delivery of subscription rights to shares in association with reorganization acts

Policy for determining the features of the delivery of subscription rights to shares of the company involved in reorganization

If the Company carries out a merger (limited to a case in which the Company is to be extinguished as a result of the merger), an absorption-type company split or incorporation-type company split (limited to a case in which the Company is to be a divisively reorganizing company), or a stock swap or stock transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the subscription rights to shares of the stock company provided for in sub-items (a) to (e) of Article 236, Paragraph 1, Item 8 of the Company Law (hereinafter the “Reorganizing Company”) are to be delivered to the holders of the subscription rights to shares remaining (hereinafter “Remaining Subscription Rights to Shares”) immediately before the effective date of Reorganization Acts (date when the merger comes into force, when the absorption-type company split comes into force, when the stock company incorporated as a result of the incorporation-type company split is established, when the stock swap comes into force, or when the full parent company incorporated as a result of the stock transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, stock swap agreement, or stock transfer plan stipulates that the subscription rights to shares of the Reorganizing Company are to be delivered under the following conditions:

- i Number of subscription rights to shares of the Reorganizing Company to be delivered
The same as the number of Remaining Subscription Rights to Shares held by the holder
- ii Type of Reorganizing Company shares underlying the subscription rights to shares
Common shares in the Reorganizing Company
- iii Number of Reorganizing Company shares underlying the subscription rights to shares
To be determined in accordance with Note 1 above with the conditions of the Reorganization Act considered
- iv Amount of assets contributed on exercise of the subscription rights to shares
The amount of assets contributed on exercise of each subscription right to shares to be delivered shall be the amount to be paid after reorganization, which is specified below, multiplied by the number of Reorganizing Company shares underlying the subscription rights to shares, which is specified in iii above. The amount to be paid after reorganization shall be one yen per share in the Reorganizing Company that will be delivered through the exercise of each subscription right to shares to be delivered.
- v Exercise period of the subscription rights to shares
From the start day of the exercise period in the table above and the effective date of Reorganization Acts, whichever is later, to the expiry date of the exercise period in the table above.
- vi Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription rights to shares
 - a. The amount of increase in capital when shares are issued with the exercise of the subscription rights to shares shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 40 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest one yen.
 - b. The amount of increase in capital reserve when shares are issued with the exercise of the subscription rights to shares shall be the maximum amount of increase in capital, etc., which is mentioned in (a) above, minus the amount of increase in capital, which is also mentioned in (a) above.
- vii Restriction on acquiring the subscription rights to shares by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of subscription rights to shares by assignment.
- viii Provisions concerning the acquisition of the subscription rights to shares
If item (a), (b), (c), (d), or (e) below is approved in the shareholders meeting of the Company (if a resolution for it is passed at a Board of Directors meeting or it is determined by the chief executive officer of the Company if a resolution at the shareholders meeting is not required), the Company may acquire subscription rights to shares without

charge on a date specified by the Board of Directors separately.

- a. Approval of a merger agreement where the Company is to be extinguished
 - b. Approval of a company split agreement or company split plan where the Company is to be a divisively reorganizing company
 - c. Approval of a stock swap agreement or a stock transfer plan where the Company is to be a wholly owned subsidiary
 - d. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating the acquisition of any share issued by the Company by assignment shall require the approval of the Company.
 - e. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating that the acquisition of shares underlying subscription rights to shares by assignment shall require the approval of the Company or that the Company will acquire all shares underlying subscription rights to shares through a resolution of a shareholders meeting
- ix Other conditions for exercise of the subscription rights to shares
The same as the conditions for the exercise of subscription rights to shares specified above.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription right to shares (Note 1)	72	72
Number of own subscription right to shares of the subscription right to shares	–	–
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	72,000	72,000
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) (Note 2, 4)	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 3)	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 5)	Same as at left

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

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

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \frac{\text{Ratio of share-split / reverse share-split}}{1}$$

The above adjustment shall be applied only to the number of the shares that are the object of the subscription right to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription right to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription right to shares

(i) A holder of the subscription right to shares may exercise the subscription right to shares only when the holder no longer holds a position as the Company’s director (including an executive officer in a company with a committee), statutory auditor, titled executive officer, and/or employee with a similar title. In this case, the holder may only exercise the subscription right to shares within a period of seven days from the next day of the date when he/she loses the above titles (hereinafter the “Rights Start Date”). (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)

(ii) Other conditions associated with the exercise of subscription right to shares shall be approved by the Board of Directors.

4. The issue price is the sum of the amount paid for the subscription right to shares of 513 yen and the amount to be paid for the exercise of the subscription right to shares of one yen.

5. Matters relating to the delivery of subscription right to shares in association with reorganization acts

Policy for determining the features of the delivery of subscription right to shares of the company involved in reorganization

If the Company carries out a merger (limited to a case in which the Company is to be extinguished as a result of the merger), an absorption-type company split or incorporation-type company split (limited to a case in which the Company is to be a divisively reorganizing company), or a stock swap or stock transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the subscription right to shares of the stock company provided for in sub-items (a) to (e) of Article 236, Paragraph 1, Item 8 of the Company Law (hereinafter the “Reorganizing Company”) are to be delivered to the holders of the subscription right to shares remaining (hereinafter “Remaining Subscription Rights to Shares”) immediately before the effective date of Reorganization Acts (date when the merger comes into force, when the absorption-type company split comes into force, when the stock company incorporated as a result of the incorporation-type company split is established, when the stock swap comes into force, or when the full parent company incorporated as a result of the stock transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, stock swap agreement, or stock transfer plan stipulates that the subscription right to shares of the Reorganizing Company are to be delivered under the following conditions:

- i Number of subscription right to shares of the Reorganizing Company to be delivered
The same as the number of Remaining Subscription Rights to Shares held by the holder
- ii Type of Reorganizing Company shares underlying the subscription right to shares
Common shares in the Reorganizing Company
- iii Number of Reorganizing Company shares underlying the subscription right to shares
To be determined in accordance with Note 1 above with the conditions of the Reorganization Act considered
- iv Amount of assets contributed on exercise of the subscription right to shares
The amount of assets contributed on exercise of each subscription right to shares to be delivered shall be the amount to be paid after reorganization, which is specified below, multiplied by the number of Reorganizing Company shares underlying the subscription right to shares, which is specified in iii above. The amount to be paid after reorganization shall be one yen per share in the Reorganizing Company that will be delivered through the exercise of each subscription right to shares to be delivered.
- v Exercise period of the subscription right to shares
From the start day of the exercise period in the table above and the effective date of Reorganization Acts, whichever is later, to the expiry date of the exercise period in the table above.
- vi Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription right to shares
 - a. The amount of increase in capital when shares are issued with the exercise of the subscription right to shares shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 40 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest one yen.
 - b. The amount of increase in capital reserve when shares are issued with the exercise of the subscription right to shares shall be the maximum amount of increase in capital, etc., which is mentioned in (a) above, minus the amount of increase in capital, which is also mentioned in (a) above.
- vii Restriction on acquiring the subscription right to shares by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of subscription right to shares by assignment.
- viii Provisions concerning the acquisition of the subscription right to shares
If item (a), (b), (c), (d), or (e) below is approved in the shareholders meeting of the Company (if a resolution for it is passed at a Board of Directors meeting or it is determined by the chief executive officer of the Company if a resolution at the shareholders meeting is not required), the Company may acquire subscription right to shares without

charge on a date specified by the Board of Directors separately.

- a. Approval of a merger agreement where the Company is to be extinguished
 - b. Approval of a company split agreement or company split plan where the Company is to be a divisively reorganizing company
 - c. Approval of a stock swap agreement or a stock transfer plan where the Company is to be a wholly owned subsidiary
 - d. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating the acquisition of any share issued by the Company by assignment shall require the approval of the Company.
 - e. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating that the acquisition of shares underlying subscription right to shares by assignment shall require the approval of the Company or that the Company will acquire all shares underlying subscription right to shares through a resolution of a shareholders meeting
- ix Other conditions for exercise of the subscription right to shares
The same as the conditions for the exercise of subscription right to shares specified above.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription right to shares (Note 1)	83	83
Number of own subscription right to shares of the subscription right to shares	—	—
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	83,000	83,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	1
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) (Note 2, 4)	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 3)	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 5)	Same as at left

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the subscription right to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription right to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription right to shares

(i) In principle, a holder of subscription right to shares may exercise them only when the holder no longer holds a position at the Company as a director (including an executive officer in a company with a committees system), statutory auditor, titled executive officer, or employee with a similar title during the exercise period specified in the table above. In this case, the holder may only exercise the subscription right to shares within a period of seven days from the next day of the date when he/she loses the above titles (hereinafter the “Rights Start Date”). (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)

(ii) Other conditions associated with the exercise of subscription right to shares shall be approved by the Board of Directors.

4. The issue price is the sum of the amount paid for the subscription right to shares of 279 yen and the amount to be paid for the exercise of the subscription right to shares of one yen.

5. Matters relating to the delivery of subscription right to shares in association with reorganization acts

Policy for determining the features of the delivery of subscription right to shares of the company involved in reorganization

If the Company carries out a merger (limited to a case in which the Company is to be extinguished as a result of the merger), an absorption-type company split or incorporation-type company split (limited to a case in which the Company is to be a divisively reorganizing company), or a stock swap or stock transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the subscription right to shares of the stock company provided for in sub-items (a) to (e) of Article 236, Paragraph 1, Item 8 of the Company Law (hereinafter the “Reorganizing Company”) are to be delivered to the holders of the subscription right to shares remaining (hereinafter “Remaining Subscription Rights to Shares”) immediately before the effective date of Reorganization Acts (date when the merger agreement comes into force, when the absorption-type company split agreement comes into force, when the stock company incorporated as a result of the incorporation-type company split is established, when the stock swap comes into force, or when the full parent company incorporated as a result of the stock transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, stock swap agreement, or stock transfer plan stipulates that the subscription right to shares of the Reorganizing Company are to be delivered under the following conditions:

- i Number of subscription right to shares of the Reorganizing Company to be delivered
The same as the number of Remaining Subscription Rights to Shares held by the holder
- ii Type of Reorganizing Company shares underlying the subscription right to shares
Common shares in the Reorganizing Company
- iii Number of Reorganizing Company shares underlying the subscription right to shares
To be determined in accordance with Note 1 above with the conditions of the Reorganization Act considered
- iv Amount of assets contributed on exercise of the subscription right to shares
The amount of assets contributed on exercise of each subscription right to shares to be delivered shall be the amount to be paid after reorganization, which is specified below, multiplied by the number of Reorganizing Company shares underlying the subscription right to shares, which is specified in iii above. The amount to be paid after reorganization shall be one yen per share in the Reorganizing Company that will be delivered through the exercise of each subscription right to shares to be delivered.
- v Exercise period of the subscription right to shares
From the start day of the exercise period in the table above and the effective date of Reorganization Acts, whichever is later, to the expiry date of the exercise period in the table above.
- vi Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription right to shares
 - a. The amount of increase in capital when shares are issued with the exercise of the subscription right to shares shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 40 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest one yen.
 - b. The amount of increase in capital reserve when shares are issued with the exercise of the subscription right to shares shall be the maximum amount of increase in capital, etc., which is mentioned in (a) above, minus the amount of increase in capital, which is also mentioned in (a) above.
- vii Restriction on acquiring the subscription right to shares by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of subscription right to shares by assignment.
- viii Provisions concerning the acquisition of the subscription right to shares
If item (a), (b), (c), (d), or (e) below is approved in the shareholders meeting of the Company (if a resolution for it is passed at a Board of Directors meeting or it is determined by the chief executive officer of the Company if a resolution at the shareholders meeting is not required), the Company may acquire subscription right to shares without

charge on a date specified by the Board of Directors separately.

- a. Approval of a merger agreement where the Company is to be extinguished
 - b. Approval of a company split agreement or company split plan where the Company is to be a divisively reorganizing company
 - c. Approval of a stock swap agreement or a stock transfer plan where the Company is to be a wholly owned subsidiary
 - d. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating the acquisition of any share issued by the Company by assignment shall require the approval of the Company.
 - e. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating that the acquisition of shares underlying subscription right to shares by assignment shall require the approval of the Company or that the Company will acquire all shares underlying subscription right to shares through a resolution of a shareholders meeting
- ix Other conditions for exercise of the subscription right to shares
The same as the conditions for the exercise of subscription right to shares specified above.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription right to shares (Note 1)	51	47
Number of own subscription right to shares of the subscription right to shares	–	–
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	51,000	47,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	1
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) (Note 2, 4)	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 3)	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 5)	Same as at left

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the subscription right to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription right to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription right to shares

(i) In principle, a holder of subscription right to shares may exercise them only when the holder no longer holds a position at the Company as a director (including an executive officer in a company with a committees system), statutory auditor, titled executive officer, or employee with a similar title during the exercise period specified in the table above. In this case, the holder may only exercise the subscription right to shares within a period of seven days from the next day of the date when he/she loses the above titles (hereinafter the “Rights Start Date”). (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)

(ii) Other conditions associated with the exercise of subscription right to shares shall be approved by the Board of Directors.

4. The issue price is the sum of the amount paid for the subscription right to shares of 279 yen and the amount to be paid for the exercise of the subscription right to shares of one yen.

5. Matters relating to the delivery of subscription right to shares in association with reorganization acts

Policy for determining the features of the delivery of subscription right to shares of the company involved in reorganization

If the Company carries out a merger (limited to a case in which the Company is to be extinguished as a result of the merger), an absorption-type company split or incorporation-type company split (limited to a case in which the Company is to be a divisively reorganizing company), or a stock swap or stock transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the subscription right to shares of the stock company provided for in sub-items (a) to (e) of Article 236, Paragraph 1, Item 8 of the Company Law (hereinafter the “Reorganizing Company”) are to be delivered to the holders of the subscription right to shares remaining (hereinafter “Remaining Subscription Rights to Shares”) immediately before the effective date of Reorganization Acts (date when the merger agreement comes into force, when the absorption-type company split agreement comes into force, when the stock company incorporated as a result of the incorporation-type company split is established, when the stock swap comes into force, or when the full parent company incorporated as a result of the stock transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, stock swap agreement, or stock transfer plan stipulates that the subscription right to shares of the Reorganizing Company are to be delivered under the following conditions:

- i Number of subscription right to shares of the Reorganizing Company to be delivered
The same as the number of Remaining Subscription Rights to Shares held by the holder
- ii Type of Reorganizing Company shares underlying the subscription right to shares
Common shares in the Reorganizing Company
- iii Number of Reorganizing Company shares underlying the subscription right to shares
To be determined in accordance with Note 1 above with the conditions of the Reorganization Act considered
- iv Amount of assets contributed on exercise of the subscription right to shares
The amount of assets contributed on exercise of each subscription right to shares to be delivered shall be the amount to be paid after reorganization, which is specified below, multiplied by the number of Reorganizing Company shares underlying the subscription right to shares, which is specified in iii above. The amount to be paid after reorganization shall be one yen per share in the Reorganizing Company that will be delivered through the exercise of each subscription right to shares to be delivered.
- v Exercise period of the subscription right to shares
From the start day of the exercise period in the table above and the effective date of Reorganization Acts, whichever is later, to the expiry date of the exercise period in the table above.
- vi Matters concerning the increase in capital and capital reserve when shares are issued upon exercise of the subscription right to shares
 - a. The amount of increase in capital when shares are issued with the exercise of the subscription right to shares shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 40 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest one yen.
 - b. The amount of increase in capital reserve when shares are issued with the exercise of the subscription right to shares shall be the maximum amount of increase in capital, etc., which is mentioned in (a) above, minus the amount of increase in capital, which is also mentioned in (a) above.
- vii Restriction on acquiring the subscription right to shares by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of subscription right to shares by assignment.
- viii Provisions concerning the acquisition of the subscription right to shares
If item (a), (b), (c), (d), or (e) below is approved in the shareholders meeting of the Company (if a resolution for it is passed at a Board of Directors meeting or it is determined by the chief executive officer of the Company if a resolution at the shareholders meeting is not required), the Company may acquire subscription right to shares without

charge on a date specified by the Board of Directors separately.

- a. Approval of a merger agreement where the Company is to be extinguished
 - b. Approval of a company split agreement or company split plan where the Company is to be a divisively reorganizing company
 - c. Approval of a stock swap agreement or a stock transfer plan where the Company is to be a wholly owned subsidiary
 - d. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating the acquisition of any share issued by the Company by assignment shall require the approval of the Company.
 - e. Approval of an amendment to the Articles of Incorporation for establishing a provision stipulating that the acquisition of shares underlying subscription right to shares by assignment shall require the approval of the Company or that the Company will acquire all shares underlying subscription right to shares through a resolution of a shareholders meeting
- ix Other conditions for exercise of the subscription right to shares
The same as the conditions for the exercise of subscription right to shares specified above.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription right to shares (Note 1)	800	800
Number of own subscription right to shares of the subscription right to shares	—	—
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	800,000	800,000
Amount to be paid for the exercise of subscription right to shares (yen)	225	225
Exercise period	From July 7, 2011 to June 30, 2014	Same as at left
Issue price and amount per share to be credited to capital when shares are issued through the exercise of subscription right to shares (yen) (Note 2, 3)	Issue price: 256 Amount per share to be credited to capital: 128	Same as at left
Conditions for the exercise of subscription right to shares	(Note 4)	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	—	—

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

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

$$\text{Number of Granted Shares after adjustment} = \text{Number of Granted Shares before adjustment} \times \frac{\text{Ratio of share-split / reverse share-split}}{1}$$

The above adjustment shall be applied only to the number of the shares that are the object of the subscription right to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription right to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value per share (the “Exercise Price”) delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

The Exercise Price shall be the highest of the amount calculated by multiplying 1.05 by the average price of closing prices of the Company’s common stock quoted on the Tokyo Stock Exchange (excluding a day when no trading is carried out) on ordinary trading days in the month prior to the month when the subscription right to shares are allotted (the Allotment Date”) (with fractions of less than one yen rounded up to the nearest one yen), or the closing price of the day prior to the Allotment Date (or, if there is no closing price for that day, the closing price of the nearest day prior to the Allotment Date).

However, if the Company conducts a share-split or a reverse share-split for its common stocks after the Allotment Date, the Exercise Price shall be adjusted in accordance with the following formula, and fractions of less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

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

The Exercise Price shall be adjusted in accordance with the following formula, if, after the Allotment Date, the Company issues new common stocks or disposes of its treasury stocks at a price below the market price (excluding the transfer of

treasury stocks in accordance with the provision stipulated in Article 194 of the Company Law, or the conversion of securities that are or may be converted to the Company's common stock, or the exercise of subscription right to shares (including those attached to bonds with share options), through which a holder of such rights may request the issuance of the Company's common stocks). Any fractions of less than one yen resulting from this adjustment shall be rounded up to the nearest one yen.

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

The "number of shares outstanding" stated in the above formula is the number calculated by deducting the number of treasury stocks, common stocks held by the Company, from the number of the Company's common stocks outstanding. In the case of the disposal of treasury stocks, the "number of shares newly issued" shall be deemed to be replaced with the "number of treasury stocks to be disposed of."

In addition to the above, if the adjustment of the Exercise Prices is required for unavoidable reasons, including events of the gratis allotment to the ordinary shareholders of other types of shares after the Allotment Date, and dividend payments for the common stocks of other companies, the Exercise Price shall be adjusted to the reasonable extent, by taking into account conditions for the relevant allotment or dividend payments.

3. The issue price is the sum of the amount paid for the subscription right to shares of 31 yen and the amount to be paid for the exercise of the subscription right to shares of 225 yen.
4. 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.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription right to shares (Note 1)	191	191
Number of own subscription right to shares of the subscription right to shares	–	–
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	191,000	191,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	1
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) (Note 2, 4, 5)	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 3)	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	–	–

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

If the Company carries out a stock split (or gratis allocation of common shares of the Company) or a reverse stock split for its common stock, and if, as result, an adjustment in the Number of Granted Shares is appropriate, the Company shall make the necessary adjustment as specified in the following mathematical expression:

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

2. Amount to be paid for the exercise of subscription right to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription right to shares

(i) In principle, a holder of the subscription rights to shares may exercise the rights during the exercise period specified in the table above only when the holder no longer holds a position as the Company’s director (or executive officer in a company with a committees system), statutory auditor, titled executive officer, and/or employee in an equivalent position. In this case, the holder may exercise the invitation to subscription only within a period of seven business days from the day after he/she relinquishes the above titles.

If holders of subscription right to shares waive the invitation to subscription, they may not exercise the invitation to subscription.

(ii) Other conditions associated with the exercise of subscription right to shares shall be approved by the Board of Directors.

4. Matters concerning increases in capital and capital reserve when shares are issued upon exercise of the invitation to subscription

(i) The amount of increase in capital when shares are issued with the exercise of the invitation to subscription shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 17 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest yen.

(ii) The amount of increase in capital reserve when shares are issued with the exercise of invitation to subscription shall be the maximum amount of increase in capital, etc., given in (i) above, minus the amount of increase in capital, also given in (i) above.

5. The issue price is the sum of the amount paid for the subscription right to shares of 123 yen and the amount to be paid for the exercise of the subscription right to shares of one yen.

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

	At end of fiscal year under review (March 31, 2010)	At end of month preceding date of submission of the report (May 31, 2010)
Number of subscription right to shares (Note 1)	111	105
Number of own subscription right to shares of the subscription right to shares	–	–
Type of shares underlying subscription right to shares	Common shares	Same as at left
Number of shares underlying subscription right to shares	111,000	105,000
Amount to be paid for the exercise of subscription right to shares (yen)	1	1
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) (Note 2, 4, 5)	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 3)	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	–	–

Notes 1. The number of shares underlying a subscription right to shares (hereinafter the “Number of Granted Shares”) shall be 1,000.

If the Company carries out a stock split (or gratis allocation of common shares of the Company) or a reverse stock split for its common stock, and if, as result, an adjustment in the Number of Granted Shares is appropriate, the Company shall make the necessary adjustment as specified in the following mathematical expression:

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

2. Amount to be paid for the exercise of subscription right to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription right to shares

(i) In principle, a holder of the subscription rights to shares may exercise the rights during the exercise period specified in the table above only when the holder no longer holds a position as the Company’s director (or executive officer in a company with a committees system), statutory auditor, titled executive officer, and/or employee in an equivalent position. In this case, the holder may exercise the invitation to subscription only within a period of seven business days from the day after he/she relinquishes the above titles.

If holders of subscription right to shares waive the invitation to subscription, they may not exercise the invitation to subscription.

(ii) Other conditions associated with the exercise of subscription right to shares shall be approved by the Board of Directors.

4. Matters concerning increases in capital and capital reserve when shares are issued upon exercise of the invitation to subscription

(i) The amount of increase in capital when shares are issued with the exercise of the invitation to subscription shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 17 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest yen.

(ii) The amount of increase in capital reserve when shares are issued with the exercise of invitation to subscription shall be the maximum amount of increase in capital, etc., given in (i) above, minus the amount of increase in capital, also given in (i) above.

5. The issue price is the sum of the amount paid for the subscription right to shares of 123 yen and the amount to be paid for the exercise of the subscription right to shares of one yen.

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

If there is any exercise of bonds with subscription rights to shares with an amended exercise price, it will be reported in annual securities reports relating to fiscal years starting on or after February 1, 2010.

(4) Features of rights plan

Not applicable.

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

Date	Change in number of shares outstanding (shares)	Number of shares outstanding (shares)	Change in capital (million yen)	Capital (million yen)	Change in capital reserve (million yen)	Capital reserve (million yen)
November 15, 2006 (Note)	-10,000,000	79,019,379	–	10,599	–	4,138
March 24, 2008 (Note)	-11,000,000	68,019,379	–	10,599	–	4,138

Note The decreases were because of retirement of treasury stock.

(6) Ownership of shares by owner

As of March 31, 2010

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	–	39	33	165	92	8	9,967	10,304	–
Number of shares held (unit)	–	20,972	1,745	6,017	8,304	32	30,449	67,519	500,379
Holdings (%)	–	31.6	2.6	9.1	12.5	0.0	44.2	100.0	–

Notes 1. Treasury stock (1,154,303 shares) includes 1,154 units in the individuals and others category and 303 fractional shares.

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

(7) Major shareholders

As of March 31, 2010

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	4,768	7.00
Mizuho Trust & Banking Co., Ltd. (employee retirement benefit trust of Tokyo Seimitsu Co., Ltd., new trust custodian: Trust & Custody Services Bank, Ltd.)	1-8-12, Harumi, Chuo-ku, Tokyo	4,592	6.75
The Dai-ichi Mutual Life Insurance Company (currently The Dai-ichi Mutual Life Insurance Company, Limited)	1-8-12, Harumi, Chuo-ku, Tokyo	2,586	3.80
Mori Seiki Co., Ltd.	106, Kitakoriyama-cho, Yamatokoriyama-shi, Nara	2,000	2.94
Sumitomo Mitsui Banking Corporation	1-1-2, Yurakucho, Chiyoda-ku, Tokyo	1,516	2.22
The Hokuetsu Bank, Ltd.	2-2-14, Otedori, Nagaoka-shi, Niigata	1,484	2.18
Tsugami Customers' Shareholding Association	1-1-1, Higashi-Zao, Nagaoka-shi, Niigata	1,313	1.93
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	1,274	1.87
Bank of New York GCM Client Account JPRD ISG FE-AC (Standing agency: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	PETERBOROUGH COURT 133 FLEET STREET LONDON EC4A 2BB UNITED KINGDOM (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	1,082	1.59
SIX SIS Ltd. (Standing agency: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	CH BASLERSTRASSE 100, CH-4600 OLTEN SWITZERLAND (2-7-1, Marunouchi, Chiyoda-ku, Tokyo)	1,011	1.48
Total	—	21,626	31.76

- Notes
- All shares held by Japan Trustee Services Bank, Ltd. relate to the trust service.
 - All shares held by Mizuho Trust & Banking Co., Ltd. relate to the trust service.
 - All shares held by The Master Trust Bank of Japan, Ltd. relate to the trust service.
 - The business name of The Dai-ichi Mutual Life Insurance Company changed to The Dai-ichi Life Insurance Company, Limited on April 1, 2010.
The number of shares held includes 319 thousand shares in separate pension accounts and 167 thousand shares in separate variable accounts.
 - The Mitsubishi UFJ Financial Group and its joint holders (The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mitsubishi UFJ Trust and Banking Corporation, and Mitsubishi UFJ Asset Management Co., Ltd.) have sent the Company a copy of a large holding report dated March 16, 2009. According to the copy, they held the shares shown in the table below as of March 9, 2009. 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	0.78
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	Shares 1,476,000	2.17
Mitsubishi UFJ Asset Management Co., Ltd.	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	Shares 734,000	1.08

6. BlackRock Japan Co., Ltd. and its joint holders (BlackRock Institutional Trust Company, N.A., BlackRock (Luxembourg) S.A., and BlackRock Investment management (UK) Limited) sent the Company a copy of a change report relating to a large holding report on April 6, 2010. According to the copy, they held the numbers of shares shown in the table below as of March 31, 2010. However, since the Company has not been able to confirm the numbers of shares they held as at the end of the fiscal year, they are not included in the table above.

Name	Address	Number of shares and other securities (shares)	Holdings (%)
BlackRock Japan Co., Ltd.	1-8-3 Marunouchi, Chiyoda-ku, Tokyo	Shares 1,752,000	2.58
BlackRock Institutional Trust Company, N. A.	400 Howard Street, San Francisco, California, U.S.A.	Shares 209,000	0.31
BlackRock (Luxembourg) S.A.	6D, Route de Treves, Senningerberg, L-2633, Luxembourg	Shares 484,000	0.71
BlackRock Investment Management (UK) Limited	33 King William Street, London, U.K.	Shares 134,000	0.20

(8) Voting rights

(i) Shares issued

As of March 31, 2010

Classification	Number of shares	Number of voting rights	Remarks
Nonvoting shares	–	–	–
Shares with limited voting rights (treasury stock)	–	–	–
Shares with limited voting rights (other shares)	–	–	–
Shares with complete voting rights (treasury stock)	Common shares 1,154,000	–	–
Shares with complete voting rights (other shares)	Common shares 66,365,000	66,365	–
Fractional shares	Common shares 500,379	–	–
Total number of shares issued	68,019,379	–	–
Number of voting rights of all shareholders	–	66,365	–

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

(ii) Treasury stock

As of March 31, 2010

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	1-9-10, Horidome-cho, Nihonbashi, Chuo-ku, Tokyo	1,154,000	–	1,154,000	1.70
Total	–	1,154,000	–	1,154,000	1.70

(9) Stock option system

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

The details of the system are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) A special resolution was passed at the 106th annual shareholders meeting held on June 19, 2009 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock options to the Company's directors, statutory auditors and employees of the Company and directors of subsidiaries of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Company Law.

Date of relevant resolution	June 19, 2009
Positions and numbers of officers to receive stock options	The Company's directors 5 Statutory auditor 1 Employees of the Company 123 Directors of subsidiaries of the Company 7
Type of shares underlying subscription rights to shares	Described in (2) Situation of subscription rights to shares
Number of shares	Ditto
Amount to be paid for the exercise of subscription rights to shares	Ditto
Exercise period	Ditto
Conditions for the exercise of subscription rights to shares	Ditto
Matters relating to the transfer of subscription rights to shares	Ditto
Matters relating to subrogation payments	—
Matters relating to the delivery of subscription rights to shares in association with reorganization acts	—

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

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

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

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

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

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

- (i) A special resolution was passed at the 107th annual shareholders meeting held on June 18, 2010 that the shareholders meeting would delegate to the Board of Directors the determination of subscription requirements for subscription rights to shares to be issued as stock options to employees of the Company and directors of subsidiaries of the Company under particularly favorable conditions under the provisions of Articles 236, 238, and 239 of the Company Law.

Date of relevant resolution	June 18, 2010
Positions and numbers of officers to receive stock options	Employees of the Company 63 Directors of subsidiaries of the Company 7
Type of shares underlying subscription rights to shares	Common shares
Number of shares	350,000 shares maximum (Note 1)
Amount to be paid for the exercise of subscription rights to shares	(Note 2)
Exercise period	From the day two years after the day following the date on which the subscription rights to shares are allotted to June 30, 2014.
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	—

Notes 1. The total number of subscription rights to shares shall be 350 maximum. The type of shares that are the object of the subscription rights to shares shall be common stocks. The number of shares for each subscription right to shares (the “Number of Granted Shares”) shall be 1,000 shares.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the subscription rights to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value per share (the “Exercise Price”) delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

The Exercise Price shall be the highest of the amount calculated by multiplying 1.05 by the average price of closing prices of the Company’s common stock quoted on the Tokyo Stock Exchange (excluding a day when no trading is carried out) on ordinary trading days in the month prior to the month when the subscription rights to shares are allotted (the Allotment Date”) (with fractions of less than one yen rounded up to the nearest one yen), or the closing price of the day prior to the Allotment Date (or, if there is no closing price for that day, the closing price of the nearest day prior to the Allotment Date).

However, if the Company conducts a share-split or a reverse share-split for its common stocks after the Allotment Date, the Exercise Price shall be adjusted in accordance with the following formula, and fractions of less than one yen resulting from the adjustment shall be rounded up to the nearest one yen.

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

The Exercise Price shall be adjusted in accordance with the following formula, if, after the Allotment Date, the Company issues new common stocks or disposes of its treasury stocks at a price below the market price (excluding the transfer of treasury stocks in accordance with the provision stipulated in Article 194 of the Company Law, or the conversion of securities that are or may be converted to the Company's common stock, or the exercise of subscription rights to shares (including those attached to bonds with share options), through which a holder of such rights may request the issuance of the Company's common stocks). Any fractions of less than one yen resulting from this adjustment shall be rounded up to the nearest one yen.

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

The "number of shares outstanding" stated in the above formula is the number calculated by deducting the number of treasury stocks, common stocks held by the Company, from the number of the Company's common stocks outstanding. In the case of the disposal of treasury stocks, the "number of shares newly issued" shall be deemed to be replaced with the "number of treasury stocks to be disposed of."

In addition to the above, if the adjustment of the Exercise Prices is required for unavoidable reasons, including events of the gratis allotment to the ordinary shareholders of other types of shares after the Allotment Date, and dividend payments for the common stocks of other companies, the Exercise Price shall be adjusted to the reasonable extent, by taking into account conditions for the relevant allotment or dividend payments.

3. Provisions concerning the acquisition of the subscription rights to shares

If a proposal for a merger agreement in which the Company ceases to exist, or a proposal for a stock swap agreement or a stock transfer plan in which the Company will become a wholly owned subsidiary, is approved at a general meeting of shareholders of the Company, the Company may acquire the subscription rights to shares free of charge on the date stipulated separately by the Company's Board of Directors.

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

Date of relevant resolution	June 18, 2010
Positions and numbers of officers to receive stock options	Titled executive officers and/or employees with similar positions 20
Type of shares underlying subscription rights to shares	Common shares
Number of shares	100,000 shares maximum (Note 1)
Amount to be paid for the exercise of subscription rights to shares	One yen per share (Note 2)
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	(Note 3)
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	—

Notes 1. The total number of subscription rights to shares shall be 100 maximum. The type of shares that are the object of the subscription rights to shares shall be common stocks. The number of shares for each subscription right to shares (the “Number of Granted Shares”) shall be 1,000 shares.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the subscription rights to shares that have not been exercised at the time of the adjustment.

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

2. Amount of assets contributed on exercise of the subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription rights to shares

(1) In principle, a holder of subscription rights to shares may exercise the invitation to subscription only when the holder no longer holds a position at the Company as a director, statutory auditor, titled executive officer, or employee with a similar title during the period specified in the table above. In this case, the holder may only exercise the invitation to subscription within a period of seven days from the next day of the date when he/she loses the above titles.

If holders of subscription rights to shares waive the invitation to subscription, they may not exercise the invitation to subscription.

(2) Matters concerning increases in capital and capital reserve when shares are issued upon exercise of the invitation to subscription

i The amount of increase in capital when shares are issued with the exercise of the invitation to subscription shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 17 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest yen.

ii The amount of increase in capital reserve when shares are issued with the exercise of invitation to subscription shall be the maximum amount of increase in capital, etc., given in (i) above, minus the amount of increase in capital, also

given in (i) above.

(3) Restriction on acquiring invitation to subscription by assignment

The approval of the Board of Directors of the Company shall be required for the acquisition of invitation to subscription by assignment.

(4) Provision concerning the acquisition of invitation to subscription

If a merger agreement where the Company is to be extinguished is approved by the shareholders meeting, or if a stock swap agreement or a stock transfer plan where the Company is to be a wholly owned subsidiary is approved by the shareholders meeting, the Company may acquire subscription rights to shares without charge on a date specified by the Board of Directors separately.

(5) Treatment of fractions of less than one share generated when invitation to subscription is exercised

If the number of shares to be delivered to a holder of subscription rights to shares who has exercised invitation to subscription contains a fraction of less than one share, the number shall be rounded down to the nearest share.

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

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

Date of relevant resolution	June 18, 2010
Positions and numbers of officers to receive stock options	The Company's directors 7 Statutory auditors 4
Type of shares underlying subscription rights to shares	Common shares
Number of shares	101,000 shares maximum (Note 1)
Amount to be paid for the exercise of subscription rights to shares	One yen per share (Note 2)
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	(Note 3)
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	—

Notes 1. The maximum total number of subscription rights to shares to be issued within one year of each fiscal year's annual shareholders' meeting shall be 77 for directors and 24 for statutory auditors. The type of shares that are the object of the subscription rights to shares shall be common stocks. The number of shares for each subscription right to shares (the "Number of Granted Shares") shall be 1,000 shares.

If the Company carries out a stock split (or gratis allocation of common shares of the Company) or a reverse stock split for its common stock, and if, as a result, an adjustment of the Number of Target Shares is appropriate, the Company shall make the necessary adjustment as specified in the following mathematical expression:

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

2. Amount to be paid for the exercise of subscription rights to shares

The amount of assets contributed upon exercise of each subscription right to shares is calculated by multiplying the paid-in value of one yen per share delivered upon exercise of each subscription right to shares by the Number of Granted Shares.

3. Conditions for the exercise of subscription rights to shares

(1) In principle, a holder of subscription rights to shares may exercise the invitation to subscription only when the holder no longer holds a position at the Company as a director, statutory auditor, titled executive officer, or employee with a similar title during the period specified in the table above. In this case, the holder may only exercise the invitation to subscription within a period of seven days from the next day of the date when he/she loses the above titles.

If holders of subscription rights to shares waive the invitation to subscription, they may not exercise the invitation to subscription.

(2) Matters concerning increases in capital and capital reserve when shares are issued upon exercise of the invitation to subscription

i The amount of increase in capital when shares are issued with the exercise of the invitation to subscription shall be one half of the maximum amount of increase in capital, etc., which is calculated in accordance with Paragraph 1 of Article 17 of the Corporate Calculation Regulation, and fractions of less than one yen shall be rounded up to the nearest yen.

ii The amount of increase in capital reserve when shares are issued with the exercise of invitation to subscription shall be the maximum amount of increase in capital, etc., given in (i) above, minus the amount of increase in capital, also given in (i) above.

(3) Restriction on acquiring invitation to subscription by assignment

The approval of the Board of Directors of the Company shall be required for the acquisition of subscription rights to shares for subscription by assignment.

(4) Provision concerning the acquisition of invitation to subscription

If a merger agreement where the Company is to be extinguished is approved by the shareholders meeting, or if a stock swap agreement or a stock transfer plan where the Company is to be a wholly owned subsidiary is approved by the shareholders meeting, the Company may acquire subscription rights to shares without charge on a date specified by the Board of Directors separately.

(5) Treatment of fractions of less than one share generated when invitation to subscription are exercised

If the number of shares to be delivered to a holder of subscription rights to shares who has exercised invitation to subscription contains a fraction of less than one share, the number shall be rounded down to the nearest share.

2. Acquisition of treasury stock

Type of stock The acquisition of common shares under Article 155, Item 3 of the Company Law and the acquisition of common shares under Article 155, Item 7 of the Company Law

(1) Acquisition based on resolutions at the shareholders meeting

Not applicable.

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

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on March 13, 2009 (Acquisition period: from March 13, 2009 to June 18, 2009)	1,500,000	250,000,000
Treasury stock acquired before the fiscal year under review	149,000	21,882,000
Treasury stock acquired in the fiscal year under review	650,000	108,007,000
Number and total value of remaining treasury stock	701,000	120,111,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	56.7	56.8
Treasury stock acquired in the current fiscal year	799,000	129,889,000
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	46.7	48.0

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on June 19, 2009 (Acquisition period: from June 19, 2009 to September 11, 2009)	1,000,000	250,000,000
Treasury stock acquired before the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	–	–
Number and total value of remaining treasury stock	1,000,000	250,000,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	100.0	100.0
Treasury stock acquired in the current fiscal year	–	–
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	100.0	100.0

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on September 14, 2009 (Acquisition period: from September 14, 2009 to December 11, 2009)	1,000,000	250,000,000
Treasury stock acquired before the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	66,000	9,890,000
Number and total value of remaining treasury stock	934,000	240,110,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	93.4	96.0
Treasury stock acquired in the current fiscal year	–	–
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	93.4	96.0

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on December 14, 2009 (Acquisition period: from December 14, 2009 to March 11, 2010)	1,000,000	250,000,000
Treasury stock acquired before the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	63,000	11,941,000
Number and total value of remaining treasury stock	937,000	238,059,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	93.7	95.2
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 (%)	93.7	95.2

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on March 12, 2010 (Acquisition period: from March 12, 2010 to June 17, 2010)	1,000,000	500,000,000
Treasury stock acquired before the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	–	–
Number and total value of remaining treasury stock	1,000,000	500,000,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	100.0	100.0
Treasury stock acquired in the current fiscal year	–	–
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	100.0	100.0

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on June 18, 2010 (Acquisition period: from June 18, 2010 to September 10, 2010)	1,000,000	600,000,000
Treasury stock acquired before the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	–	–
Number and total value of remaining treasury stock	1,000,000	600,000,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	100.0	100.0
Treasury stock acquired in the current fiscal year	–	–
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	100.0	100.0

(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	7,219	1,915,823
Treasury stock acquired in the current fiscal year	230	139,780

Note The treasury stock acquired in the current fiscal year does not include fractional shares repurchased from June 1, 2010 to the date of the submission of the report.

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

Classification	Fiscal year under review		Current fiscal year	
	Number of shares	Total value disposed of (yen)	Number of shares	Total value disposed of (yen)
Acquired treasury stock offered to prospective underwriters	-	-	-	-
Acquired treasury stock cancelled	-	-	-	-
Acquired treasury stock transferred in relation to mergers, stock swaps, and company splits	-	-	-	-
Other (Note)	85,000	16,716,000	9,000	1,611,000
Treasury stock held	1,154,303	-	1,145,533	-

Note 1. Exercise of subscription rights to shares (85,000 shares, disposal of 16,716,000 yen) in the fiscal year under review

Exercise of subscription rights to shares (9,000 shares, disposal of 1,611,000 yen) in the current fiscal year

- The treasury stock disposed of in the current fiscal year does not include fractional shares transferred from June 1, 2010 to the date of the submission of the report.
- The treasury stock held in the current fiscal year does not include fractional shares repurchased or transferred from June 1, 2010 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. Since the Company posted a net loss in the first half of the fiscal year ended March 2010, it did not pay any interim dividends, but has decided to pay a year-end dividend of 5 yen, reflecting strong orders from the fourth quarter, which led to a turnaround in the Company's performance.

Dividends are determined by the Board of Directors.

The Articles of Incorporation stipulate that the Company may pay dividends by resolution of the Board of Directors under the provisions of Article 459, Paragraph 1 of the Company Law. For the fiscal year ending March 31, 2011, the Company plans to pay an annual dividend of 10 yen per share (an interim dividend of 5 yen and a year-end dividend of 5 yen).

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

The table below shows dividends for the fiscal year ended March 31, 2010.

Resolution	Total amount of dividend (million yen)	Dividend per share (yen)
Resolution of Board of Directors on May 13, 2010	334	5.00

4. Trends in Stock Prices

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

Fiscal term	103 rd term	104 th term	105 th term	106 th term	107 th term
Closing month and year	March 2006	March 2007	March 2008	March 2009	March 2010
Highest (yen)	994	979	700	424	662
Lowest (yen)	439	605	276	126	143

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 2009	November	December	January 2010	February	March
Highest (yen)	191	174	221	346	451	662
Lowest (yen)	163	149	153	214	298	417

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

5. Officers

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Director Chairman and CEO (Representative Director)		Takao Nishijima	December 14, 1947	<p>May 1970 Joined the Fuji Bank, Limited. (now Mizuho Bank, Ltd.)</p> <p>Feb. 1999 Deputy General Manager of the Sales Division of Tokyo Seimitsu Co., Ltd.</p> <p>May 1999 General Manager of the Sales Development Division of the Company and Managing Director of Tsugami Kohan Co., Ltd.</p> <p>Jun. 2000 Director and General Manager of the Sales Development Division, Control Headquarters</p> <p>Apr. 2003 Representative Director, Chairman and CEO</p> <p>Apr. 2006 Representative Director, Chairman and CEO (current positions)</p>	(Note 3)	10
Director Senior Executive Officer (Representative Director)		Yoshiharu Kikuchi	April 17, 1948	<p>Apr. 1971 Joined the Company</p> <p>May 1999 Leader of the Automatic Lathe Group, Nagaoka Factory</p> <p>Jun. 2000 Director and Leader of the Automatic Lathe Group, Nagaoka Factory</p> <p>Jun. 2001 Managing Director and Leader of the Automatic Lathe Group, Nagaoka Factory</p> <p>Apr. 2002 Managing Director and General Manager of the Technology Headquarters, Nagaoka Factory</p> <p>Apr. 2004 Director, Senior Executive Officer and General Manager of the Sales Headquarters</p> <p>Apr. 2006 Representative Director, Senior Executive Officer and General Manager of the Sales Headquarters</p> <p>Apr. 2008 Representative Director, Senior Executive Officer (current positions)</p>	(Note 3)	35
Director Senior Executive Officer (Representative Director)	General Manager of the Nagaoka Factory	Toshiharu Nijima	November 14, 1954	<p>Nov. 1979 Joined the Company</p> <p>Oct. 2003 Leader of the Automatic Lathe Group, Technology Headquarters</p> <p>Apr. 2005 Executive Officer and Deputy General Manager of the Technology Headquarters</p> <p>Jul. 2005 Executive Officer and Acting General Manager of the Technology Headquarters</p> <p>Apr. 2006 Managing Executive Officer and General Manager of the Technology Headquarters</p> <p>Apr. 2008 Managing Executive Officer, General Manager of the Technology Headquarters and Deputy General Manager of the Production Headquarters</p> <p>Jun. 2008 Managing Executive Officer, General Manager of the Technology Headquarters, Deputy General Manager of the Production Headquarters and General Manager of the Nagaoka Factory</p> <p>Apr. 2009 Senior Executive Officer and General Manager of the Nagaoka Factory</p> <p>Jun. 2009 Representative Director, Senior Executive Officer and General Manager of the Nagaoka Factory (current positions)</p>	(Note 3)	14

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Director Managing Executive Officer	General Manager of the Administrative Division	Toshio Honma	August 2, 1952	Apr. 1975 Joined the Hokuetsu Bank, Ltd. Apr. 2002 Manager of the Nagaoka Shinsan Branch of the Hokuetsu Bank, Ltd. Apr. 2006 Manager of the Naoetsu Branch of Hokuetsu Bank, Ltd. Apr. 2008 Managing Executive Officer and General Manager of the Administrative Division of the Company Jun. 2009 Director, Managing Executive Officer and General Manager of the Administrative Division (current positions)	(Note 3)	—
Director Managing Executive Officer		Donglei TANG	November 27, 1962	Jul. 1992 Joined Tokyo Seimitsu Co., Ltd. Nov. 2005 Administration Officer and General Manager of the China Office of the Company, and Director and General Manager of Precision Tsugami (China) Corporation Apr. 2009 Executive Officer and Manager of the Shanghai Office of the Company, and Director and General Manager of Precision Tsugami (China) Corporation Apr. 2010 Managing Executive Officer in charge of China operations and Vice Chairman and General Manager of Precision Tsugami (China) Corporation Jun. 2010 Director and Managing Executive Officer in charge of China operations, and Vice Chairman and General Manager of Precision Tsugami (China) Corporation (current position)	(Note 3)	—
Director		Takeo Nakagawa	October 12, 1938	May 1999 Professor Emeritus at the University of Tokyo (current post) Oct. 2000 CEO of Fine Tech Corporation (current positions) Jun. 2007 Auditor at FUNUC LTD. (current position) Jun. 2008 Director of the Company (current position)	(Note 3)	20
Director		Mitsuhiro Masumi	July 29, 1942	Apr. 1965 Joined the Mitsui Bank, Ltd. (now Sumitomo Mitsui Banking Corporation) Jun. 1993 Director of the Sakura Bank, Ltd. (now Sumitomo Mitsui Banking Corporation) Jun. 1996 Managing Director of the Sakura Bank, Ltd. Jun. 1999 Executive Director and Executive Officer of the Sakura Bank, Ltd. Jun. 2000 President of Sakura Mortgage Co., Ltd. Jun. 2001 President of Mitsui Finance Service Co., Ltd. (now SMBC Finance Service Co., Ltd.) Mar. 2002 President of SMBC Mortgage Co., Ltd. Jun. 2003 Director of Sanki Engineering Co., Ltd. (current position) Apr. 2007 Auditor at TOHO Co., Ltd. (current position) Jun. 2009 Director of the Company (current positions)	(Note 3)	—
Standing Statutory Auditor		Ikuo Oomiya	August 26, 1946	Apr. 1969 Joined the Mitsui Bank, Ltd. (now Sumitomo Mitsui Banking Corporation) Jun. 2000 Managing Director and General Manager of the Control Headquarters of the Company Jun. 2001 Managing Director and General Manager of the Nagaoka Factory Apr. 2002 Managing Director and General Manager of the Control Headquarters Apr. 2004 Director, Managing Executive Officer and General Manager of the Management Headquarters Jun. 2004 Standing Statutory Auditor (current positions)	(Note 5)	16

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Statutory Auditor		Kunimasa Ohta	February 16, 1949	<p>Apr. 1971 Joined the Fuji Bank, Limited (now Mizuho Bank, Ltd.)</p> <p>Apr. 1996 General Manager of the Kobe Branch of the Fuji Bank, Limited</p> <p>Jun. 1999 Director and General Manager of the Accounting Headquarters of Toho Rayon Co., Ltd.</p> <p>Jun. 2002 Director of Tokyo Seimitsu Co., Ltd.</p> <p>Apr. 2003 President and Executive Officer of the operating company for Tokyo Seimitsu Co., Ltd. (current positions)</p> <p>Jun. 2004 Representative Director of Tokyo Seimitsu Co., Ltd.</p> <p>Oct. 2004 Representative Director and Chief Financial Officer of Tokyo Seimitsu Co., Ltd. (current positions)</p> <p>Jun. 2009 Statutory Auditor of the Company (current positions)</p>	(Note 5)	3
Statutory Auditor		Yoshifumi Miyata	October 19, 1952	<p>Apr. 1976 Joined the Daiichi Mutual Life Insurance Company (currently The Dai-ichi Life Insurance Company, Limited)</p> <p>Apr. 2001 General Manager of the Capital Market Department of the Daiichi Mutual Life Insurance Company</p> <p>Apr. 2003 General Manager of the Structured Investment Department of the Daiichi Mutual Life Insurance Company</p> <p>Apr. 2005 General Manager of the Finance Department of the Daiichi Mutual Life Insurance Company</p> <p>Apr. 2006 Executive Officer and General Manager of the Integrated Financial Institution Relations Department of the Daiichi Mutual Life Insurance Company</p> <p>Apr. 2008 Executive Officer of the Daiichi Mutual Life Insurance Company</p> <p>Apr. 2009 Managing Executive Officer of the Daiichi Mutual Life Insurance Company</p> <p>Apr. 2010 Managing Executive Officer of The Dai-ichi Life Insurance Company, Limited (current position)</p> <p>Jun. 2010 Statutory Auditor of the Company (current positions)</p>	(Note 4)	—
Statutory Auditor		Hiyoaki Tamai	March 20, 1960	<p>Apr. 1983 Joined Mori Seiki Co., Ltd.</p> <p>Mar. 1998 Deputy General Manager of Planning of Mori Seiki Co., Ltd.</p> <p>Jun. 2000 General Manager of Planning and General Affairs of Mori Seiki Co., Ltd.</p> <p>Jun. 2002 General Manager of the Administrative Headquarters of Mori Seiki Co., Ltd.</p> <p>Jun. 2003 Director and General Manager of the Administrative Headquarters of Mori Seiki Co., Ltd.</p> <p>Jun. 2007 Managing Director and General Manager of the Administrative Headquarters of Mori Seiki Co., Ltd.</p> <p>Jun. 2008 Senior Executive Managing Director and General Manager of the Administrative Headquarters of Mori Seiki Co., Ltd. (current position)</p> <p>Jun. 2010 Statutory Auditor of the Company (current positions)</p>	(Note 4)	—
Total						98

Notes 1. Directors Takeo Nakagawa and Mitsuhiro Masumi are outside directors stipulated in Article 2, Item 15 of the Company Law.

2. Statutory Auditors Kumimasa Ohta, Yoshifumi Miyata, and Hiyoaki Tamai are outside statutory auditors stipulated in Article 2, Item 16 of the Company Law.

3. One year from the closing of the annual shareholders meeting held on June 18, 2010

4. Four years from the closing of the annual shareholders meeting held on June 18, 2010

5. Four years from the closing of the annual shareholders meeting held on June 19, 2009
6. To prepare for any contingency involving statutory auditors, the Company appoints one reserve statutory auditor prescribed in Article 329, Paragraph 2 of the Company Law. The table below shows a career summary of the reserve statutory auditor.

Name	Date of birth	Career summary	Number of shares held (thousand shares)
Takafusa Tanaka	June 27, 1956	Apr. 1980 Joined Mitsui Bank (currently Sumitomo Mitsui Banking Corporation) Apr. 2001 Manager of Machiya Branch of Sumitomo Mitsui Banking Corporation Oct. 2002 Manager of Ikebukuro Branch of Sumitomo Mitsui Banking Corporation Dec. 2004 Manager of Hibiya Branch of Sumitomo Mitsui Banking Corporation Apr. 2010 On loan to the Company Administrative Manager of the head office of the Company (current position)	-

6. Corporate Governance

(1) Corporate governance

(Basic policy on corporate governance)

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

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

(i) Corporate governance system

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

The Company operates based on a statutory auditor system involving the Board of Directors and the Board of Statutory Auditors. The Company had seven directors (including two outside directors) and four statutory auditors (including three outside statutory auditors) as of June 21, 2010.

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 under the direct control of the president and has established a Risk Management Committee and an Information Security Committee.

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

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

II) Development of internal control system

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

- i. Systems for ensuring the execution of the duties of directors and employees are in compliance with laws and ordinances and the Articles of Incorporation
 - a. Given that compliance is one of its key management issues, the Board of Directors shall establish the Tsugami Group Code of Conduct and develop a compliance policy to ensure that the Company operates based on sound social practices.
 - b. The Company shall establish a "whistle-blowing system," an internal reporting system through which activities that apparently violate the laws and ordinances, the Articles of Incorporation, any other internal rules, or social norms carried out by directors or employees are reported. Whistle blowers shall be protected.
 - c. The Company shall have an Audit Office, an organization under the direct control of the president, and shall conduct internal audits of compliance.
 - d. The Company has a Board of Statutory Auditors. The directors' execution of their duties shall be in accordance with the standards on audits by statutory auditors established by the Board of Statutory Auditors.
- ii. Systems for the storage and management of information concerning directors' execution of duties
The Company shall appropriately maintain and manage the minutes of the Board of Directors, approval documents, documents associated with the directors' executions of their duties, and other related information in accordance with internal rules, such as the document management rules and information security management rules.
- iii. Rules and systems concerning risk management
To manage the diverse risks associated with its business activities, and to prevent such risks from materializing, the Company shall have a risk management committee through which it will collect and analyze information about risks to identify any indications that risks are emerging at an early stage. The Company shall also establish a risk management system by developing rules and manuals so that it can promptly and accurately respond to the situation if risks have materialized.
- iv. Systems for securing efficiency of directors' execution of duties

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

In addition, the Company shall hold monthly corporate management meetings to share management information, through which it considers and makes flexible decisions on issues related to important operations in its effort to achieve management efficiency.

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

The Company is the senior entity in the Group.

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

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

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

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

- a. Matters associated with facts identified as important facts that will significantly impact on the Company
 - b. Matters associated with facts identified as activities that violate or are likely to violate the laws and ordinances or the Articles of Incorporation
 - c. Results of internal audit conducted by the internal audit division (the Audit Office)
 - d. Management of the whistle-blowing system and the details of whistle-blowing
- viii. Other systems for securing the effectiveness of audit by statutory auditors
 - a. Statutory auditors shall hold regular meetings with representative directors, and exchange views on important audit issues.
 - b. Statutory auditors shall hold regular meetings with independent auditors, and exchange views and information, in addition to requesting independent auditors for their reports when necessary.
 - c. Statutory auditors shall maintain close contact with the internal audit division (the Audit Office), and may request the internal audit division to carry out investigation when necessary.
- ix. Systems for ensuring the reliability of financial reporting
 - a. To ensure the reliability of the Group's financial reporting and the effective and appropriate submission of the internal control reports that are stipulated in the Financial Instruments and Exchange Act, the Company shall develop an internal control reporting system.
 - b. To ensure consistency between the internal control system and the Financial Instruments and Exchange Act and other related laws and ordinances, the Company shall continuously evaluate the system and make the necessary corrections.
 - c. The internal audit division (the Audit Office) shall be responsible for monitoring and evaluating the implementation of this system, and for providing support for improving the implementation of the system.
- x. Systems for getting rid of antisocial forces
 - a. The basic policy of the Company is to systematically stand firm against antisocial forces that threaten the order of society and the sound activities of companies and to eliminate all relationships with them. The basic policy is stated in

the Tsugami Group Code of Conduct.

- b. The Company shall deal with undue claims of antisocial forces in cooperation with specialist outside institutions including the police, lawyers, and corporate defense councils.

III) Accounting audit

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

The certified public accountants who carried out accountancy service for the Company are Messrs. Michiaki Miyajima, Akira Igarashi, and Naoki Nomoto, who all work for Ernst & Young ShinNihon LLC. Three certified public accountants and seven other members assisted with the accountancy service.

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

Outside Director Takeo Nakagawa is a professor emeritus at the University of Tokyo and the CEO of Fine Tech Corporation. There are no trading relationships between Fine Tech Corporation and the Company. Mr. Takeo Nakagawa is registered as an independent officer with the Tokyo Stock Exchange.

Outside Director Mitsuhiro Masumi is a director of Sanki Engineering Co., Ltd. and an auditor at TOHO Co., Ltd. There are no trading relationships between those companies and the Company.

Outside Statutory Auditor Kunimasa Ohta is a representative director and chief financial officer of Tokyo Seimitsu Co., Ltd., which owns 4,592,000 shares of the Company. The Company has 1,033,000 shares in Tokyo Seimitsu. Company trades products with Tokyo Seimitsu Co., Ltd.

Outside Statutory Auditor Yoshifumi Miyata is a managing executive officer of The Dai-ichi Life Insurance Company, which has 2.1 million shares in the Company. The Company has concluded a corporate pension plan agreement with The Dai-ichi Life Insurance Company. Mr. Yoshifumi Miyata is registered as an independent officer with the Tokyo Stock Exchange.

Outside Statutory Auditor Hiroaki Tamai is a senior executive managing director and the general manager of the Administrative Headquarters of Mori Seiki Co., Ltd., which has 2 million shares in the Company. The Company has 100,000 shares in Mori Seiki. Mori Seiki and the Company trade products. Mr. Hiroaki Tamai is registered as an independent officer with the Tokyo Stock Exchange.

(ii) Remuneration for directors and statutory auditors

Officer classification	Total remuneration (million yen)	Breakdown of remuneration (million yen)				Number of officers
		Basic remuneration	Stock option	Bonus	Retirement benefit	
Director (excluding Outside Director)	114	95	18	–	–	6
Statutory Auditor (excluding Outside Director)	19	16	2	–	–	1
Outside officer	30	25	5	–	–	6

- Notes
1. A director and an outside statutory auditor who retired at the end of the 106th annual shareholders meeting held on June 19, 2009 are included in the table above.
 2. Total remuneration for directors does not include salaries for employees who are also directors.
 3. A resolution passed at the 103rd annual shareholders meeting stipulates that total annual monetary remuneration for directors shall be 200 million yen or less (excluding salaries for employees who are also directors). A resolution passed at the 104th annual shareholders meeting stipulates that total annual remuneration to be allocated as stock compensation-type stock options apart from the monetary remuneration shall be 60 million yen or less.
 4. A resolution passed at the 103rd annual shareholders meeting stipulates that total annual monetary remuneration for statutory auditors shall be 60 million yen or less. A resolution passed at the 104th annual shareholders meeting stipulates that total annual remuneration to be allocated as stock compensation-type stock options apart from the monetary remuneration shall be 20 million yen or less.

(iii) Share holding

- a. Number of stocks held for purposes other than pure investment and their balance sheet amounts
23 stocks 4,267 million yen

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

Stock	Number of shares	Balance sheet amount (million yen)	Purpose
Tokyo Seimitsu Co., Ltd.	1,033,000	1,667	To strengthen the business relationship with the business partner
Tornos Holdings SA	1,500,000	1,125	To strengthen the business relationship with the business partner
FANUC LTD.	50,000	496	To strengthen the business relationship with the business partner
Yamazaki Corporation	500,000	198	To strengthen the business relationship with the business partner
THK Co., Ltd.	59,000	120	To strengthen the business relationship with the business partner
Mori Seiki Co., Ltd.	100,000	114	To strengthen the business relationship with the business partner
The Hachijuni Bank, Ltd.	196,000	104	To strengthen the business relationship with the business partner
Yuasa Trading Co., Ltd.	1,000,000	89	To strengthen the business relationship with the business partner
The Daishi Bank, Ltd.	241,000	78	To strengthen the business relationship with the business partner
The Hokuetsu Bank, Ltd.	484,426	74	To strengthen the business relationship with the business partner

(iv) Outline of contracts for limitation of liability

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

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

(v) Decision-making body of dividends etc.

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

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

(vi) Number of directors

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

(vii) Requirements for a resolution to elect directors

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

(viii) Requirements for a special resolution in shareholders meeting

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

(2) Audit fees

(i) Breakdown of compensation to auditing certified public accountants

Classification	Previous fiscal year		Fiscal year under review	
	Compensation for audit certification work (million yen)	Compensation for nonaudit work (million yen)	Compensation for audit certification work (million yen)	Compensation for nonaudit work (million yen)
Submitting company	46	1	32	–
Consolidated subsidiaries	–	–	–	–
Total	46	1	32	–

(ii) Other important compensation

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

Not applicable.

Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)

Not applicable.

(iii) Nonaudit work of auditing certified public accountants for the submitting company

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

The Company outsources advisory services relating to internal control over financial reporting (nonaudit work) to its accounting auditor, other than the operations stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Act.

Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)

Not applicable.

(iv) Policy for determining audit fees

Not applicable.

Section 5. Financial Status

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

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

The consolidated financial statements for the previous fiscal year (from April 1, 2008 to March 31, 2009) were prepared under the Regulations for Consolidated Financial Statements prior to revision. The consolidated financial statements for the fiscal year under review (from April 1, 2009 to March 31, 2010) were prepared under the Regulations for Consolidated Financial Statements after revision.

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

The financial statements for the 106th term (from April 1, 2008 to March 31, 2009) were prepared under the Regulations for Financial Statements prior to revision. The financial statements for the 107th term (from April 1, 2009 to March 31, 2010) were prepared under the Regulations for Financial Statements after revision.

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 previous fiscal year (from April 1, 2008 to March 31, 2009) and the financial statements for the 106th fiscal year (from April 1, 2008 to March 31, 2009) were audited by KPMG AZSA & Co., and the consolidated financial statements for the fiscal year under review (from April 1, 2009 to March 31, 2010) and the financial statements for the 107th fiscal year (from April 1, 2009 to March 31, 2010) were audited by Ernst & Young ShinNihon LLC. The accounting auditor of the Company has changed as follows:

Previous consolidated fiscal year and previous fiscal year: KPMG AZSA & Co.

Consolidated fiscal year and fiscal year under review: Ernst & Young ShinNihon LLC.

The following items are included in the extraordinary report:

- (1) Certified public accountants that have changed:
 - (i) Appointed certified public accountant: Ernst & Young ShinNihon LLC.
 - (ii) Retiring certified public accountant: KPMG AZSA & Co.
- (2) Date of the change: June 19, 2009 (scheduled date of the 106th annual shareholders meeting)
- (3) Date when the retiring certified public accountant was appointed: October 1, 1971
- (4) Opinions about the audit reports prepared by the retiring certified public accountant in the past three years: Not applicable
- (5) Reason for and background to the change: The term of KPMG AZSA & Co., the accounting auditor of the Company, expired at the end of the annual shareholders meeting held on June 19, 2009. Since the Company carries out accounting and closing operations at the Management Headquarters of the Nagaoka factory, it has decided to appoint Ernst & Young ShinNihon LLC, which has an office in Nagaoka, as accounting auditor, considering the efficiency of audits and expenses for audits.
- (6) The opinions of the retiring certified public accountant as to the reason and background described in (5): The retiring certified public accountant has told us that it has no particular opinions.

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, 2009)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	3,238	3,892
Trade notes and accounts receivable	4,677	7,541
Commodities and products	1,336	1,088
Goods in process	4,755	4,635
Raw materials and supplies	2,088	2,479
Deferred tax assets	122	136
Other current assets	367	459
Allowance for doubtful accounts	-100	-43
Total current assets	16,486	20,191
Fixed assets		
Tangible fixed assets		
Buildings and structures	7,560	7,570
Accumulated depreciation	-3,640	-3,879
Buildings and structures (net)	3,919	3,691
Machinery, equipment and vehicles	9,144	8,986
Accumulated depreciation	-7,258	-7,257
Machinery, equipment and vehicles (net)	1,886	1,729
Land	591	591
Leased assets	29	31
Accumulated depreciation	-3	-8
Leased assets (net)	26	22
Other tangible fixed assets	761	794
Accumulated depreciation	-552	-621
Other tangible fixed assets (net)	209	172
Total tangible fixed assets	6,633	6,208
Intangible fixed assets	43	53
Investments and other assets		
Investment securities	*1 1,840	*1 4,283
Investments in affiliates	218	226
Long-term loans receivable	3	2
Deferred tax assets	335	-
Other intangible fixed assets	111	155
Total investments and other assets	2,508	4,667
Total fixed assets	9,184	10,930
Deferred assets		
Bond issuance expenses	32	25
Total deferred assets	32	25
Total assets	25,703	31,147

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2009)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2010)
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,129	6,946
Short-term borrowings	500	1,008
Corporate bonds due for redemption within one year	300	300
Accrued income tax	46	67
Reserve for bonus payment	142	189
Reserve for product warranties	75	53
Other current liabilities	661	730
Total current liabilities	3,855	9,296
Long-term liabilities		
Corporate bonds	1,200	900
Deferred tax liabilities	—	129
Reserve for retirement benefits	823	837
Reserve for directors' retirement benefits	8	8
Other long-term liabilities	96	92
Total long-term liabilities	2,129	1,968
Total liabilities	5,984	11,264
Net assets		
Shareholders' equity		
Common stock	10,599	10,599
Capital surplus	4,138	4,151
Retained earnings	5,373	4,791
Treasury stock	-92	-207
Total shareholders' equity	20,019	19,334
Valuation and translation adjustments		
Unrealized gains on marketable securities	-508	463
Deferred gains or losses on hedges	—	-99
Translation adjustments	20	-20
Total valuation and translation adjustments	-487	343
Subscription rights to shares	187	204
Total net assets	19,718	19,882
Total liabilities and net assets	25,703	31,147

(ii) Consolidated statements of income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)
Net sales	22,687	15,598
Cost of sales	*1 18,068	*1 12,538
Gross profit	4,618	3,059
Selling, general and administrative expenses		
Salaries and allowances	834	632
Provision for reserve for bonus payment	28	37
Retirement benefit expenses	104	103
Research and development expenses	*2 629	*2 752
Insurance premiums	94	85
Provision for allowance for doubtful accounts	153	14
Provision for reserve for product warranties	75	53
Other selling, general and administrative expenses	1,889	1,295
Total selling, general and administrative expenses	3,808	2,974
Operating income	810	84
Non-operating income		
Interest received	1	0
Dividends received	37	26
Rent received	11	4
Insurance benefits received	26	41
Subsidy income	42	127
Other non-operating income	30	95
Total non-operating income	149	295
Non-operating expenses		
Interest paid	31	21
Loss on sales of trade notes	106	40
Dormant expense	*3 128	*3 321
Foreign exchange losses	–	68
Other non-operating expenses	66	46
Total non-operating expenses	332	498
Ordinary income/loss	626	-117

(Million yen)

	Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)
Extraordinary income		
Gain on sales of fixed assets	*4 1	—
Reversal of subscription rights to shares	105	—
Total extraordinary income	106	—
Extraordinary expenses		
Loss on retirement of fixed assets	*5 8	0
Loss on sales of fixed assets	—	*6 1
Impairment loss	*7 99	—
Loss on devaluation of investment securities	1,163	—
Loss on retirement of inventories	31	—
Loss on devaluation of inventories	24	—
Retirement benefit expenses	68	—
Provision for reserve for product warranties	64	—
Other extraordinary expenses	27	—
Total extraordinary expenses	1,488	1
Income/loss before taxes and other adjustments	-754	-119
Corporate, inhabitant and enterprise taxes	60	72
Income taxes for prior periods	—	17
Deferred taxes	58	35
Total corporate and other taxes	118	125
Net income/loss	-873	-244

(iii) Consolidated statements of changes in net assets

(Million yen)

	Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)
Shareholders' equity		
Common stock		
Balance at end of previous fiscal year	10,599	10,599
Change during the fiscal year		
Total change during the fiscal year	—	—
Balance at end of the fiscal year	10,599	10,599
Capital surplus		
Balance at end of previous fiscal year	4,138	4,138
Change during the fiscal year		
Disposal of treasury stock	—	12
Total change during the fiscal year	—	12
Balance at end of the fiscal year	4,138	4,151
Retained earnings		
Balance at end of previous fiscal year	6,936	5,373
Change during the fiscal year		
Cash dividends paid	-679	-337
Net income/loss	-873	-244
Disposal of treasury stock	-9	—
Total change during the fiscal year	-1,562	-582
Balance at end of the fiscal year	5,373	4,791
Treasury stock		
Balance at end of previous fiscal year	-50	-92
Change during the fiscal year		
Purchase of treasury stock	-84	-131
Disposal of treasury stock	42	16
Total change during the fiscal year	-41	-115
Balance at end of the fiscal year	-92	-207
Total shareholders' equity		
Balance at end of previous fiscal year	21,623	20,019
Change during the fiscal year		
Cash dividends paid	-679	-337
Net income/loss	-873	-244
Purchase of treasury stock	-84	-131
Disposal of treasury stock	32	29
Total change during the fiscal year	-1,604	-685
Balance at end of the fiscal year	20,019	19,334
Valuation and translation adjustments		
Unrealized gains on marketable securities		
Balance at end of previous fiscal year	40	-508
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-548	971
Total change during the fiscal year	-548	971
Balance at end of the fiscal year	-508	463

(Million yen)

	Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)
Deferred gains or losses on hedges		
Balance at end of previous fiscal year	–	–
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	–	-99
Total change during the fiscal year	–	-99
Balance at end of the fiscal year	–	-99
Translation adjustments		
Balance at end of previous fiscal year	26	20
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-5	-41
Total change during the fiscal year	-5	-41
Balance at end of the fiscal year	20	-20
Total valuation and translation adjustments		
Balance at end of previous fiscal year	66	-487
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-554	831
Total change during the fiscal year	-554	831
Balance at end of the fiscal year	-487	343
Subscription rights to shares		
Balance at end of previous fiscal year	226	187
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-39	17
Total change during the fiscal year	-39	17
Balance at end of the fiscal year	187	204
Total net assets		
Balance at end of previous fiscal year	21,916	19,718
Change during the fiscal year		
Cash dividends paid	-679	-337
Net income/loss	-873	-244
Purchase of treasury stock	-84	-131
Disposal of treasury stock	32	29
Changes in items other than shareholders' equity during the fiscal year (net)	-593	849
Total change during the fiscal year	-2,197	163
Balance at end of the fiscal year	19,718	19,882

(iv) Consolidated statements of cash flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)
Cash flows from operating activities		
Income before taxes and other adjustments	-754	-119
Depreciation and amortization expenses	927	750
Loss (gain) on devaluation of investment securities	1,163	-
Impairment loss	99	-
Increase (decrease) in allowance for doubtful accounts	43	-56
Increase (decrease) in reserve for retirement benefits	33	13
Interest and dividends received	-38	-26
Interest paid	31	21
Loss on retirement of fixed assets	5	-
Loss (gain) on sales of fixed assets	-	1
Decrease (increase) in trade notes and accounts receivable	4,988	-2,880
Decrease (increase) in inventories	868	-63
Increase (decrease) in trade notes and accounts payable	-6,096	4,878
Other cash flows	-111	-177
Sub total	1,160	2,341
Interest and dividends received	38	26
Interest paid	-31	-21
Corporate and other taxes paid	-728	-47
Cash flows from operating activities	439	2,299
Cash flows from investing activities		
Payments into time deposits	-70	-70
Refund of time deposits	70	70
Expenditure for acquisition of tangible fixed assets	-809	-306
Income from disposal of tangible fixed assets	163	10
Expenditure for acquisition of investment securities	-1,150	-1,081
Income from recovery of loans receivable	0	24
Other cash flows	-5	-5
Cash flows from investing activities	-1,803	-1,358
Cash flows from financing activities		
Short-term borrowings	11,200	1,808
Repayment of short-term borrowings	-10,700	-1,300
Income from disposal of treasury stock	9	0
Income from issuance of corporate bonds	1,466	-
Redemption of corporate bonds	-	-300
Expenditure for acquisition of treasury stock	-84	-131
Dividends paid	-677	-338
Other cash flows	-3	-6
Cash flows from financing activities	1,210	-268
Translation differences for cash and cash equivalents	-11	-17
Changes in cash and cash equivalents	-164	654
Cash and cash equivalents at the beginning of the term	3,352	3,188
Cash and cash equivalents at the end of the term	3,188	3,842

Important Matters that Become Basis of Presenting Consolidated Financial Statements

Item	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
1. Scope of consolidation	<p>(1) Number of consolidated subsidiaries: 4 Tsugami Machinery Co., Ltd. Tsugami Precision Co., Ltd. Tsugami General Service Co., Ltd. Precision Tsugami (China) Corporation</p> <p>Note: Tsugami Shimamoto Ltd., which had been a consolidated subsidiary of the Company in the previous consolidated fiscal year, was absorbed and merged with Tsugami Corp. on January 1, 2009.</p> <p>(2) Names of non-consolidated subsidiaries: Tsugami (Thai) Co., Ltd. Tsugami GmbH</p> <p>(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.</p>	<p>(1) Number of consolidated subsidiaries: 4 Tsugami Machinery Co., Ltd. Tsugami Precision Co., Ltd. Tsugami General Service Co., Ltd. Precision Tsugami (China) Corporation</p> <p>(2) Names of non-consolidated subsidiaries: Tsugami (Thai) Co., Ltd. Tsugami GmbH Tsugami KOREA Co., Ltd. (Reason for non-consolidation) Same as at left</p>
2. Application of equity method	<p>(1) Companies to which the equity method is applicable: 0</p> <p>(2) The non-consolidated subsidiaries (Tsugami (Thai) Co., Ltd. and Tsugami GmbH) as well as the affiliates (Fastener Kohan, K.K. and 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.</p>	<p>(1) Same as at left</p> <p>(2) The non-consolidated subsidiaries (Tsugami (Thai) Co., Ltd., Tsugami GmbH and TSUGAMI KOREA Co.,Ltd) as well as the affiliates (Fastener Kohan, K.K. and 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.</p>
3. Matters Concerning fiscal year of consolidated subsidiaries, etc.	<p>Among the consolidated subsidiaries, the balance sheet date of Precision Tsugami (China) Corporation is December 31. When preparing the consolidated financial statements, the Company uses the financial statements of Precision Tsugami (China) Corporation, as of that date and makes necessary adjustments for important transactions between December 31 and the consolidated book-closing date.</p>	<p>Same as at left</p>

Item	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
<p>4. Matters concerning significant accounting policies</p> <p>(1) Valuation standard and valuation method of major assets</p> <p>(2) Depreciation and amortization methods used for material depreciable and amortizable assets</p>	<p>(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</p> <p>(ii) Derivatives _____</p> <p>(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.) (Changes in accounting policies) In most cases, the Company and its domestic consolidated subsidiaries had traditionally used the moving average cost method for the valuation of inventories. Starting in the consolidated fiscal year, however, the Company switched the method of calculation to the moving average cost method (the book value devaluation method based on the decline in profitability for amounts stated in balance sheets), in step with the application of the Accounting Standard for Measurement of Inventories (ASB Standard No. 9 issued on July 5, 2006). The switch caused consolidated operating income and consolidated ordinary income for the consolidated fiscal year under review to fall by 50 million yen, and consolidated net income before taxes and other adjustments to drop by 74 million yen.</p> <p>(i) Property, plant and equipment (excluding leased assets) Depreciation is principally computed by the declining-balance method. However, buildings acquired on or after April 1, 1998, excluding fittings, equipment, and foreign subsidiary, are depreciated on a straight-line basis. The significant service lives are summarized as follows: Buildings and structures: 15-38 years Machinery, equipment and vehicles: 9 years</p>	<p>(i) Securities Other securities Securities with fair market value: Same as at left Securities without fair market value: Same as at left</p> <p>(ii) Derivatives Market value method</p> <p>(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.)</p> <p>(i) Property, plant and equipment (excluding leased assets) Depreciation is principally computed by the declining-balance method. However, buildings acquired on or after April 1, 1998, excluding fittings, equipment, and foreign subsidiary, are depreciated on a straight-line basis. The significant service lives are summarized as follows: Buildings and structures: 15-38 years Machinery, equipment and vehicles: 9 years</p>

Item	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
	<p>(Additional information) Previously, service lives for machinery and equipment at the Company and its domestic consolidated subsidiaries was 10 years, but this was changed to 9 years from the consolidated fiscal year under review. This was in response to the Corporate Tax Law amendment in fiscal 2008 concerning the service life of depreciable assets, in which the Company and its domestic consolidated subsidiaries reviewed the service life of machinery and equipment, and made adjustments corresponding to the amended Corporate Tax Law. As a result, operating income and ordinary income decreased by 40 million yen, and net loss before income taxes increased by 40 million yen.</p> <p>(ii) Intangible fixed assets (excluding leased assets) Intangible fixed assets are amortized using the straight-line method. However, software for in-house use is amortized on a straight-line basis over the expected usable period, up to five years.</p> <p>(iii) Leased assets Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value. Among finance lease transactions other than those that are deemed to transfer the ownership of leased assets to lessees, the lease transactions whose start dates are prior to March 31, 2008, are accounted for by the method for ordinary lease transactions.</p> <p>(iv) Long-term prepaid expenses This is computed using the straight-line method.</p>	<p>(ii) Intangible fixed assets (excluding leased assets) Same as at left</p> <p>(iii) Leased assets Same as at left</p> <p>(iv) Long-term prepaid expenses Same as at left</p>
(3) Accounting standards for major deferred assets	<p>Corporate bonds issuance expenses This is amortized using the straight-line method during the period required for maturity of corporate bonds (5 years).</p>	<p>Corporate bonds issuance expenses Same as at left</p>
(4) Accounting standards for significant allowances	<p>(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.</p> <p>(ii) Allowance for employees' bonuses To provide for the payment of employees' bonuses, the Company and its domestic subsidiaries provide accrued bonuses for employees based on the projected amount for the consolidated fiscal year.</p>	<p>(i) Allowance for doubtful accounts Same as at left</p> <p>(ii) Allowance for employees' bonuses Same as at left</p>

Item	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
	<p>(iii) Allowance for directors' bonuses To provide for the payment of director's bonuses, the Company and its domestic subsidiaries accrue bonuses for directors based on the projected amount for the consolidated fiscal year. However, since the Company was unable to reasonably project the amount at the end of the consolidated fiscal year under review, this was not posted.</p> <p>(iv) Allowance for retirement benefits To prepare for the payment of employee retirement benefits, the Company and its domestic consolidated subsidiaries provide accrued retirement benefits based on projected benefits obligations and the fair value of pension assets at the consolidated fiscal year-end. In addition, any difference arising as a result of the change of accounting standards (2,180 million yen) is expensed equally, mainly over 15 years. Also, any actuarial difference is expensed equally from the fiscal year following its accrual over an average remaining service period (5 years) of employees at the time of the accrual using the straight-line method.</p> <p>(v) Allowance for directors' retirement benefits Certain of the Company's consolidated subsidiaries recorded an allowance for retirement benefits for directors equivalent to the amount payable in accordance with their rules for directors' retirement benefits.</p> <p>(vi) Allowance for product warranties To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.</p>	<p>(iii) Allowance for directors' bonuses Same as at left</p> <p>(iv) Allowance for retirement benefits Same as at left</p> <p>(Changes in accounting policies) The Company and its domestic consolidated subsidiaries began applying "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008) to the accounting of their allowances in the consolidated fiscal year under review. The change produced no effect on consolidated operating income, ordinary loss and net loss before taxes and other adjustments.</p> <p>(Additional information) The Company and some of its domestic consolidated subsidiaries made a switch from a qualified pension system to a defined benefit corporate pension system with the introduction of the Defined-Benefit Corporate Pension Act in January 2010. The change had a minor effect on consolidated operating income, ordinary loss and net loss before taxes and other adjustments.</p> <p>(v) Allowance for directors' retirement benefits Same as at left</p> <p>(vi) Allowance for product warranties To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.</p>

Item	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
	<p>(Additional information) The Company traditionally recorded repair expenses that arise in the after-sales, free-repair warranty period as expenses at the points where repair work resulted. However, starting in the consolidated fiscal year under review, the Company adopted a method of recording a reserve for product warrantees, based on factors including the past ratio of repairs. This change was made with the objective of properly calculating periodic profit and loss, as the importance of expenses concerning repair services increased with the rising significance of the recent sophistication of technologies and upgraded quality levels, and also because of the accumulation of repair cost data. The change caused consolidated operating income and consolidated ordinary income for the consolidated fiscal year under review to increase by 10 million yen, and consolidated net loss before taxes and other adjustments to fall by 75 million yen.</p>	
(5) Significant hedge accounting method	<p>—————</p>	<p>(i) Hedge accounting method Deferred hedge accounting was adopted. In addition, a method for translating foreign currency receivables and payables based on yen-value cash flows fixed by forward contracts was adopted for hedging the risk of exchange rate fluctuations in cases where requirements for using the method were fulfilled.</p> <p>(ii) Hedging instruments and hedged items Hedge accounting was applied to the following hedging instrument and hedged item during the consolidated fiscal year under review. Hedging instrument: exchange contracts Hedged item: foreign currency receivables</p> <p>(iii) Hedging policy Hedging was performed within the scope of subject receivables for avoiding the risk of exchange rate fluctuations and establishing profit/loss.</p> <p>(iv) Method of assessing hedging effectiveness An assessment of hedging effectiveness is omitted because the hedging instrument and an important requirement for the hedged item are the same and hedging is assumed to completely offset market fluctuations at the point of its launch and in the subsequent period.</p>
(6) Other important matters for the preparation of consolidated financial statements	<p>Accounting method for consumption taxes The tax-exclusion method is used for the calculation of consumption tax and local consumption tax.</p>	<p>Accounting method for consumption taxes Same as at left</p>
5. Matters relating to valuation method for assets and liabilities of consolidated subsidiaries	<p>All assets and liabilities of consolidated subsidiaries are valued using the full fair value method.</p>	<p>Same as at left</p>
6. Scope of funds in consolidated cash flow statements	<p>Funds in consolidated cash flow statements consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with maturity within three months that have high fluidity, easy cash convertibility, and little risk of a fluctuation in value.</p>	<p>Same as at left</p>

Changes in Important Matters that Become Basis of Presenting Consolidated Financial Statements

Item	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
1. Practical treatment of accounting at overseas subsidiaries in consolidated financial statements	The Tentative Treatment for the Unification of Accounting Policies of Foreign Subsidiaries in Preparing Consolidated Financial Statements (Practical Issues Task Force No. 18) is applied from the consolidated fiscal year under review, and corrections which are necessary for consolidation settlement are applied. The impact of this change on income and loss is immaterial.	—————
2. Accounting standards concerning lease transactions	Starting the consolidated fiscal year under review, the Accounting Standard for Lease Transactions (ASB Standard No.13 issued on March 30, 2007, which revised the former accounting standard for lease transactions issued on June 17, 1993, and the Guidance on Accounting Standard for Lease Transactions (ASB Guidance No.16, issued on March 30, 2007, which revised the former guidance issued on January 18, 1994 are applied. Accordingly, the accounting standards for finance lease transactions that do not involve transfer of ownership have been changed to the accounting methods for ordinary sales and purchase transactions, from the previous accounting methods for ordinary lease transactions. Regarding financial leases in which ownership is not transferred which commenced prior to the first day of the fiscal year in which the new standards were applied, accounting treatment based on methods related to ordinary lease transactions is continuously applied. The impact of this change on income and loss is immaterial.	—————

Changes in Presentation

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
<p>(Consolidated Balance Sheet)</p> <p>1. With the application of the Cabinet Office Ordinance to Amend the Regulations Concerning Terminology, Forms, and Preparation Methods of Financial Statements (August 7, 2008, Cabinet Office Ordinance No. 50), what was presented as inventories in the previous fiscal year is divided into commodities and products, goods in process, and raw materials and supplies. Commodities and products, goods in process, and raw materials and supplies included in inventories in the previous fiscal year were 1,008 million yen, 6,503 million yen, and 1,533 million yen.</p>	<p>—————</p>
<p>(Consolidated Balance Sheet)</p> <p>2. Since deferred tax assets, which had been included in other intangible fixed assets of investments and other assets until the previous fiscal year, exceeded 1% of total assets, they were presented as a separate item. Deferred tax assets at the end of the previous fiscal year were 117 million yen.</p>	<p>—————</p>
	<p>(Consolidated Statements of Income)</p> <p>Since foreign exchange losses, which were included in other non-operating expenses until the preceding fiscal year, exceeded 10% of total non-operating expenses, they were posted as an independent item. Foreign exchange losses at the end of the preceding fiscal year were 18 million yen.</p>

Notes

(Consolidated Balance Sheet)

(Million yen)

Previous consolidated fiscal year (As of March 31, 2009)	Consolidated fiscal year under review (As of March 31, 2010)
*1. Shares of non-consolidated subsidiaries and affiliates Investment securities (stocks): 16	*1. Shares of non-consolidated subsidiaries and affiliates Investment securities (stocks): 16
2. Amount of discount for bills receivable: 812	2. Amount of discount for bills receivable: 476
Amount of discount for export bills receivable: 3,069	Amount of discount for export bills receivable: 831
3. _____	3. Amount of allowance for doubtful accounts that is directly deducted from the amount of assets: Investments and other assets: 189

(Consolidated Income Statement)

(Million yen)

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)						
<p>*1. Inventories at the end of the year are an amount following the write-down of their book value based on a decline in profitability. The cost of sales includes the following loss on devaluation of inventories: 50</p> <p>*2. Total R&D expenses R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term: 629</p> <p>*3. Dormant expenses are expenses required for suspending the operations of the Company and its consolidated subsidiaries. Their breakdown is as follows: Labor costs: 86 Depreciation and amortization expenses: 40 Others: 1 Total: 128</p> <p>*4. Breakdown of gain on sale of fixed assets Land: 1</p> <p>*5. Breakdown of loss on retirement of fixed assets Buildings: 4 Others: 4 Total: 8</p> <p>6. _____</p> <p>*7. Breakdown of impairment loss The Group posted an impairment loss on the following assets in the consolidated fiscal year 2008.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Place</th> <th style="text-align: center;">Use</th> <th style="text-align: center;">Type</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Itabashi-ku, Tokyo</td> <td style="text-align: center;">Assets scheduled for sale</td> <td style="text-align: center;">Building, etc.</td> </tr> </tbody> </table> <p>The Group divides its assets into groups according to their relations with businesses. The Group wrote down the book value of the above assets scheduled for sale to its recoverable value and posted an impairment loss of 99 million yen for the assets under extraordinary expenses. The Group estimates the net sale value, and calculates the recoverable value based on the estimated sale value. The above assets, scheduled for sale at the point where the impairment loss was posted, were sold in September 2008.</p>	Place	Use	Type	Itabashi-ku, Tokyo	Assets scheduled for sale	Building, etc.	<p>*1. Inventories at the end of the year are an amount following the write-down of their book value based on a decline in profitability. The cost of sales includes the following loss on devaluation of inventories: 68</p> <p>*2. Total R&D expenses R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term: 752</p> <p>*3. Dormant expenses are expenses required for suspending the operations of the Company and its consolidated subsidiaries. Their breakdown is as follows: Labor costs: 244 Depreciation and amortization expenses: 70 Others: 6 Total: 321</p> <p>4. _____</p> <p>5. _____</p> <p>*6. Breakdown of loss on sale of fixed assets Machinery and equipment: 1</p> <p>7. _____</p>
Place	Use	Type					
Itabashi-ku, Tokyo	Assets scheduled for sale	Building, etc.					

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)

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

(Thousand shares)

	Number of shares at the end of the previous consolidated fiscal year	Increase in shares in the consolidated fiscal year	Decrease in shares in the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Outstanding shares				
Common shares	68,019	—	—	68,019
Total	68,019	—	—	68,019
Treasury stock				
Common shares	130	433	111	453
Total	130	433	111	453

Notes 1. The increase in common shares of treasury stock of 433 thousand shares reflected an increase of 14 thousand shares due to the purchase of odd-lot shares, and the purchase of 419 thousand shares of treasury stock.

2. The decrease in treasury stock of 111 thousand shares was due to the exercise of stock options.

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

Category	Description of subscription rights to shares	Type of shares to be issued under subscription rights to shares	Number of shares to be issued under subscription rights to shares				Outstanding balance at the end of the consolidated fiscal year (million yen)
			Number of shares at the end of the previous 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	—	—	—	—	—	187
Total		—	—	—	—	—	187

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 15, 2008	Common shares	339	5.00	March 31, 2008	June 3, 2008
Board of directors meeting held on November 10, 2008	Common shares	339	5.00	September 30, 2008	November 27, 2008

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

(Resolution)	Type of shares	Total amount of dividend (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 14, 2009	Common shares	337	Retained earnings	5.00	March 31, 2009	June 2, 2009

Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)

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

	Number of shares at the end of the previous consolidated fiscal year	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review
Outstanding shares				
Common shares	68,019	—	—	68,019
Total	68,019	—	—	68,019
Treasury stock				
Common shares	453	786	85	1,154
Total	453	786	85	1,154

Notes 1. The increase in common shares of treasury stock of 786 thousand shares reflected an increase of 7 thousand shares due to the purchase of odd-lot shares, and the purchase of 779 thousand shares of treasury stock.

2. The decrease in treasury stock of 85 thousand shares was due to the exercise of stock options.

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

Category	Description of subscription rights to shares	Type of shares to be issued under subscription rights to shares	Number of shares to be issued under subscription rights to shares				Outstanding balance at the end of the consolidated fiscal year under review (million yen)
			Number of shares at the end of the previous consolidated fiscal year	Increase in shares in the consolidated fiscal year under review	Decrease in shares in the consolidated fiscal year under review	Number of shares at the end of the consolidated fiscal year under review	
Submitting company (parent company)	Subscription rights to shares as stock options	—	—	—	—	—	204
Total		—	—	—	—	—	204

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 14, 2009	Common shares	337	5.00	March 31, 2009	June 2, 2009

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

(Resolution)	Type of shares	Total amount of dividend (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 13, 2010	Common shares	334	Retained earnings	5.00	March 31, 2010	June 1, 2010

(Consolidated Statements of Cash Flows)

(Million yen)

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
1. Relationship between the ending balance of cash and cash equivalents and the accounts and their amounts on the Consolidated Balance Sheet	1. Relationship between the ending balance of cash and cash equivalents and the accounts and their amounts on the Consolidated Balance Sheet
Cash and cash accounts 3,238	Cash and cash accounts 3,892
Time deposits with maturity of more than 3 months -50	Time deposits with maturity of more than 3 months -50
Cash and cash equivalents <u>3,188</u>	Cash and cash equivalents <u>3,842</u>

(Lease Transactions)

(Million yen)

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)				Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)																																				
<p>Finance lease transactions (lessee)</p> <p>Finance lease transactions without the transfer of ownership</p> <p>(i) Leased assets</p> <p>a. Tangible fixed assets</p> <p>Primary tools, equipment and fixtures in the machine tool business and the specialized machines and other businesses</p> <p>b. Intangible fixed assets</p> <p>Software</p> <p>(ii) Depreciation and amortization methods for leased assets</p> <p>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.</p> <p>Of finance lease transactions without the transfer of ownership, the lease transactions whose start dates are before March 31, 2008, are accounted for by the method for ordinary lease transactions. Details of the transactions are as follows:</p> <p>(1) Acquisition cost equivalent, accumulated depreciation equivalent, and fiscal year-end outstanding balance equivalent of leased assets</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">Acquisition cost equivalent</th> <th style="text-align: center;">Accumulated depreciation equivalent</th> <th style="text-align: center;">Fiscal year-end outstanding balance equivalent</th> </tr> </thead> <tbody> <tr> <td>Machinery, equipment and vehicles</td> <td style="text-align: center;">17</td> <td style="text-align: center;">12</td> <td style="text-align: center;">5</td> </tr> <tr> <td>Tangible fixed assets</td> <td style="text-align: center;">60</td> <td style="text-align: center;">46</td> <td style="text-align: center;">13</td> </tr> <tr> <td>Intangible fixed assets</td> <td style="text-align: center;">8</td> <td style="text-align: center;">6</td> <td style="text-align: center;">1</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: center; border-top: 1px solid black;">86</td> <td style="text-align: center; border-top: 1px solid black;">65</td> <td style="text-align: center; border-top: 1px solid black;">21</td> </tr> </tbody> </table> <p>Since the rate of unexpired lease fees at the end of the fiscal year to the tangible fixed assets at the end of the fiscal year is low, interest expense is included in the calculation of the acquisition cost equivalent.</p>		Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent	Machinery, equipment and vehicles	17	12	5	Tangible fixed assets	60	46	13	Intangible fixed assets	8	6	1	Total	86	65	21				<p>Finance lease transactions (lessee)</p> <p>Finance lease transactions without the transfer of ownership</p> <p>(i) Leased assets</p> <p>a. Tangible fixed assets</p> <p>Primary tools, equipment and fixtures in the machine tool business and the specialized machines and other businesses</p> <p>b. Intangible fixed assets</p> <p>Software</p> <p>(ii) Depreciation and amortization methods for leased assets</p> <p>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.</p> <p>Of finance lease transactions without the transfer of ownership, the lease transactions whose start dates are before March 31, 2008, are accounted for by the method for ordinary lease transactions. 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	Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent																																					
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<p>(3) Lease fees paid and depreciation equivalent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 80%;">Lease fees paid</td> <td style="text-align: right;">23</td> </tr> <tr> <td>Depreciation equivalent</td> <td style="text-align: right;">23</td> </tr> </tbody> </table>	Lease fees paid	23	Depreciation equivalent	23				<p>(3) Lease fees paid and depreciation equivalent</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 80%;">Lease fees paid</td> <td style="text-align: right;">8</td> </tr> <tr> <td>Depreciation equivalent</td> <td style="text-align: right;">8</td> </tr> </tbody> </table>	Lease fees paid	8	Depreciation equivalent	8																												
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<p>(4) Method of calculating depreciation equivalent</p> <p>The depreciation equivalent is calculated using the straight-line method over the lease terms as service lives, assuming no residual value.</p>				<p>(4) Method of calculating depreciation equivalent</p> <p>The depreciation equivalent is calculated using the straight-line method over the lease terms as service lives, assuming no residual value.</p>																																				

(Financial Instruments)

Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)

1. Situation of financial instruments

(1) Policy for financial instruments

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

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

Trade notes and accounts receivable, operating receivables, are exposed to the credit risks of customers. Foreign currency operating receivables that are generated in overseas operations are exposed to exchange fluctuation risks but hedged by exchange forward contracts.

Investment securities are primarily shares in companies with which the Company has business relationships and are exposed to the risks of market price fluctuation. The due dates of most trade notes and accounts payable, which are operating payables, are within four months.

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

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

Please refer to 4. Matters concerning significant accounting policies, (5) Significant hedge accounting method of “Important Matters that Becomes Basis of Presenting Consolidated Financial Statements” to find out information about the hedging instruments, hedged items, hedging policy, and method of valuating the effectiveness of hedging.

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

(3) Supplementary explanation on fair values of financial instruments

The fair values of financial instruments are values based on market values, or if there are no market values, values reasonably calculated. Since variables are included in the calculation of fair values, they may change depending on assumptions. The values of contracts relating to derivatives trading stated in the notes to derivatives trading do not show market risks relating to derivatives trading by themselves.

2. Matters relating to fair values of financial instruments

The table below shows the balance sheet amounts and fair values of financial instruments, and the difference between them as of March 31, 2010. Financial instruments whose fair values are very difficult to estimate are not included in the table. (Please refer to Note 2.)

	Consolidated balance sheet amount (million yen)	Fair value (million yen)	Difference (million yen)
(1) Cash and deposits	3,892	3,892	—
(2) Trade notes and accounts receivable	7,541	7,541	—
(3) Investment securities	4,264	4,264	—
Total assets	15,699	15,699	—
(1) Trade notes and accounts payable	6,946	6,946	—
(2) Short-term borrowings	1,008	1,008	—
(3) Corporate bonds due to redemption within one year	300	300	—
(4) Corporate bonds	900	908	-8
Total liabilities	9,154	9,162	-8
Derivatives*	99	99	—

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

Notes 1. Methods used for estimating the fair values of financial instruments and matters relating to securities and derivatives trading

Assets

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

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

(3) Investment securities

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

Liabilities

(1) Trade notes and accounts payable and (2) Short-term borrowings

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

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

Derivatives

Please refer to the notes to derivatives trading.

2. Financial instruments whose fair values are very difficult to estimate

Classification	Consolidated balance sheet amount (million yen)
Unlisted shares	2
Shares in affiliates	16

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

	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*	3,882	—	—	—
Trade notes and accounts receivable	7,541	—	—	—
Total	11,424	—	—	—

*Cash is excluded.

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

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

(Additional information)

Starting the fiscal year under review, the Company is applying the Accounting Standard for Financial Instruments (Accounting Standards Board of Japan Statement No. 10 issued on March 10, 2008) and the Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 issued on March 10, 2008).

(Securities)

Previous consolidated fiscal year (As of March 31, 2009)

1. Other securities with market value

(Million yen)

	Classification	Previous consolidated fiscal year (As of March 31, 2009)		
		Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Carrying amounts on the consolidated balance sheet exceeding the acquisition cost	(1) Shares	610	666	56
	(2) Corporate bond	—	—	—
	(3) Others	—	—	—
	Subtotal	610	666	56
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1) Shares	1,719	1,154	-564
	(2) Corporate bond	—	—	—
	(3) Others	—	—	—
	Subtotal	1,719	1,154	-564
Total		2,330	1,821	-508

Note For securities whose market price as of the end of the fiscal year is 50% or more lower than their acquisition costs, the entire difference is impaired.

For securities whose market price as of the end of the fiscal year is around 30% to 50% lower than their acquisition costs, the amount regarded as necessary is impaired, considering the significance of the amount and the potential for recovery.

Impairment losses of ¥1,163 million are recorded for other securities with market value.

2. Other securities sold during the consolidated fiscal year

Not applicable.

3. Securities not marked to market

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2009)
	Carrying amount on the consolidated balance sheet
Other securities Unlisted stocks	2

Note In the consolidated fiscal year, no securities in the category of Other Securities with Market Value were impaired.

Consolidated fiscal year under review (As of March 31, 2010)

1. Other securities with market value

(Million yen)

	Classification	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Carrying amounts on the consolidated balance sheet exceeding the acquisition cost	(1) Shares	3,783	2,721	1,061
	(2) Corporate bond	—	—	—
	(3) Others	—	—	—
	Subtotal	3,783	2,721	1,061
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1) Shares	481	665	-183
	(2) Corporate bond	—	—	—
	(3) Others	—	—	—
	Subtotal	481	665	-183
Total		4,264	3,387	877

Note Since unlisted stocks (whose consolidated balance sheet amount is 2 million yen) have no market prices, and their fair values are very difficult to estimate, they are not included in other securities with market value. If the fair value at the end of the fiscal year declines 50% or more from the acquisition cost, impairment accounting is applied.

If, among other securities, the fair value of stocks having fair value declines 30% to around 50%, the Company estimates the recoverability of each stock and determines whether impairment accounting is needed or not. Impairment accounting was not applied to any stocks with or without market value of other securities.

2. Other securities sold during the consolidated fiscal year under review

Not applicable.

(Derivatives Trading)

1. Transactions

(Million yen)

Previous consolidated fiscal year
 (from April 1, 2008 to March 31, 2009)

(1) Type of trading

The derivatives trading that the Company and its consolidated subsidiaries carry out is exchange forward contracts.

(2) Policy for trading

The derivatives trading is intended to avoid exchange fluctuation risk. Speculative derivatives trading will not be carried out.

(3) Purpose of trading

Derivatives trading is used for avoiding the exchange fluctuation risk associated with monetary assets and liabilities denominated in foreign currencies and securing stable profits.

Hedge accounting using derivatives trading is applied.

Hedge accounting method

The appropriation method is applied for exchange forward contracts.

Hedging instruments and hedged items

Hedging instruments: Exchange forward contracts

Hedged items: Trade accounts receivable and trade accounts payable

Hedging policy

The Company and its consolidated subsidiaries carry out hedging within the range of the target trade accounts receivable and trade accounts payable to avoid exchange risks and lock in earnings.

Method of valuing the effectiveness of hedging

The cumulative total of market fluctuations of the hedged items and that of the hedging instruments are compared during the period from the beginning of the hedging and the time of the determination of the effectiveness of hedging. The effectiveness of hedging is determined, based on changes in the hedged items and hedging instruments.

(4) Risks relating to trading

Exchange forward contracts have the exchange fluctuation risk.

Since trade partners are limited to financial institutions having high ratings, we consider that we have hardly any credit risks.

(5) Risk control system for trading

Derivatives trading is carried out and managed by the finance division with the approval of the deciding officer in accordance with internal regulations specifying trading authority and limitation on transaction amounts.

(6) Supplementary explanation on market values of transactions

The market values of contracts are nominal values or calculated notional principal amounts in derivatives trading. The market values do not show the size of risks of derivatives trading.

2. Market values of transactions

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

Since there was no balance at the end of the fiscal year, there were no applicable matters.

Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)

(1) Derivatives trading to which hedge accounting is not applied

Not applicable.

(2) Derivatives trading to which hedge accounting is applied

(i) Currencies

Hedge accounting method	Trading type	Major hedged item	Consolidated fiscal year under review (As of March 31, 2010)		
			Amount of contracts (million yen) (thousand US dollars)	Amount of contracts for more than one year (million yen) (thousand US dollars)	Fair value (million yen)
Appropriation method for exchange forward contracts	Exchange forward contracts Selling position (US dollars)	Trade accounts receivable	3,048 (33,879)	– –	99

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

(Pension and Severance Cost)

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

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

2. Projected benefit obligations and their breakdowns

(Million yen)

	Previous consolidated fiscal year (As of March 31, 2009)	Consolidated fiscal year under review (As of March 31, 2010)
(1) Projected benefit obligations	-2,483	-2,304
(2) Pension assets	611	778
(3) Unfunded obligations for retirement and severance benefits (1)+(2)	-1,872	-1,525
(4) Unsettled difference at change of accounting principle	835	696
(5) Unrecognized actuarial gain or loss	212	-7
(6) Unrecognized prior service cost	-	-
(7) Net accrued retirement benefits reflected in consolidated balance sheets (3)+(4)+(5)+(6)	-823	-837
(8) Prepaid pension cost	-	-
(9) Allowance for retirement benefits (7)-(8)	-823	-837

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

3. Breakdown of retirement benefit expenses

(Million yen)

	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
Retirement benefit expenses	430	356
(1) Service cost	131	125
(2) Interest cost	35	34
(3) Expected return on pension assets	-10	-12
(4) Unsettled difference at change of accounting principle	139	139
(5) Recognized actuarial gain or loss	66	69
(6) Others (Note 2)	68	-

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

2. Tsugami Shimamoto Ltd., which had been a consolidated subsidiary of the Company, used the simplified method to calculate projected benefit obligations, but because of its merger with Tsugami Corp. on January 1, 2009, projected obligations as of March 31, 2009 are calculated using the discrete method. For this reason, its projected obligations were incurred as extraordinary losses.

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

	Previous consolidated fiscal year (As of March 31, 2009)	Consolidated fiscal year under review (As of March 31, 2010)
(1) Periodic allocation method for projected benefits	Periodic straight-line base	Same as at left
(2) Discount rates (%)	1.5	1.5
(3) Expected return on assets (%)	2.0	2.0
(4) Years during which the prior service cost is amortized	-	-
(5) Method and years during which an actuarial gain or loss is amortized	Five years from the consolidated fiscal year following the consolidated fiscal year in which the gain or loss occurred	Five years from the consolidated fiscal year following the consolidated fiscal year in which the gain or loss occurred
(6) Years during which unsettled differences at change of accounting principles were accounted for	15	15

(Stock Options)

Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)

1. Expenses and revenue posted in relation to stock options in the fiscal year under review

Cost of sales	16 million yen
Selling, general and administrative expenses	73 million yen
Reversal of subscription rights to shares	105 million yen

2. Description and change in the scale of stock options

(1) Description of stock options

	2004 First general-type subscription rights to shares (Note 2)	2005 Second general-type subscription rights to shares (Note 2)
Positions and numbers of officers to receive stock options	The Company's directors 4 Statutory auditors 4 Employees of the Company 46 Officers and employees of subsidiaries of the Company 16	The Company's directors 1 Employees of the Company 40 Officers and employees of subsidiaries of the Company 11
Number of stock options by share type (Note 1)	Common shares 650,000 shares	Common shares 360,000 shares
Grant date	July 1, 2004	July 1, 2005
Vesting conditions	Not applicable	Not applicable
Target period of service	July 1, 2004 to June 30, 2006	July 1, 2005 to June 30, 2007
Exercise period	July 1, 2006 to June 30, 2009	July 1, 2007 to June 30, 2010

	2005 First compensation-type subscription rights to shares	2006 Third general-type subscription rights to shares (Note 2)
Positions and numbers of officers to receive stock options	The Company's directors 4 Statutory auditors 4 Employees of the Company 7	Employees of the Company 45 Directors of subsidiaries of the Company 8
Number of stock options by share type (Note 1)	Common shares 220,000 shares	Common shares 340,000 shares
Grant date	July 1, 2005	July 3, 2006
Vesting conditions	(Note 3)	Not applicable
Target period of service	Not applicable	July 3, 2006 to July 3, 2008
Exercise period	July 1, 2005 to June 30, 2025	July 4, 2008 to June 30, 2011

	2006 Stock compensation-type stock options Plan A		2006 Stock compensation-type stock options Plan B	
Positions and numbers of officers to receive stock options	The Company's directors	4	Titled executive officers	8
	Statutory auditors	4	Employees with similar positions	3
Number of stock options by share type (Note 1)	Common shares	78,000 shares	Common shares	72,000 shares
Grant date	July 20, 2006		July 20, 2006	
Vesting conditions	(Note 3)		(Note 3)	
Target period of service	Not applicable		Not applicable	
Exercise period	July 21, 2006 to July 20, 2026		July 21, 2006 to July 20, 2026	

	2007 Fourth general-type subscription rights to shares (Note 2)		2007 Stock compensation-type stock options Plan A	
Positions and numbers of officers to receive stock options	Employees of the Company	42	The Company's directors	4
	Directors of subsidiaries of the Company	7	Statutory auditors	4
Number of stock options by share type (Note 1)	Common shares	350,000 shares	Common shares	101,000 shares
Grant date	July 9, 2007		July 9, 2007	
Vesting conditions	Not applicable		(Note 3)	
Target period of service	July 9, 2007 to July 9, 2009		Not applicable	
Exercise period	July 10, 2009 to June 30, 2012		July 10, 2007 to July 9, 2027	

	2007 Stock compensation-type stock options Plan B	2008 Fifth general-type subscription rights to shares (Note 2)
Positions and numbers of officers to receive stock options	Titled executive officers 11 Employee of the Company 1	Employees of the Company 76 Directors of subsidiaries of the Company 4
Number of stock options by share type (Note 1)	Common shares 89,000 shares	Common shares 350,000 shares
Grant date	July 9, 2007	July 7, 2008
Vesting conditions	(Note 3)	Not applicable
Target period of service	Not applicable	July 7, 2008 to July 7, 2010
Exercise period	July 10, 2007 to July 9, 2027	July 8, 2010 to June 30, 2013

	2008 Stock compensation-type stock options Plan A	2008 Stock compensation-type stock options Plan B
Positions and numbers of officers to receive stock options	The Company's directors 7 Statutory auditors 4	Titled executive officers 18
Number of stock options by share type (Note 1)	Common shares 100,000 shares	Common shares 51,000 shares
Grant date	July 7, 2008	July 7, 2008
Vesting conditions	(Note 3)	(Note 3)
Target period of service	Not applicable	Not applicable
Exercise period	July 8, 2008 to July 7, 2028	July 8, 2010 to July 7, 2028

Notes 1. The number of stock options is converted to the number of shares.

2. The Company acquired gratis and cancelled all general-type subscription rights to shares on March 13, 2009.

3. In principle, a holder of subscription rights to shares may exercise them only when the holder no longer holds a position at the Company as a director (including an executive officer in a company with a committees system), statutory auditor, titled executive officer, 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 (hereinafter the "Officer's Retirement Day"). (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)

(2) Change in the scale of stock options

The stock options that existed in the fiscal year ended March 31, 2009 are counted. The number of stock options is converted to the number of shares.

(i) Number of stock options

	2004 First general-type subscription rights to shares	2005 Second general-type subscription rights to shares	2005 First compensation-type subscription rights to shares
Before vesting date (shares)			
End of previous fiscal year	–	–	–
Granted	–	–	–
Lapsed	–	–	–
Vested	–	–	–
Non-vested	–	–	–
After vesting date (shares)			
End of previous fiscal year	195,000	360,000	180,000
Vested	–	–	–
Exercised	33,000	–	36,000
Lapsed	162,000 (Note)	360,000 (Note)	–
Unexercised	–	–	144,000

	2006 Third general-type subscription rights to shares	2006 Stock compensation-type stock options Plan A	2006 Stock compensation-type stock options Plan B
Before vesting date (shares)			
End of previous fiscal year	340,000	–	–
Granted	–	–	–
Lapsed	–	–	–
Vested	340,000	–	–
Non-vested	–	–	–
After vesting date (shares)			
End of previous fiscal year	–	78,000	59,000
Vested	340,000	–	–
Exercised	–	12,000	8,000
Lapsed	340,000 (Note)	–	–
Unexercised	–	66,000	51,000

	2007 Fourth general-type subscription rights to shares	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B
Before vesting date (shares)			
End of previous fiscal year	350,000	—	—
Granted	—	—	—
Lapsed	350,000 (Note)	—	—
Vested	—	—	—
Non-vested	—	—	—
After vesting date (shares)			
End of previous fiscal year	—	101,000	89,000
Vested	—	—	—
Exercised	—	13,000	9,000
Lapsed	—	—	3,000
Unexercised	—	88,000	77,000

	2008 Fifth general-type subscription rights to shares	2008 Stock compensation-type stock options Plan A	2008 Stock compensation-type stock options Plan B
Before vesting date (shares)			
End of previous fiscal year	—	—	—
Granted	350,000	100,000	51,000
Lapsed	350,000 (Note)	—	—
Vested	—	100,000	51,000
Non-vested	—	—	—
After vesting date (shares)			
End of previous fiscal year	—	—	—
Vested	—	100,000	51,000
Exercised	—	—	—
Lapsed	—	—	—
Unexercised	—	100,000	51,000

(Note) The lapsed stock options were acquired gratis and cancelled by the Company on March 13, 2009.

(ii) Unit price information

(Yen)

	2004 First general-type subscription rights to shares	2005 Second general-type subscription rights to shares	2005 First compensation-type subscription rights to shares
Exercise price	286	575	1
Average stock price at the time of exercise	338	–	387
Fair valuation of unit price (grant date)	–	–	–

	2006 Third general-type subscription rights to shares	2006 Stock compensation-type stock options Plan A	2006 Stock compensation-type stock options Plan B
Exercise price	759	1	1
Average stock price at the time of exercise	–	411	358
Fair valuation of unit price (grant date)	176	608	608

	2007 Fourth general-type subscription rights to shares	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B
Exercise price	600	1	1
Average stock price at the time of exercise	–	411	358
Fair valuation of unit price (grant date)	138	513	513

	2008 Fourth general-type subscription rights to shares	2008 Stock compensation-type stock options Plan A	2008 Stock compensation-type stock options Plan B
Exercise price	422	1	1
Average stock price at the time of exercise	–	–	–
Fair valuation of unit price (grant date)	58	279	279

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

The following is the method of estimating a fair unit price of the 2008 stock options granted in the fiscal year:

(i) Valuation technique used Black-Scholes method

(ii) Major fundamental figures and estimation method

	2008 General-type subscription rights to shares	2008 Compensation-type subscription rights to shares Plan A and Plan B
Stock price volatility (Note 1)	33.262%	52.965%
Expected remaining period (Note 2)	3.5 years	10.0 years
Projected dividend (Note 3)	10.00 yen per share	10.00 yen per share
Risk-free interest rate (Note 4)	1.101%	1.693%

- Notes
1. The stock price volatility for the 2008 general-type subscription rights to shares was calculated based on the closing price on the last trading day of each month in the past 3.5 years (from January 2005 to June 2008). The stock price volatility for the 2008 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 1998 to June 2008).
 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, 2008.
 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.

Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)

1. Expenses and income posted in relation to stock options in the fiscal year under review

Cost of sales	3 million yen
Selling, general and administrative expenses	43 million yen

2. Description and change in the scale of stock options

(1) Description of stock options

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

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

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

	2008 Stock compensation-type stock options Plan B	2009 Sixth general-type subscription rights to shares
Positions and numbers of officers to receive stock options	Titled executive officers 18	The Company's directors 5 Statutory auditors 1 Employees of the Company 123 Directors of subsidiaries of the Company 7
Number of stock options by share type (Note 1)	Common shares 51,000 shares	Common shares 800,000 shares
Grant date	July 7, 2008	July 6, 2009
Vesting conditions	(Note 2)	Not applicable
Target period of service	Not applicable	July 6, 2009 to July 6, 2011
Exercise period	July 8, 2008 to July 7, 2028	July 7, 2011 to June 30, 2014

	2009 Stock compensation-type stock options Plan A	2009 Stock compensation-type stock options Plan B
Positions and numbers of officers to receive stock options	The Company's directors 7 Statutory auditors 4	Titled executive officers and employees with similar positions 14
Number of stock options by share type (Note 1)	Common shares 191,000 shares	Common shares 111,000 shares
Grant date	July 6, 2009	July 6, 2009
Vesting conditions	(Note 2)	(Note 2)
Target period of service	Not applicable	Not applicable
Exercise period	July 7, 2009 to July 6, 2029	July 7, 2009 to July 6, 2029

Notes 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 only when the holder no longer holds a position at the Company as a director (including an executive officer in a company with a committees system), statutory auditor, titled executive officer, 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 (hereinafter the "Officer's Retirement Day"). (If the end of the specified period is not a business day, it shall be the business day immediately preceding the day.)

(2) Change in the scale of stock options

The stock options that existed in the fiscal year ended March 31, 2010 are counted. The number of stock options is converted to the number of shares.

(i) Number of stock options

	2005 First compensation-type subscription rights to shares	2006 Stock compensation-type stock options Plan A	2006 Stock compensation-type stock options Plan B
Before vesting date (shares)			
End of previous fiscal year	–	–	–
Granted	–	–	–
Lapsed	–	–	–
Vested	–	–	–
Non-vested	–	–	–
After vesting date (shares)			
End of previous fiscal year	144,000	66,000	51,000
Vested	–	–	–
Exercised	25,000	15,000	5,000
Lapsed	–	–	–
Unexercised	119,000	51,000	46,000

	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B	2008 Stock compensation-type stock options Plan A
Before vesting date (shares)			
End of previous fiscal year	–	–	–
Granted	–	–	–
Lapsed	–	–	–
Vested	–	–	–
Non-vested	–	–	–
After vesting date (shares)			
End of previous fiscal year	88,000	77,000	100,000
Vested	–	–	–
Exercised	21,000	5,000	14,000
Lapsed	–	–	3,000
Unexercised	67,000	72,000	83,000

	2008 Stock compensation-type stock options Plan B	2009 Sixth general-type subscription rights to shares	2009 Stock compensation-type stock options Plan A
Before vesting date (shares)			
End of previous fiscal year	—	—	—
Granted	—	800,000	191,000
Lapsed	—	—	—
Vested	—	—	191,000
Non-vested	—	800,000	—
After vesting date (shares)			
End of previous fiscal year	51,000	—	—
Vested	—	—	191,000
Exercised	—	—	—
Lapsed	—	—	—
Unexercised	51,000	—	191,000

	2009 Stock compensation-type stock options Plan B
Before vesting date (shares)	
End of previous fiscal year	—
Granted	111,000
Lapsed	—
Vested	111,000
Non-vested	—
After vesting date (shares)	
End of previous fiscal year	—
Vested	111,000
Exercised	—
Lapsed	—
Unexercised	111,000

(ii) Unit price information

(Yen)

	2005 First compensation-type subscription rights to shares	2006 Stock compensation-type stock options Plan A	2006 Stock compensation-type stock options Plan B
Exercise price	1	1	1
Average stock price at the time of exercise	–	162	165
Fair valuation of unit price (grant date)	–	608	608

	2007 Stock compensation-type stock options Plan A	2007 Stock compensation-type stock options Plan B	2008 Stock compensation-type stock options Plan A
Exercise price	1	1	1
Average stock price at the time of exercise	161	165	168
Fair valuation of unit price (grant date)	513	513	279

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

	2009 Stock compensation-type stock options Plan B
Exercise price	1
Average stock price at the time of exercise	–
Fair valuation of unit price (grant date)	123

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

The following is the method of estimating a fair unit price of the 2009 stock options granted in the fiscal year:

(i) Valuation technique used Black-Scholes method

(ii) Major fundamental figures and estimation method

	2009 General-type subscription rights to shares	2009 Compensation-type subscription rights to shares Plan A and Plan B
Stock price volatility (Note 1)	37.044%	43.780%
Expected remaining period (Note 2)	3.5 years	10.0 years
Projected dividend (Note 3)	10.00 yen per share	10.00 yen per share
Risk-free interest rate (Note 4)	0.448%	1.306%

Notes 1. The stock price volatility for the 2009 general-type subscription rights to shares was calculated based on the closing price on the last trading day of each month in the past 3.5 years (from January 2006 to June 2009). The stock price volatility for the 2009 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 1999 to June 2009).

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, 2009.
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)

(Million yen)

Previous consolidated fiscal year (As of March 31, 2009)	Consolidated fiscal year under review (As of March 31, 2010)																																																																
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(Business Combination)

Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)

Transaction between entities under common control

1. Name and business of combining entity, legal form of business combination, name of combined entity, and summary of transaction including purpose of transaction

(1) Name and business of combining entity

Name of combining entity Tsugami Shimamoto Ltd.

Business Primarily processing and assembling of products of the Company

(2) Legal form of business combination

Absorption and merger where Tsugami Corporation (the Company) is the surviving company, and Tsugami Shimamoto Ltd. (consolidated subsidiary of the Company) is the entity ceasing to exist.

(3) Name of combined entity

Tsugami Corporation (the Company)

(4) Summary of transaction including purpose of transaction

Tsugami Shimamoto Ltd., a wholly owned subsidiary of the Company, processed and assembled products of the Company. To streamline the management of Group companies in response to changes in the business environment of the Group, the Company took over Tsugami Shimamoto on January 1, 2009.

2. Summary of accounting treatment

The business combination was treated as a transaction between entities under common control.

As a result of the business combination, a gain on extinguishment of tie-in shares was posted in extraordinary income in the non-consolidated financial statements. However, in the consolidated financial statements, the transaction is eliminated as an internal transaction.

Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)

Not applicable.

(Segment Information)

Information by business segment

Previous consolidated fiscal year (From April 1, 2008 to March 31, 2009)

Net sales, operating income and assets for the machine tool business are not stated under information by business segment because these figures account for more than 90% of total net sales, total operating income and total assets for all business segments, respectively.

Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)

(Million yen)

	Machine tool business	Specialized machines and other businesses	Total	Elimination or corporate	Consolidated
I. Net sales and Operating income/loss					
Net sales					
(1) Net sales to external customers	15,084	514	15,598	—	15,598
(2) Intersegment net sales or transfer to other accounts	—	—	—	—	—
Total	15,084	514	15,598	—	15,598
Operating expenses	15,082	430	15,513	—	15,513
Operating income	1	83	84	—	84
II. Assets, depreciation and capital expenditures					
Assets	22,643	1,112	23,756	7,391	31,147
Depreciation	633	116	750	—	750
Capital expenditures	381	—	381	—	381

- Notes
- Business segments are based on product classifications.
 - Major products in each segment
 - Machine tool business: CNC high-precision automatic lathes, CNC high-precision cylindrical grinding machines, machining centers, rolling machines
 - Specialized machines and other segments: specialized machines, gauge blocks, roll dies and screw inserts
 - Change in the method of allocating operating expenses

There were no non-allocatable operating expenses included in elimination and corporate in the consolidated fiscal year under review.

Up to the previous fiscal year, expenses in connection with the General Affairs Division and other administration divisions at the Company's head office were included in elimination or corporate as non-allocatable expenses. However, to show earnings by segment more clearly, the Company is allocating operating expenses to each segment under reasonable allocation standards, considering the attributes of each expense, from the first quarter of the fiscal year under review.

In association with the change, operating expenses in the machine tool business and the specialized machines and other businesses rose 598 million yen and 21 million yen, respectively, and operating income in the segments declined by the same amounts.
 - Group assets included in elimination or corporate amounted to 7,391 million yen. Funds for managing surplus funds (cash, deposits and marketable securities) and assets in connection with administration divisions at the Company's head office accounted for a large portion of such assets.
 - Depreciation and amortization expenses and capital expenditures include depreciation for and an increase in long-term prepaid expenses.

Information by geographic segment

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

Net sales and assets for Japan are not stated under information by geographic segment because these figures account for more than 90% of total net sales, total operating income and total assets for all geographic segments, respectively.

Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)

(Million yen)

	Japan	China	Total	Elimination or corporate	Consolidated
I. Net sales and Operating income/loss					
Net sales					
(1) Net sales to external customers	12,062	3,536	15,598	–	15,598
(2) Intersegment net sales or transfer to other accounts	2,969	1,140	4,109	(4,109)	–
Total	15,031	4,676	19,708	(4,109)	15,598
Operating expenses	15,317	4,319	19,637	(4,123)	15,513
Operating income (loss)	-286	357	71	13	84
II. Assets	22,527	5,413	27,941	3,205	31,147

Notes 1. Regional classifications are based on the independence of operations in each region.

2. Change in the method of allocating operating expenses:

There were no non-allocatable operating expenses included in elimination or corporate in the consolidated fiscal year under review. Up to the previous fiscal year, expenses in connection with the General Affairs Division and other administration divisions at the Company's head office were included in elimination or corporate as non-allocatable expenses. However, as management by geographic segment has become more important, the Company is allocating operating expenses to each geographic segment under reasonable allocation standards from the first quarter of the fiscal year under review, considering the attributes of each expense, to show earnings by segment more clearly. With the change, operating expenses and the operating loss in Japan each increased 620 million yen.

3. Group assets included in elimination or corporate amounted to 7,391 million yen. Funds for managing surplus funds (cash, deposits and marketable securities) and assets in connection with administration divisions at the Company's head office accounted for a large portion of such assets.

Overseas net sales

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	7,814	2,381	1,714	11,911
II Consolidated net sales				22,687
III Ratio of overseas net sales to consolidated net sales (%)	34.4	10.5	7.6	52.5

Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	10,234	638	378	11,251
II Consolidated net sales				15,598
III Ratio of overseas net sales to consolidated net sales (%)	65.6	4.1	2.4	72.1

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

2. Major countries or regions in each classification

- (1) Asia Taiwan, Thailand, Hong Kong, Singapore, China, South Korea, India and the Philippines
- (2) America The United States
- (3) Europe Germany, Switzerland, Italy and France

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

Information on related parties

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

(Additional information)

Starting the fiscal year, the Company is applying the Accounting Standard for Related Party Disclosures (Accounting Standards Board of Japan Statement No. 11; October 17, 2006) and the Guidance on Accounting Standard for Related Party Disclosures (ASBJ Guidance No. 13; October 17, 2006).

The application has not changed the extent of disclosure.

Non-consolidated subsidiaries and affiliates of the company submitting the consolidated financial statements

Type	Name	Address	Capital or investments (1,000 US dollars)	Business or job	Ownership of voting rights in percentage	Relationship	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Affiliate	REM SALES LLC	Connecticut, USA	6,780	Sale of machine tools	(Owning) Direct: 29.50%	Sale of products of the Company in the United States	Sale of products of the Company	2,360	Trade accounts receivable	50

- Notes
1. The transaction amount does not include consumption tax.
 2. Sales of products of the Company are determined by reference to market prices.

Consolidated fiscal year under review (From April 1, 2009 to March 31, 2010)

Officers and major individual shareholders

Attribute	Name	Address	Capital or investments	Business or job	Ownership of voting rights in percentage	Relationship		Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
						Officers holding concurrent posts	Business relationship				
Officer	Kunimasa Ohta	-	-	Statutory auditor of the Company Representative Director of Tokyo Seimitsu Co., Ltd.	(Owning) Direct: 2.50% (Owned) Direct: 6.91%	-	-	Sale of products of the Company	3		
								Purchase of Tokyo Seimitsu's products	29	Trade notes payable	17
								Underwriting of newly issued shares	999	Trade accounts payable	1

Notes

Business terms and policies for their determination, etc.

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

Underwriting of newly issued shares means the Company underwriting all 968,000 shares for ¥1,033 per share in a capital increase through private placement by Tokyo Seimitsu Co., Ltd. on December 3, 2009. The underwriting price was determined based on the average closing price (¥1,135) on the Tokyo Stock Exchange during a month until the day before the day of the resolution for the capital increase at the Board of Directors meeting.

(Per Share Information)

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)		Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)	
Net assets per share	289.07 yen	Net assets per share	294.29 yen
Net loss per share	12.88 yen	Net loss per share	3.65 yen
Net income per share after residual equity adjustment is not stated in spite of the presence of residual equity, because of the net loss per share posted.		Net income per share after residual equity adjustment is not stated in spite of the presence of residual equity, because of the net loss per share posted.	

Note The table below shows the foundations for the calculation of the net loss per share.

	Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)	Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)
Net income/loss per share		
Net income/loss (million yen)	-873	-244
Net income that does not belong to common share holders (million yen)	—	—
Net income/loss on common shares (million yen)	-873	-244
Average number of shares during the period (thousand shares)	67,826	67,020
Summary of residual shares not included in the calculation of net income per share after residual equity adjustment because of no dilutive effect	—	—

(Important Post-Balance Sheet Events)

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

Resolution on stock option

The submitting company resolved to issue subscription rights to shares at the 106th annual shareholders meeting held on June 19, 2009.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 8. Stock options based on a resolution at the annual shareholders meeting held on June 19, 2009.

Consolidated fiscal year under review (from April 1, 2009 to March 31, 2010)

Resolution on stock option

The submitting company resolved to issue subscription rights to shares at the 107th annual shareholders meeting held on June 18, 2010.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 10. Stock options based on a resolution at the annual shareholders meeting held on June 18, 2010.

(v) Consolidated supplementary schedule

Schedule of bonds

Corporate name	Issue	Issue date	Balance at end of previous fiscal year (million yen)	Balance at end of fiscal year under review (million yen)	Interest rate (%)	Collateral	Maturity period
Tsugami Corporation	First unsecured bond Notes 1 and 2	December 29, 2008	1,500 (300)	1,200 (300)	1.0	None	December 27, 2013
Total	—	—	1,500 (300)	1,200 (300)	—	—	—

- Notes 1. Numbers in parentheses are redemption amounts scheduled within a year.
2. The table below shows scheduled redemption amounts in the five years after the consolidated closing date.

(Million yen)

Within a year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years
300	300	300	300	—

Schedule of borrowings

Classification	Balance at end of previous fiscal year (million yen)	Balance at end of fiscal year under review (million yen)	Average interest rate (%)	Repayment term
Short-term borrowings	500	1,008	1.5	—
Lease obligations to be repaid within a year	5	9	—	—
Lease obligations (excluding those to be repaid within a year)	21	31	—	From 2011 to 2013
Total	527	1,050	—	—

- Notes 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 long-term loan and lease obligations (excluding those to be repaid within a year) with five years of the consolidated closing date.

(Million yen)

	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years
Lease obligations	9	9	8	4

(2) Other

Quarterly information for the fiscal year under review

	First quarter From April 1, 2009 to June 30, 2009	Second quarter From July 1, 2009 to September 30, 2009	Third quarter From October 1, 2009 to December 31, 2009	Fourth quarter From January 1, 2010 to March 31, 2010
Net sales (million yen)	1,547	3,144	3,881	7,024
Income (loss) before taxes and other adjustments (million yen)	-632	-379	156	735
Net income (loss) (million yen)	-671	-422	77	772
Net income (loss) per share (yen)	-9.99	-6.31	1.16	11.55

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, 2009)	Figures at the end of the fiscal year under review (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	2,714	3,145
Trade notes receivable	*1 226	*1 166
Trade accounts receivable	*1 5,312	*1 7,066
Commodities and products	1,022	984
Goods in process	4,605	4,563
Raw materials and supplies	1,780	1,658
Prepaid expenses	27	61
Short-term loans to affiliates	39	573
Deferred tax assets	116	135
Advance paid	19	14
Accounts due	286	269
Other current assets	15	115
Allowance for doubtful accounts	-104	-61
Total current assets	16,061	18,691
Fixed assets		
Tangible fixed assets		
Buildings	6,636	6,652
Accumulated depreciation	-3,258	-3,455
Buildings (net)	3,377	3,197
Structures	477	477
Accumulated depreciation	-323	-348
Structures (net)	154	128
Machinery and equipment	8,762	8,235
Accumulated depreciation	-7,119	-7,084
Machinery and equipment (net)	1,642	1,151
Vehicles	49	51
Accumulated depreciation	-44	-42
Vehicles (net)	5	8
Tools, furniture and fixtures	703	749
Accumulated depreciation	-524	-589
Tools, furniture and fixtures (net)	179	159
Land	591	591
Leased assets	29	31
Accumulated depreciation	-3	-8
Leased assets (net)	26	22
Construction in progress	1	-
Total tangible fixed assets	5,977	5,260
Intangible fixed assets		
Software	16	11
Telephone subscription rights	10	10
Leased assets	-	16
Total intangible fixed assets	26	38

(Million yen)

	Figures at the end of the previous fiscal year (As of March 31, 2009)	Figures at the end of the fiscal year under review (As of March 31, 2010)
Investments and other assets		
Investment securities	1,823	4,267
Shares in affiliates	136	136
Investments in affiliates	926	1,209
Long-term loans to employees	3	2
Long-term prepaid expenses	2	2
Deferred tax assets	335	–
Other investments and other assets	99	137
Total investments and other assets	3,327	5,755
Total fixed assets	9,331	11,054
Deferred assets		
Bond issuance expenses	32	25
Total deferred assets	32	25
Total assets	25,425	29,771
Liabilities		
Current liabilities		
Trade notes payable	1,700	5,004
Trade accounts payable	*1 675	*1 1,849
Short-term borrowings	500	300
Corporate bonds due for redemption within one year	300	300
Lease obligations	5	9
Accounts payable	237	351
Accrued expenses payable	169	187
Accrued income tax	34	44
Advance received	29	32
Deposits received	37	71
Reserve for bonus payment	123	171
Trade notes payable related to facilities	101	67
Reserve for product warranties	75	53
Other current liabilities	44	110
Total current liabilities	4,035	8,552
Long-term liabilities		
Corporate bonds	1,200	900
Lease obligations	21	31
Deferred tax liabilities	–	77
Reserve for retirement benefits	815	829
Deposits received for guarantee	14	14
Other long-term liabilities	60	46
Total long-term liabilities	2,112	1,899
Total liabilities	6,147	10,451

(Million yen)

	Figures at the end of the previous fiscal year (As of March 31, 2009)	Figures at the end of the fiscal year under review (As of March 31, 2010)
Net assets		
Shareholders' equity		
Common stock	10,599	10,599
Capital surplus		
Capital legal reserve	4,138	4,138
Other capital surplus	—	12
Total capital surplus	4,138	4,151
Retained earnings		
Other retained earnings		
Deferred retained earnings	4,954	4,207
Total retained earnings	4,954	4,207
Treasury stock	-92	-207
Total shareholders' equity	19,599	18,750
Valuation and translation adjustments		
Unrealized gains on marketable securities	-508	463
Deferred gains or losses on hedges	—	-99
Total valuation and translation adjustments	-508	364
Subscription rights to shares	187	204
Total net assets	19,277	19,319
Total liabilities and net assets	25,425	29,771

(ii) Non-consolidated statements of income

(Million yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Fiscal year under review (From April 1, 2009 to March 31, 2010)
Net sales		
Net sales of goods	562	1,046
Net sales of finished goods	21,481	*4 13,772
Total net sales	22,043	14,818
Cost of sales		
Cost of goods sold		
Beginning inventories	7	1
Cost of purchased goods	525	893
Total	532	895
Ending inventories	1	28
Cost of goods sold	530	866
Cost of finished goods sold		
Beginning finished goods	920	1,020
Cost of products manufactured	17,967	11,592
Total	18,887	12,613
Ending finished goods	1,020	955
Transfer to other account	*1 155	*1 4
Cost of finished goods sold	*2 17,710	*2 11,652
Total cost of sales	18,241	12,519
Gross profit	3,802	2,299
Selling, general and administrative expenses		
Packing and transportation expenses	82	49
Advertising expenses	257	146
Salaries for directors	146	137
Salaries and allowances	632	493
Provision for reserve for bonus payment	19	26
Retirement benefit expenses	100	100
Rent paid	88	76
Traveling expenses	178	115
Insurance premiums	89	79
Research and development expenses	*3 628	*3 754
Depreciation and amortization expenses	18	17
Provision for allowance for doubtful accounts	148	28
Provision for reserve for product warranties	75	53
Other selling, general and administrative expenses	816	585
Total selling, general and administrative expenses	3,284	2,664
Operating income/loss	517	-365
Non-operating income		
Interest received	1	0
Dividends received	*4 317	*4 106
Rent received	*4 83	*4 11
Insurance benefits received	26	41
Subsidy income	40	119
Other non-operating income	42	119
Total non-operating income	511	399

(Million yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Fiscal year under review (From April 1, 2009 to March 31, 2010)
Non-operating expenses		
Interest paid	27	8
Interest on bonds	3	13
Leased expenses	77	9
Amortization of bond issuance cost	3	6
Sales discount	5	10
Loss on sales of trade notes	106	40
Dormant expense	*5 124	*5 310
Other non-operating expenses	55	28
Total non-operating expenses	404	426
Ordinary income/loss	625	-393
Extraordinary income		
Gain on sales of fixed assets	*6 4	*6 1
Reversal of subscription rights to shares	105	-
Gain on extinguishment of tie-in shares	263	-
Total extraordinary income	373	1
Extraordinary expenses		
Loss on retirement of fixed assets	*7 7	0
Impairment loss	*8 99	-
Loss on retirement of inventories	31	-
Loss on devaluation of inventories	24	-
Loss on devaluation of investment securities	1,163	-
Retirement benefit expenses	68	-
Provision for reserve for product warranties	64	-
Other extraordinary expenses	27	-
Total extraordinary expenses	1,486	0
Income/loss before taxes and other adjustments	-487	-392
Corporate, inhabitant and enterprise taxes	20	19
Income taxes for prior periods	-	17
Deferred taxes	33	-21
Total corporate and other taxes	53	16
Net income/loss	-540	-408

Schedule of cost of products manufactured

(Million yen)

Classification		Previous fiscal year (From April 1, 2008 to March 31, 2009)		Fiscal year under review (From April 1, 2009 to March 31, 2010)	
		Amount	Component ratio (%)	Amount	Component ratio (%)
I	Material cost	11,272	64.2	8,158	65.2
II	Labor cost	2,342	13.3	2,141	17.1
III	Expenses	3,959	22.5	2,218	17.7
	(Depreciation and amortization expenses)	(723)		(578)	
	(Amount paid to subcontractors)	(1,823)		(616)	
	Total production costs	17,574	100.0	12,518	100.0
	Beginning work in process	5,909		4,605	
	Total	23,484		17,124	
	Ending work in process	4,605		4,563	
	Transfer to other account	912		968	
	Cost of products manufactured	17,967		11,592	

(Million yen)

Previous fiscal year (From April 1, 2008 to March 31, 2009)		Fiscal year under review (From April 1, 2009 to March 31, 2010)	
Cost accounting method		Cost accounting method	
Real cost accounting is applied. Job order cost accounting is applied to machine tools and measurement instruments, and process costing is applied to prototypes and tools. Part of planned processing cost is calculated. The difference between the planned cost and actual cost is allocated to inventories and the cost of sales.		Same as at left	
*1. Transfer to other account		*1. Transfer to other account	
To fixed assets	84	To fixed assets	41
To selling, general and administrative expenses	770	To selling, general and administrative expenses	921
Other	56	Other	4
	<u>912</u>		<u>968</u>

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

(Million yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Fiscal year under review (From April 1, 2009 to March 31, 2010)
Shareholders' equity		
Common stock		
Balance at end of previous fiscal year	10,599	10,599
Change during the fiscal year		
Total change during the fiscal year	—	—
Balance at end of the fiscal year	10,599	10,599
Capital surplus		
Capital legal reserve		
Balance at end of previous fiscal year	4,138	4,138
Change during the fiscal year		
Total change during the fiscal year	—	—
Balance at end of the fiscal year	4,138	4,138
Other capital surplus		
Balance at end of previous fiscal year	—	—
Change during the fiscal year		
Disposal of treasury stock	—	12
Total change during the fiscal year	—	12
Balance at end of the fiscal year	—	12
Total capital surplus		
Balance at end of previous fiscal year	4,138	4,138
Change during the fiscal year		
Disposal of treasury stock	—	12
Total change during the fiscal year	—	12
Balance at end of the fiscal year	4,138	4,151
Retained earnings		
Other retained earnings		
Deferred retained earnings		
Balance at end of previous fiscal year	6,183	4,954
Change during the fiscal year		
Cash dividends paid	-679	-337
Net income/loss	-540	-408
Disposal of treasury stock	-9	—
Total change during the fiscal year	-1,229	-746
Balance at end of the fiscal year	4,954	4,207
Treasury stock		
Balance at end of previous fiscal year	-50	-92
Change during the fiscal year		
Purchase of treasury stock	-84	-131
Disposal of treasury stock	42	16
Total change during the fiscal year	-41	-115
Balance at end of the fiscal year	-92	-207

(Million yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Fiscal year under review (From April 1, 2009 to March 31, 2010)
Total shareholders' equity		
Balance at end of previous fiscal year	20,871	19,599
Change during the fiscal year		
Cash dividends paid	-679	-337
Net income/loss	-540	-408
Purchase of treasury stock	-84	-131
Disposal of treasury stock	32	29
Total change during the fiscal year	-1,271	-848
Balance at end of the fiscal year	19,599	18,750
Valuation and translation adjustments		
Unrealized gains on marketable securities		
Balance at end of previous fiscal year	40	-508
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-548	971
Total change during the fiscal year	-548	971
Balance at end of the fiscal year	-508	463
Deferred gains or losses on hedges		
Balance at end of previous fiscal year	-	-
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-	-99
Total change during the fiscal year	-	-99
Balance at end of the fiscal year	-	-99
Total valuation and translation adjustments		
Balance at end of previous fiscal year	40	-508
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-548	872
Total change during the fiscal year	-548	872
Balance at end of the fiscal year	-508	364
Subscription rights to shares		
Balance at end of previous fiscal year	226	187
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-39	17
Total change during the fiscal year	-39	17
Balance at end of the fiscal year	187	204
Total net assets		
Balance at end of previous fiscal year	21,137	19,277
Change during the fiscal year		
Cash dividends paid	-679	-337
Net income/loss	-540	-408
Purchase of treasury stock	-84	-131
Disposal of treasury stock	32	29
Changes in items other than shareholders' equity during the fiscal year (net)	-587	890
Total change during the fiscal year	-1,859	41
Balance at end of the fiscal year	19,277	19,319

Significant accounting policies

Item	Previous fiscal year (from April 1, 2008 to March 31, 2009)	Fiscal year under review (from April 1, 2009 to March 31, 2010)
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	(1) Stocks of subsidiaries and affiliates Same as at left (2) Other securities Securities with fair market value: Same as at left Securities without fair market value: Same as at left
2. Valuation standard and method for derivatives	<p style="text-align: center;">—————</p>	Derivatives Market value method
3. Valuation standard and method for inventories	Primarily cost accounting method using the moving average method (The values in the balance sheet were calculated using the book-value write-down method based on the decline of profitability.). (Changes in accounting policies) In most cases, the Company had traditionally used the moving average cost method for the valuation of inventories. Starting in the fiscal year, however, the Company switched the method of calculation to the moving average cost method (the book value devaluation method based on the decline in profitability for amounts stated in balance sheets), in step with the application of the Accounting Standard for Measurement of Inventories (ASB Standard No. 9 issued on July 5, 2006). The switch caused operating income and ordinary income for the fiscal year to fall by 50 million yen, and net income before taxes and other adjustments to drop by 74 million yen.	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.).

Item	Previous fiscal year (from April 1, 2008 to March 31, 2009)	Fiscal year under review (from April 1, 2009 to March 31, 2010)
4. Depreciation method for fixed assets	<p>(1) Property, plant and equipment (excluding leased assets) Depreciation is principally computed by the declining-balance method. However, buildings acquired on or after April 1, 1998, excluding fittings and equipment, are depreciated on a straight-line basis. The significant service lives are summarized as follows: Buildings: 15-38 years Machinery and equipment: 9 years Tools, furniture and fixtures: 5 years</p> <p>(Additional information) Previously, service lives for machinery and equipment at the Company was 10 years, but this was changed to 9 years from the fiscal year. This was in response to the Corporate Tax Law amendment in fiscal 2008 concerning the service life of depreciable assets, in which the Company reviewed the service life of machinery and equipment, and made adjustments corresponding to the amended Corporate Tax Law. As a result, operating income and ordinary income decreased by 40 million yen, and net loss before income taxes increased by 40 million yen.</p> <p>(2) Intangible fixed assets (excluding leased assets) Intangible fixed assets are amortized using the straight-line method. However, software for in-house use is amortized on a straight-line basis over the expected usable period, up to five years.</p> <p>(3) Leased assets Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value. Among finance lease transactions other than those that are deemed to transfer the ownership of leased assets to lessees, the lease transactions whose start dates are prior to March 31, 2008, are accounted for by the method for ordinary lease transactions.</p> <p>(4) Long-term prepaid expenses This is computed using the straight-line method.</p>	<p>(1) Property, plant and equipment (excluding leased assets) Depreciation is principally computed by the declining-balance method. However, buildings acquired on or after April 1, 1998, excluding fittings and equipment, are depreciated on a straight-line basis. The significant service lives are summarized as follows: Buildings: 15-38 years Machinery and equipment: 9 years Tools, furniture and fixtures: 5 years</p> <p>(2) Intangible fixed assets (excluding leased assets) Same as at left</p> <p>(3) Leased assets Same as at left</p> <p>(4) Long-term prepaid expenses Same as at left</p>
5. Accounting standards for major deferred assets	Expenses for issuing corporate bonds This is amortized using the straight-line method during the period required for maturity of corporate bonds (five years).	Expenses for issuing corporate bonds Same as at left

Item	Previous fiscal year (from April 1, 2008 to March 31, 2009)	Fiscal year under review (from April 1, 2009 to March 31, 2010)
6. Accounting standards for allowances	<p>(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 collectibility of certain doubtful accounts.</p> <p>(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.</p> <p>(3) Allowance for directors' bonuses To provide for the payment of director's bonuses, the Company accrues bonuses for directors based on the projected amount for the fiscal year. However, since the Company was unable to reasonably project the amount at the end of the fiscal year, this was not posted.</p> <p>(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.</p> <p>(Additional information) The Company traditionally recorded repair expenses that arise in the after-sales, free-repair warranty period as expenses at the points where repair work resulted. However, starting in the fiscal year, the Company adopted a method of recording a reserve for product warranties, based on factors including the past ratio of repairs. This change was made with the objective of properly calculating periodic profit and loss, as the importance of expenses concerning repair services increased with the rising significance of the recent sophistication of technologies and upgraded quality levels, and also because of the accumulation of repair cost data. The change caused operating income and ordinary income for the fiscal year to increase by 10 million yen, and net loss before taxes and other adjustments to fall by 75 million yen.</p>	<p>(1) Allowance for doubtful accounts Same as at left</p> <p>(2) Allowance for employees' bonuses Same as at left</p> <p>(3) Allowance for directors' bonuses Same as at left</p> <p>(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.</p>

Item	Previous fiscal year (from April 1, 2008 to March 31, 2009)	Fiscal year under review (from April 1, 2009 to March 31, 2010)
	<p>(5) 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 the fiscal year-end. In addition, any difference arising as a result of the change of accounting standards (2,086 million yen) is expensed equally, mainly over 15 years. Also, any actuarial difference is expensed equally from the fiscal year following its accrual over an average remaining service period (5 years) of employees at the time of the accrual using the straight-line method.</p>	<p>(5) Allowance for retirement benefits Same as at left</p> <p>(Changes in accounting policies) Starting the fiscal year under review, the Company is applying the Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (Accounting Standards Board of Japan Statement No. 19 issued on July 31, 2008). The change did not affect the operating income, ordinary loss, and net loss before taxes and other adjustments.</p> <p>(Additional information) With the enforcement of the Defined-Benefit Corporation Pension Act, the Company changed its pension plan from a qualified pension plan to a defined-benefit corporate pension plan in January 2010. The effect of the change on the operating loss, ordinary loss, and net loss before taxes and other adjustments was minor.</p>

Item	Previous fiscal year (from April 1, 2008 to March 31, 2009)	Fiscal year under review (from April 1, 2009 to March 31, 2010)
7. Hedge accounting method		(i) Hedge accounting method Deferred hedge accounting was adopted. In addition, a method for translating foreign currency receivables and payables based on yen-value cash flows fixed by forward contracts was adopted for hedging the risk of exchange rate fluctuations in cases where requirements for using the method were fulfilled. (ii) Hedging instruments and hedged items Hedge accounting was applied to the following hedging instrument and hedged item during the consolidated fiscal year under review. Hedging instrument: exchange contracts Hedged item: foreign currency receivables (iii) Hedging policy Hedging was performed within the scope of subject receivables for avoiding the risk of exchange rate fluctuations and establishing profit/loss. (iv) Method of assessing hedging effectiveness An assessment of hedging effectiveness is omitted because the hedging instrument and an important requirement for the hedged item are the same and hedging is assumed to completely offset market fluctuations at the point of its launch and in the subsequent period.
8. Other important matters for the preparation of financial statements	Accounting method for consumption taxes The tax-exclusion method is used for the calculation of consumption tax and local consumption tax.	Accounting method for consumption taxes Same as at left

Changes in accounting practices

Item	Previous fiscal year (from April 1, 2008 to March 31, 2009)	Fiscal year under review (from April 1, 2009 to March 31, 2010)
1. Accounting standards concerning lease transactions	<p>Starting the fiscal year, the Accounting Standard for Lease Transactions (ASB Standard No.13 issued on March 30, 2007, which revised the former accounting standard for lease transactions issued on June 17, 1993, and the Guidance on Accounting Standard for Lease Transactions (ASB Guidance No.16, issued on March 30, 2007, which revised the former guidance issued on January 18, 1994 are applied. Accordingly, the accounting standards for finance lease transactions that do not involve transfer of ownership have been changed to the accounting methods for ordinary sales and purchase transactions, from the previous accounting methods for ordinary lease transactions.</p> <p>Regarding financial leases in which ownership is not transferred which commenced prior to the first day of the fiscal year in which the new standards were applied, accounting treatment based on methods related to ordinary lease transactions is continuously applied.</p> <p>The impact of this change on income and loss is immaterial.</p>	—————

Notes

(Non-Consolidated Balance Sheet)

(Million yen)

Previous fiscal year (As of March 31, 2009)	Fiscal year under review (As of March 31, 2010)																		
<p>*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:</p> <table> <tr> <td>Trade notes receivable:</td> <td>140</td> </tr> <tr> <td>Trade accounts receivable:</td> <td>1,413</td> </tr> <tr> <td>Trade accounts payable:</td> <td>257</td> </tr> </table> <p>2. _____</p> <p>3. Amount of discount for bills receivable: 812 Amount of discount for export bills receivable: 3,069</p> <p>4. _____</p>	Trade notes receivable:	140	Trade accounts receivable:	1,413	Trade accounts payable:	257	<p>*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:</p> <table> <tr> <td>Trade notes receivable:</td> <td>91</td> </tr> <tr> <td>Trade accounts receivable:</td> <td>3,164</td> </tr> <tr> <td>Trade accounts payable:</td> <td>139</td> </tr> </table> <p>2. Debt guarantee: The Company has provided a debt guarantee of borrowings from a financial institution for the affiliate shown below.</p> <table border="1"> <thead> <tr> <th>Company obtaining a guarantee</th> <th>Amount (million yen)</th> <th>Guaranteed item</th> </tr> </thead> <tbody> <tr> <td>Precision Tsugami (China) Corporation</td> <td>708</td> <td>Borrowed money</td> </tr> </tbody> </table> <p>3. Amount of discount for bills receivable: 476 Amount of discount for export bills receivable: 831</p> <p>4. Amount of allowance for doubtful accounts that is directly deducted from the amount of assets Investments and other assets 181</p>	Trade notes receivable:	91	Trade accounts receivable:	3,164	Trade accounts payable:	139	Company obtaining a guarantee	Amount (million yen)	Guaranteed item	Precision Tsugami (China) Corporation	708	Borrowed money
Trade notes receivable:	140																		
Trade accounts receivable:	1,413																		
Trade accounts payable:	257																		
Trade notes receivable:	91																		
Trade accounts receivable:	3,164																		
Trade accounts payable:	139																		
Company obtaining a guarantee	Amount (million yen)	Guaranteed item																	
Precision Tsugami (China) Corporation	708	Borrowed money																	

(Non-Consolidated Income Statement)

(Million yen)

Previous fiscal year (from April 1, 2008 to March 31, 2009)	Fiscal year under review (from April 1, 2009 to March 31, 2010)						
<p>*1. Transfer to other account To fixed assets 155</p>	<p>*1. Transfer to other account To fixed assets 4</p>						
<p>*2. Inventories at the end of the term are the amount after a book-value write-down associated with the decline of profitability. The following loss on devaluation of inventories is included in the cost of sales: 50</p>	<p>*2. Inventories at the end of the term are the amount after a book-value write-down associated with the decline of profitability. The following loss on devaluation of inventories is included in the cost of sales: 68</p>						
<p>*3. Total R&D expenses R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term: 628</p>	<p>*3. Total R&D expenses R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term: 754</p>						
<p>*4. Dividends received and rent received in relation to transactions with subsidiaries and affiliates Dividends received: 280 Rent received: 72</p>	<p>*4. Dividends received and rent received in relation to transactions with subsidiaries and affiliates Net sales: 4,753 Dividends received: 80 Rent received: 7</p>						
<p>*5. Dormant expense is expense related to idled operations in plants due to declining orders. The following is a breakdown of the expense: Labor costs: 83 Depreciation and amortization expenses: 40 Others: 1 Total 124</p>	<p>*5. Dormant expense is expense related to idled operations in plants due to declining orders. The following is a breakdown of the expense: Labor costs: 233 Depreciation and amortization expenses: 70 Others: 6 Total 310</p>						
<p>*6. Breakdown of gain on sale of fixed assets Machinery and equipment: 2 Others: 2 Total 4</p>	<p>*6. Breakdown of gain on sale of fixed assets Machinery and equipment: 1</p>						
<p>*7. Breakdown of loss on retirement of fixed assets Buildings: 4 Others: 3 Total 7</p>	<p>7. _____</p>						
<p>*8. Breakdown of impairment loss The Company posted an impairment loss for the following property in the fiscal year.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Place</th> <th style="text-align: center;">Use</th> <th style="text-align: center;">Type</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Itabashi-ku, Tokyo</td> <td style="text-align: center;">Property to be sold</td> <td style="text-align: center;">Building</td> </tr> </tbody> </table> <p>The Company classifies assets based on their relationships with businesses. Since the expected sale proceeds of the above property to be sold were lower than its book value, we posted in extraordinary expenses an impairment loss of 99 million yen as a result of reducing the book value to a collectible amount. We measured the collectible amount using a net sale value based on the expected sale proceeds. The property above, which was planned to be sold when the impairment loss was posted, was sold in September 2008.</p>	Place	Use	Type	Itabashi-ku, Tokyo	Property to be sold	Building	<p>8. _____</p>
Place	Use	Type					
Itabashi-ku, Tokyo	Property to be sold	Building					

(Non-Consolidated Statements of Changes in Net Assets)

Previous fiscal year (From April 1, 2008 to March 31, 2009)

Matters relating to type and number of treasury stock

(Thousand shares)

	Number of shares at the end of the previous fiscal year	Increase in shares in the fiscal year	Decrease in shares in the fiscal year	Number of shares at the end of the fiscal year
Common shares	130	433	111	453
Total	130	433	111	453

- Notes
1. The increase in common shares of treasury stock of 433 thousand shares reflected an increase of 14 thousand shares due to the purchase of odd-lot shares, and the purchase of 419 thousand shares of treasury stock.
 2. The decrease in treasury stock of 111 thousand shares was due to the exercise of stock options.

Fiscal year under review (From April 1, 2009 to March 31, 2010)

Matters relating to type and number of treasury stock

(Thousand shares)

	Number of shares at the end of the previous fiscal year	Increase in shares in the fiscal year under review	Decrease in shares in the fiscal year under review	Number of shares at the end of the fiscal year under review
Common shares	453	786	85	1,154
Total	453	786	85	1,154

- Notes
1. The increase in common shares of treasury stock of 786 thousand shares reflected an increase of 7 thousand shares due to the purchase of odd-lot shares, and the purchase of 779 thousand shares of treasury stock by the Company by resolution of the Board of Directors.
 2. The decrease in treasury stock of 85 thousand shares was due to the exercise of stock options.

(Lease Transactions)

(Million yen)

Previous fiscal year (from April 1, 2008 to March 31, 2009)				Fiscal year under review (from April 1, 2009 to March 31, 2010)			
Finance lease transactions (lessee)				Finance lease transactions (lessee)			
Finance lease transactions without the transfer of ownership				Finance lease transactions without the transfer of ownership			
(i) Leased assets				(i) Leased assets			
a. Tangible fixed assets				a. Tangible fixed assets			
Primary tools, equipment and fixtures in the machine tool business and the specialized machines and other businesses				Primary tools, equipment and fixtures in the machine tool business and the specialized machines and other businesses			
b. Intangible fixed assets				b. Intangible fixed assets			
Software				Software			
(ii) Depreciation and amortization methods for leased assets				(ii) Depreciation and amortization methods for leased assets			
The methods described in Significant accounting policies, 3. Depreciation method for fixed assets apply.				The methods described in Significant accounting policies, 3. Depreciation method for fixed assets apply.			
Of finance lease transactions without the transfer of ownership, the lease transactions whose start dates are before March 31, 2008, are accounted for by the method for ordinary lease transactions. Details of the transactions are as follows:				Of finance lease transactions without the transfer of ownership, the lease transactions whose start dates are before March 31, 2008, are accounted for by the method for ordinary lease transactions. Details of the transactions are as follows:			
(1) Acquisition cost equivalent, accumulated depreciation equivalent, and fiscal year-end outstanding balance equivalent of leased assets				(1) Acquisition cost equivalent, accumulated depreciation equivalent, and fiscal year-end outstanding balance equivalent of leased assets			
	Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent		Acquisition cost equivalent	Accumulated depreciation equivalent	Fiscal year-end outstanding balance equivalent
Machinery and equipment	7	4	3	Machinery and equipment	7	5	1
Vehicles	10	8	2	Vehicles	3	2	0
Tools, furniture and fixtures	44	34	10	Tools, furniture and fixtures	21	17	4
Software	8	6	1	Software	8	6	1
Total	70	53	17	Total	32	25	6
Since the rate of unexpired lease fees at the end of the fiscal year to the tangible fixed assets at the end of the fiscal year is low, interest expense is included in the calculation of the acquisition cost equivalent.				Since the rate of unexpired lease fees at the end of the fiscal year to the tangible fixed assets at the end of the fiscal year is low, interest expense is included in the calculation of the acquisition cost equivalent.			
(2) Equivalent of unexpired lease fees at end of fiscal year				(2) Equivalent of unexpired lease fees at end of fiscal year			
Within a year			10	Within a year			4
Longer than a year			7	Longer than a year			1
Total			17	Total			6
Since the ratio of the unexpired lease fees at the end of the fiscal year to tangible fixed assets at the end of the fiscal year is low, interest expense is included in the calculation of the equivalent of unexpired lease fees at the end of the fiscal year.				Since the ratio of the unexpired lease fees at the end of the fiscal year to tangible fixed assets at the end of the fiscal year is low, interest expense is included in the calculation of the equivalent of unexpired lease fees at the end of the fiscal year.			
(3) Lease fees paid and depreciation equivalent				(3) Lease fees paid and depreciation equivalent			
Lease fees paid			17	Lease fees paid			6
Depreciation equivalent			17	Depreciation equivalent			6
(4) Method of calculating depreciation equivalent				(4) Method of calculating depreciation equivalent			
The depreciation equivalent is calculated using the straight-line method over the lease terms as service lives, assuming no residual value.				The depreciation equivalent is calculated using the straight-line method over the lease terms as service lives, assuming no residual value.			

(Securities)

Previous consolidated fiscal year (from April 1, 2008 to March 31, 2009)

There were no shares in subsidiaries or affiliates that had fair values.

Current consolidated fiscal year (From April 1, 2009 to March 31, 2010)

Shares in subsidiaries (whose balance sheet amount is 120 million yen) and shares in affiliates (whose balance sheet amount is 16 million yen) do not have any market prices, and determining their fair values is considered very difficult. They are therefore omitted.

(Deferred Tax Accounting)

(Million yen)

Previous fiscal year (As of March 31, 2009)	Fiscal year under review (As of March 31, 2010)
1. Breakdown of deferred tax assets and deferred tax liabilities by major cause (Deferred tax assets)	1. Breakdown of deferred tax assets and deferred tax liabilities by major cause (Deferred tax assets)
Allowance for doubtful accounts 87	Allowance for doubtful accounts 99
Reserve for bonus payment 50	Reserve for bonus payment 69
Reserve for retirement benefits 331	Reserve for retirement benefits 337
Reserve for product warranties 30	Reserve for product warranties 21
Loss on devaluation of investment securities 89	Loss on devaluation of investment securities 89
Loss on valuation of shares of subsidiaries and affiliates 9	Loss on valuation of shares of subsidiaries and affiliates 9
Loss on devaluation of inventories 40	Loss on devaluation of inventories 68
Impairment loss 48	Impairment loss 48
Accrued enterprise taxes 5	Accrued enterprise taxes 2
Stock-based compensation expense 61	Stock-based compensation expense 64
Net loss carried forward 682	Net loss carried forward 766
Other 50	Other 41
Deferred tax assets subtotal 1,489	Deferred tax assets subtotal 1,619
Valuation reserve -1,038	Valuation reserve -1,147
Deferred tax assets total 451	Deferred tax assets total 472
	(Deferred tax liabilities)
	Unrealized gains on marketable securities -414
	Deferred tax liabilities total -414
	Net deferred tax assets 58
2. Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause Since a net loss before taxes and other adjustments was posted in the fiscal year, notes are omitted.	2. Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause Since a net loss before taxes and other adjustments was posted in the fiscal year under review, notes are omitted.

(Business Combination)

Previous fiscal year (From April 1, 2008 to March 31, 2009)

Since notes are included in the Notes (business combination) of the consolidated financial statements, notes are omitted here.

Fiscal year under review (From April 1, 2009 to March 31, 2010)

Not applicable.

(Per Share Information)

Previous fiscal year (from April 1, 2008 to March 31, 2009)		Fiscal year under review (from April 1, 2009 to March 31, 2010)	
Net assets per share	282.55 yen	Net assets per share	285.88 yen
Net loss per share	7.98 yen	Net loss per share	6.09 yen
Net income per share after residual equity adjustment is not stated in spite of the presence of residual equity, because of the net loss per share posted.		Net income per share after residual equity adjustment is not stated in spite of the presence of residual equity, because of the net loss per share posted.	

Note The bases for the calculation of net loss per share are as follows.

	Previous fiscal year (from April 1, 2008 to March 31, 2009)	Fiscal year under review (from April 1, 2009 to March 31, 2010)
Net income/loss per share		
Net income/loss (million yen)	-540	-408
Net income that does not belong to common share holders (million yen)	—	—
Net income/loss on common shares (million yen)	-540	-408
Average number of shares during the period (thousand shares)	67,826	67,020
Summary of residual shares not included in the calculation of net income per share after residual equity adjustment because of no dilutive effect	—	—

(Important Post-Balance Sheet Events)

Previous fiscal year (From April 1, 2008 to March 31, 2009)

Resolution on stock option

The Company resolved to issue subscription rights to shares at the 106th annual shareholders meeting held on June 19, 2009.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 8. Stock options based on a resolution at the annual shareholders meeting held on June 19, 2009.

Fiscal year under review (From April 1, 2009 to March 31, 2010)

Resolution on stock option

The Company resolved to issue subscription rights to shares at the 107th annual shareholders meeting held on June 18, 2010.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (9) Stock option system, 10. Stock options based on a resolution at the annual shareholders meeting held on June 18, 2010.

(iv) Supplementary schedule

Schedule of securities

Shares

		Issue	Number of shares	Carrying amount on the balance sheet (million yen)
Investment securities	Other securities	Tokyo Seimitsu Co., Ltd.	1,033,000	1,667
		Tornos Holdings SA	1,500,000	1,125
		Fanuc Ltd.	50,000	496
		Yamazen Corporation	500,000	198
		THK Co., Ltd.	59,000	120
		Mori Seiki Co., Ltd.	100,000	114
		The Hachijuni Bank, Ltd.	196,000	104
		Yuasa Trading Co., Ltd.	1,000,000	89
		The Daishi Bank, Ltd.	241,000	78
		The Hokuetsu Bank, Ltd.	484,426	74
		Others (13 issues)	1,895,713	202
		Total	7,059,139	4,267

Schedule of tangible fixed assets and other assets

(Million yen)

	Assets at end of previous fiscal year	Increase in fiscal year under review	Decrease in fiscal year under review	Assets at end of fiscal year under review	Accumulated depreciation or amortization at end of fiscal year under review	Depreciation or amortization in fiscal year under review	Assets less accumulated depreciation at end of fiscal year under review
Tangible fixed assets							
Buildings	6,636	16	—	6,652	3,455	196	3,197
Structures	477	—	—	477	348	25	128
Machinery and equipment	8,762	56	583	8,235	7,084	381	1,151
Vehicles	49	6	4	51	42	2	8
Tools, furniture and fixtures	703	47	1	749	589	65	159
Land	591	—	—	591	—	—	591
Leased assets	29	2	—	31	8	5	22
Construction in progress	1	26	27	—	—	—	—
Total tangible fixed assets	17,251	154	616	16,789	11,528	673	5,260
Intangible fixed assets							
Software	—	—	—	26	15	4	11
Telephone subscription rights	—	—	—	10	—	—	10
Leased assets	—	—	—	17	0	0	16
Total intangible fixed assets	—	—	—	54	15	5	38
Long-term prepaid expenses	7	—	—	7	4	0	(0) 2
Deferred assets							
Bond issuance expenses	33	—	—	33	8	6	25
Total deferred assets	33	—	—	33	8	6	25

- Notes
- The following is major items that were added in the fiscal year under review: (Million yen)

Machinery and equipment	Nagaoka factory	Machine tool manufacturing equipment	54
Tools, furniture and fixtures	Nagaoka factory	Machine tool manufacturing tools, etc.	37
Tools, furniture and fixtures	Shinshu factory	Machine tool manufacturing tools, etc.	9
 - The following is major items that were reduced in the fiscal year under review: (Million yen)

Machinery and equipment	Nagaoka factory	Decrease from sale	12
Machinery and equipment	Shinshu factory	Decrease from sale	152
 - The figure in parentheses in the amount of long-term prepaid expenses at the end of the fiscal year under review column is the amount written off within a year, and is included in current assets and prepaid expenses.
 - Since the amount of intangible fixed assets was 1% or oless of the total assets, the amount at the end of the preceding fiscal year, the increase during the fiscal year under review, and the decrease during the fiscal year under review are omitted.

Schedule of allowances

(Million yen)

Classification	Assets at end of previous fiscal year	Increase in fiscal year under review	Decrease in fiscal year under review (used for the purpose)	Decrease in fiscal year under review (other reasons)	Assets at end of fiscal year under review
Allowance for doubtful accounts	214	243	—	214	243
Reserve for product warranties	123	171	123	—	171
Reserve for bonus payment	75	53	75	—	53

Note A decrease in allowance for doubtful accounts during the term under review of 214 million yen is a reversal of the reserve after revaluation.

Of the allowance for doubtful accounts at the end of the fiscal year under review, an allowance of doubtful accounts relating to investments and other assets of 181 million yen is directly reduced from assets.

(2) Details of major items in assets and liabilities

(i) Current assets

(A) Cash and deposits

Classification	Amount (million yen)
Cash	6
Deposits	
Current account	3,025
Ordinary account	52
Time deposit	40
Separate deposit	21
Foreign currency deposit	0
Subtotal	3,139
Total	3,145

(B) Trade notes receivable

Breakdown by trading partner

Partner	Amount (million yen)
Tsugami Machinery Co., Ltd.	53
KVK Corporation	41
Keika Co., Ltd.	8
Shimamoto Giken Co., Ltd.	6
Sanyu Seiki Corporation	4
Other	51
Total	166

Breakdown by due date

Due date	Amount (million yen)
April 2010	29
May 2010	21
June 2010	24
July 2010	17
August 2010	68
September 2010	2
October 2010 or later	1
Total	166

(C) Trade accounts receivable

Breakdown by debtor

Debtor	Amount (million yen)
Precision Tsugami (China) Corporation	2,340
TSUGAMI GmbH	559
NIDEC PRECISION PHILIPPINES CORPORATION	494
Keiaisha Co., Ltd.	481
NIDEC PRECISION (THAILAND) CO.,LTD	477
Other	2,712
Total	7,066

Occurrence, collection, and retention of trade accounts receivable

Amount carried forward from previous term (million yen)	Amount accrued during the term under review (million yen)	Amount collected during the term under review (million yen)	Amount carried forward to following term (million yen)	Collection rate (%)	Retention period (days)
(A)	(B)	(C)	(D)	$\frac{(C)}{(A) + (B)} \times 100\%$	$\frac{(A) + (D)}{(B)}$
5,312	15,176	13,422	7,066	65.5	148.9

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

(D) Commodities and products

Type	Amount (million yen)
Commodities	
Machine tool parts	28
Products	
Machine tools	
Automatic lathes	738
Grinding machines	43
Machining centers	80
Rolling machines, etc.	27
Other	66
Total	984

(E) Goods in process

Type	Amount (million yen)
Machine tools	
Automatic lathes	3,429
Grinding machines	417
Machining centers	384
Rolling machines, etc.	273
Other	58
Total	4,563

(F) Raw materials and supplies

Type	Amount (million yen)
Raw materials	
Main materials	
Steel	13
Castings	6
Parts	
Purchased parts	1,441
Outside parts	152
Manufactured parts	43
Supplies	
Consumables	2
Total	1,658

(ii) Current liabilities

(A) Trade notes payable

Breakdown by trading partner

Creditor	Amount (million yen)
Fanuc Ltd.	1,568
Ikura Seiki Co., Ltd.	283
Kantoh, Ltd.	228
THK Co., Ltd.	159
Shinagawa Chuzo, K.K.	157
Other	2,606
Total	5,004

Breakdown by due date

Due date	Amount (million yen)
April 2010	1,125
May 2010	1,173
June 2010	1,163
July 2010	1,163
August 2010	169
September 2010	208
Total	5,004

(B) Trade accounts payable

Creditor	Amount (million yen)
Fanuc Ltd.	418
Precision Tsugami (China) Corporation	124
Kantoh, Ltd.	88
Shinagawa Chuzo, K.K.	69
THK Co., Ltd.	65
Other	1,082
Total	1,849

(3) Other

Not applicable.

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

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

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

Section 7. Reference Information on Submitting Company

1. Information on the parent company of the submitting company

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

2. Other reference information

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

- (1) Annual securities report, and its attached documents and confirmation documents
106th fiscal year (from April 1, 2008 to March 31, 2009) Submitted to the director general of the Kanto Finance Bureau on June 22, 2009
- (2) Internal control report and its attached documents
Submitted to the director general of the Kanto Finance Bureau on June 22, 2009
- (3) Reissued internal control report and its attached documents
Submitted to the director general of the Kanto Finance Bureau on August 26, 2009 (a reissued report relating to the internal control report and its attached documents submitted on June 22, 2009)
- (4) Quarterly reports and confirmation documents
1st quarter of the 107th fiscal year (from April 1, 2009 to June 30, 2009) Submitted to the director general of the Kanto Finance Bureau on August 12, 2009
2nd quarter of the 107th fiscal year (from July 1, 2009 to September 30, 2009) Submitted to the director general of the Kanto Finance Bureau on November 13, 2009
3rd quarter of the 107th fiscal year (from October 1, 2009 to December 31, 2009) Submitted to the director general of the Kanto Finance Bureau on February 12, 2010
- (5) Extraordinary report
Submitted to the director general of the Kanto Finance Bureau on June 22, 2009
An extraordinary report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act, and Article 19, Paragraph 1 and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, Etc.
- (6) Reissued extraordinary report
Submitted to the director general of the Kanto Finance Bureau on July 7, 2009
A reissued report relating to the extraordinary report submitted on June 22, 2009
- (7) Report on state of purchase of treasury stock
Reporting period (from June 1, 2009 to June 30, 2009) Submitted to Director General of Kanto Finance Bureau on July 14, 2009
Reporting period (from July 1, 2009 to July 31, 2009) Submitted to Director General of Kanto Finance Bureau on August 12, 2009
Reporting period (from August 1, 2009 to August 31, 2009) Submitted to Director General of Kanto Finance Bureau on September 14, 2009
Reporting period (from September 1, 2009 to September 30, 2009) Submitted to Director General of Kanto Finance Bureau on October 14, 2009
Reporting period (from October 1, 2009 to October 31, 2009) Submitted to Director General of Kanto Finance Bureau on November 13, 2009
Reporting period (from November 1, 2009 to November 30, 2009) Submitted to Director General of Kanto Finance Bureau on December 14, 2009
Reporting period (from December 1, 2009 to December 31, 2009) Submitted to Director General of Kanto Finance Bureau on January 14, 2010
Reporting period (from January 1, 2010 to January 31, 2010) Submitted to Director General of Kanto Finance Bureau on February 12, 2010

Reporting period (from February 1, 2010 to February 28, 2010) Submitted to Director General of Kanto Finance Bureau on March 12, 2010

Reporting period (from March 1, 2010 to March 31, 2010) Submitted to Director General of Kanto Finance Bureau on April 14, 2010

Reporting period (from April 1, 2010 to April 30, 2010) Submitted to Director General of Kanto Finance Bureau on May 14, 2010

Reporting period (from May 1, 2010 to May 31, 2010) Submitted to Director General of Kanto Finance Bureau on June 14, 2010

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

Not applicable.

Audit Report and Internal Control Audit Report of Independent Auditor

June 19, 2009

Board of Directors
Tsugami Corporation

KPMG AZSA & Co.

Designated and engagement partner
Certified public accountant Shigehisa Horinokita

Designated and engagement partner
Certified public accountant Ryo Tanaka

(Financial statements audit)

We have audited the consolidated financial statements—balance sheets, statements of income, statements of changes in net assets, statements of cash flows, and supplementary schedules—of Tsugami Corporation for the fiscal year from April 1, 2008 to March 31, 2009, 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. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the method by which they are applied, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 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, 2009 for audit certification under the provision of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act. The development and operation of internal control over financial reporting and the preparation of an internal control report are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the internal control report based on our audit. The internal control over financial reporting might not be able to prevent or detect misstatements in financial reporting completely.

We conducted our internal control audit in accordance with auditing standards generally accepted in Japan concerning internal control over financial reporting. The standards for the audit of internal control over financial reporting require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free of material misstatements. The internal control audit includes examining, on a test basis, the statements made by management about the scope of the assessment of internal control over financial reporting, assessment procedure, and assessment results, as well as evaluating the overall internal control report presentation. We believe that our internal control audit provide a reasonable basis for our opinion.

In our opinion, the internal control report in which Tsugami Corporation states that the internal control over financial reporting as of March 31, 2009 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.

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.

Audit Report and Internal Control Audit Report of Independent Auditor

June 18, 2010

Board of Directors
Tsugami Corporation

Ernst & Young ShinNihon LLC

Designated and engagement partner with limited liability
Certified public accountant Michiaki Miyajima

Designated and engagement partner with limited liability
Certified public accountant Akira Igarashi

Designated and engagement partner with limited liability
Certified public accountant Naoki Nomoto

(Financial statements audit)

We have audited the consolidated financial statements—balance sheets, statements of income, statements of changes in net assets, statements of cash flows, and supplementary schedules—of Tsugami Corporation for the fiscal year from April 1, 2009 to March 31, 2010, 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. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the method by which they are applied, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 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, 2010 for audit certification under the provision of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act. The development and operation of internal control over financial reporting and the preparation of an internal control report are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the internal control report based on our audit. The internal control over financial reporting might not be able to prevent or detect misstatements in financial reporting completely.

We conducted our internal control audit in accordance with auditing standards generally accepted in Japan concerning internal control over financial reporting. The standards for the audit of internal control over financial reporting require that we plan and perform the audit to obtain reasonable assurance about whether the internal control report is free of material misstatements. The internal control audit includes examining, on a test basis, the statements made by management about the scope of the assessment of internal control over financial reporting, assessment procedure, and assessment results, as well as evaluating the overall internal control report presentation. We believe that our internal control audit provide a reasonable basis for our opinion.

In our opinion, the internal control report in which Tsugami Corporation states that the internal control over financial reporting as of March 31, 2010 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.

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.

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Independent Auditor's Report

June 19, 2009

Board of Directors
Tsugami Corporation

KPMG AZSA & Co.

Designated and engagement partner
Certified public accountant Shigehisa Horinokita

Designated and engagement partner
Certified public accountant Ryo Tanaka

We have audited the financial statements—balance sheets, statements of income, statements of changes in net assets, and supplementary schedules—of Tsugami Corporation for the 106th fiscal year from April 1, 2008 to March 31, 2009, 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. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the method by which they are applied, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

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.

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2. XBRL data are not included in the scope of financial statements.

Independent Auditor's Report

June 18, 2010

Board of Directors
Tsugami Corporation

Ernst & Young ShinNihon LLC

Designated and engagement partner with limited liability
Certified public accountant Michiaki Miyajima

Designated and engagement partner with limited liability
Certified public accountant Akira Igarashi

Designated and engagement partner with limited liability
Certified public accountant Naoki Nomoto

We have audited the financial statements—balance sheets, statements of income, statements of changes in net assets, and supplementary schedules—of Tsugami Corporation for the 107th fiscal year from April 1, 2009 to March 31, 2010, 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. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used, the method by which they are applied, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in Japan.

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

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

[Cover]

Document submitted	Internal Control Report
Applicable law clause	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 21, 2010
Corporate name	Tsugami Corporation
Name and title of representative	Takao Nishijima, Chairman and CEO
Name and title of CFO	Not applicable
Address of home office	1-9-10, Horidome-cho, Nihonbashi, Chuo-ku, Tokyo
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Kabutocho, Nihonbashi, Chuo-ku, Tokyo)

1. Basic Framework for Internal Controls Over Financial Reporting

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

Internal controls have inherent limitations: They might not function effectively because of misjudgments, carelessness, or conspiracies on the part of those responsible, and might not necessarily respond to unexpected changes in environments inside and outside the organization and atypical transactions. Thus it does not always achieve its goal and might not prevent or detect misstatements in financial reporting completely.

2. Evaluation Scope, Base Date, and Procedure

Chairman and CEO Takao Nishijima evaluated the Group’s internal control over financial reporting as of March 31, 2010 in accordance with generally accepted evaluation standards.

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

Internal controls significantly affecting overall financial reporting (hereinafter “Company-Wide Internal Controls”) and business processes relating to book-closing and financial reporting deemed suitable for evaluation from a Company-wide perspective were evaluated at all business units. The chairman and CEO understood and analyzed all internal controls within the scope appropriately and undertook procedures including interviews with relevant staff and

checks of records to evaluate the status of development and operation of internal controls and the effect of this status on internal controls relating to business processes.

To evaluate process-level controls, the chairman and CEO chose business units that accounted for about two-thirds of consolidated sales as significant business units, considering the significance of their quantitative and qualitative influence on financial reporting and based on the results of the evaluation of the Company-Wide Internal Controls. Business processes associated with accounts closely related to the business purpose of the Group—net sales, trade accounts receivable, and inventories—in significant business units were evaluated. In addition to the business processes, other business processes that had material influences on financial reporting were individually added to the scope of evaluation. Each business process in the scope of evaluation was analyzed, and the principal process-level controls that would significantly affect the reliability of financial reporting were chosen. The status of the development and operation of the main process-level controls was then evaluated through procedures including a perusal of related documents, questioning of appropriate internal control officers, observation of operations, and examination of records on the implementation of the internal controls.

3. Evaluation Results

As a result of the evaluation above, Chairman and CEO Takao Nishijima has determined that internal control over the financial reporting of the Group was effective as of March 31, 2010.

4. Additional Statement

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

5. Special Comments

There are no special comments.