

## Summary of Financial Results for the Fiscal Year Ended March 31, 2012

May 10, 2012

TSUGAMI CORPORATION

Stock code: 6101

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Scheduled date of annual shareholders meeting: June 15, 2012

Scheduled date of commencement of dividend payments: May 29, 2012

Scheduled date of submission of securities report: June 18, 2012

Supplementary briefing materials to be created: Yes

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

### 1. Consolidated business performance for the fiscal year ended March 31, 2012

(From April 1, 2011 to March 31, 2012)

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

#### (1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2012	35,739	-0.5	4,086	9.5	3,875	10.6	2,281	-19.6
Fiscal year ended March 31, 2011	35,932	130.4	3,732	--	3,504	--	2,837	--

(Note): Comprehensive income: Fiscal year ended March 31, 2012: 2,503 million yen (-25.9%)

Fiscal year ended March 31, 2011: 3,378 million yen (475.9%)

	Net income per share	Net income per share after residual equity adjustment	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2012	33.88	33.43	9.3	8.9	11.4
Fiscal year ended March 31, 2011	42.72	41.92	13.7	10.5	10.4

(Reference): Investment gain or loss by equity method: Fiscal year ended March 31, 2012: -- million yen

Fiscal year ended March 31, 2011: -- million yen

#### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2012	50,757	27,717	53.9	372.21
Fiscal year ended March 31, 2011	35,860	22,122	60.9	331.39

(Reference): Shareholders' equity: Fiscal year ended March 31, 2012: 27,371 million yen

Fiscal year ended March 31, 2011: 21,831 million yen

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the term
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2012	499	-1,915	2,608	5,264
Fiscal year ended March 31, 2011	2,295	-1,599	-437	4,061

### 2. State of dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2011	--	5.00	--	5.00	10.00	661	23.4	3.2
Fiscal year ended March 31, 2012	--	5.00	--	5.00	10.00	669	29.5	2.8
Fiscal year ending March 31, 2013 (forecast)	--	6.00	--	6.00	12.00		17.0	

### 3. Consolidated business performance forecasts for the fiscal year ending March 31, 2013

(From April 1, 2012 to March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	30,000	80.0	4,800	243.5	4,600	276.7	2,800	220.5	38.06
Full year	55,000	53.9	8,800	115.3	8,400	116.7	5,200	128.0	70.68

\*Notes

(1) Important changes in subsidiaries during the fiscal year under review

(changes in specified subsidiaries that caused the scope of consolidation to change): none

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

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

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

(i) Changes in accounting policy due to the revision of accounting standards and the like: applied

(ii) Changes in accounting policy other than those stated in item (i) above: none

(iii) Changes in accounting estimates: none

(iv) Restatements: none

(3) Numbers of outstanding shares (common shares)

(i) Numbers of outstanding shares at the end of the terms  
(including treasury shares):

FY2012	74,919,379 shares	FY2011	68,019,379 shares
FY2012	1,382,906 shares	FY2011	2,140,680 shares
FY2012	67,323,542 shares	FY2011	66,431,242 shares

(ii) Numbers of treasury shares at the end of the terms:

(iii) Average numbers of shares outstanding during the periods:

(Reference) Summary of non-consolidated business performance

1. Non-consolidated business performance for the fiscal year ended March 31, 2012 (From April 1, 2011 to March 31, 2012)

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2012	37,382	6.4	3,214	17.6	3,403	18.7	1,916	-21.0
Fiscal year ended March 31, 2011	35,146	137.2	2,732	--	2,867	--	2,426	--

	Net income per share	Net income per share after residual equity adjustment
	Yen	Yen
Fiscal year ended March 31, 2012	28.47	28.09
Fiscal year ended March 31, 2011	36.53	35.85

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2012	45,942	26,367	56.6	353.86
Fiscal year ended March 31, 2011	34,091	21,241	61.5	318.02

(Reference): Shareholders' equity:

Fiscal year ended March 31, 2012: 26,021 million yen

Fiscal year ended March 31, 2011: 20,950 million yen

2. Non-consolidated business performance forecasts for the fiscal year ending March 31, 2013

(From April 1, 2012 to March 31, 2013)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	25,000	52.4	2,800	152.3	2,900	147.9	1,700	107.3	23.11
Full year	46,000	23.1	5,100	58.7	5,300	55.7	3,100	61.7	42.14

\* Statement relating to execution status for audit procedures

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

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

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

## Accompanying Documents

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## 1. Consolidated Operating Results

### (1) Analysis relating to consolidated operating results

#### (i) Overview of the fiscal year under review

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

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

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

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

#### (ii) Consolidated operating results

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

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

Looking at net sales by model, consolidated net sales for flagship automatic lathes decreased 6.3% year on year, to 28,030 million yen. Consolidated net sales for grinding machines increased 27.7% year on year, to 2,932 million yen. Consolidated net sales for machining centers decreased 27.4% year on year, to 1,039 million yen. Consolidated net sales for rolling machines and specialized machines increased 85.2% year on year, to 2,989 million yen.

As a result of changes described above, consolidated operating income increased 9.5% year on year, to 4,086 million yen. Consolidated ordinary income increased 10.6% year on year, to 3,875 million yen and consolidated net income decreased 19.6% year on year, to 2,281 million yen for the fiscal year under review.

#### (iii) Forecasts for the next fiscal year

Because of the prolonged strength of the yen and continued uncertainty over the Chinese, European, and United States economies, the Group is expected to continue to face a challenging situation in terms of demand, both domestic and foreign, in the fiscal year ending March 31, 2013.

In the environment, the Group expects a full-scale contribution from demand associated with the reconstruction from the flood in Thailand and sales of products for the smartphone market. The Group's forecasts are as follows:

#### Consolidated business performance forecasts for the fiscal year ending March 31, 2013

	First half	Full year
Net sales	30,000 million yen	55,000 million yen
Operating income	4,800 million yen	8,800 million yen
Ordinary income	4,600 million yen	8,400 million yen
Net income	2,800 million yen	5,200 million yen

#### Non-consolidated business performance forecasts for the fiscal year ending March 31, 2013

	First half	Full year
Net sales	25,000 million yen	46,000 million yen
Operating income	2,800 million yen	5,100 million yen
Ordinary income	2,900 million yen	5,300 million yen
Net income	1,700 million yen	3,100 million yen

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

#### (i) State of assets, liabilities and net assets

Total assets at the end of the consolidated fiscal year under review stood at 50,757 million yen, up 14,896 million yen from the end of the previous consolidated fiscal year.

Key factors for the result included a 1,203 million yen rise in cash and deposits, a 2,807 million yen increase in trade notes and accounts receivable and 8,089 million yen increase in inventories toward the increase in sales to the smartphone market.

Liabilities stood at 23,040 million yen at the end of the fiscal year under review, increasing 9,301 million yen from the end of the previous consolidated fiscal year.

The result was mainly attributable to a 8,492 million yen increase in trade notes and accounts payable and a 1,039 million yen rise in accrued income tax, offsetting a 300 million yen decrease in corporate bonds.

Net assets stood at 27,717 million yen at the end of the fiscal year under review, increasing 5,594 million yen from the end of the previous fiscal year.

The growth mainly reflected a 1,745 million yen in common stock and a 1,726 million yen increase in capital surplus for issuance of new shares and a 1,572 million yen increase in retained earnings.

As a result of the changes stated above, the capital adequacy ratio came to 53.9%.

(ii) State of cash flows during the fiscal year under review

Cash and cash equivalents rose by 1,203million yen from the end of the previous consolidated fiscal year, to 5,264 million yen at the end of the consolidated fiscal year under review.

(Cash flows from operating activities)

Cash generated by operating activities was 499 million yen.

The result principally reflected increases in cash, mainly attributable to net income before taxes of 3,738 million yen, depreciation and amortization expenses of 760 million yen, and an increase of 8,410 million yen in trade notes and accounts payable, which offset a 2,745 million rise in trade notes and accounts receivable and a 8,123 million yen increase in inventories.

(Cash flows from investing activities)

Cash used for investing activities was 1,915 million yen.

The cash outflow was primarily attributable to a decrease in cash that resulted from a 1,450 million yen outlay for the acquisition of tangible fixed assets and a 467 million yen investment (in the establishment of production company in India).

(Cash flows from financing activities)

Cash generated by financing activities was 2,608 million yen.

The cash inflow resulted mainly from increase in cash, increasing proceeds from issuance of common stocks of 3,469 million yen, which offset cash decreases from factors including redemptions of corporate bonds of 300 million yen and dividends paid of 661 million yen.

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Capital adequacy ratio	66.3	76.0	63.2	60.9	53.9
Capital adequacy ratio on a market value basis (%)	69.3	38.1	129.9	106.6	136.6
Cash flow/interest-bearing debt ratio (annual)	--	4.6	1.0	1.3	5.4
Interest coverage ratio (times)	--	14.1	109.5	29.6	6.4

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

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

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

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

Interest-bearing debt covers all liabilities stated in the consolidated balance sheets for which interest has been paid.

Interest paid stated in the consolidated statements of cash flows is used as interest paid.

(3) Basic policy relating to profit distribution, and dividends for the fiscal year under review and the following fiscal year

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

Based on this policy, the Group is united in its commitment to strengthening its business structure and achieving stable dividends.

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

For the consolidated fiscal year ended March 31, 2012, the Company has decided to pay annual dividends of 10 yen per share according to its initial plan, including interim dividends of 5yen per share and year-end dividends of 5 yen per share.

For the consolidated fiscal year ending March 31, 2013, the Company plans to pay annual dividends of 12 yen per share, including interim dividends of 6 yen per share and year-end dividends of 6 yen per share.

(4) Business and other risks

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

(i) Effects of business fluctuations

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

(ii) Effects of changes in prices of raw materials

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

(iii) Effects of fluctuations in exchange rates

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

(iv) Effects of overseas operations

A subsidiary in China manufactures and sells machine tools, and the Group sells products and provides after-the-sale services through subsidiaries in Thailand, Germany, and South Korea. Deterioration in political situations and changes in laws and regulations in those countries may affect the Group's production, business performance and financial standing.

(v) Effects of matters relating to quality

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

(vi) Effects relating to intellectual property rights

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

(vii) Effects of the situation

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

(viii) Effects of natural disasters

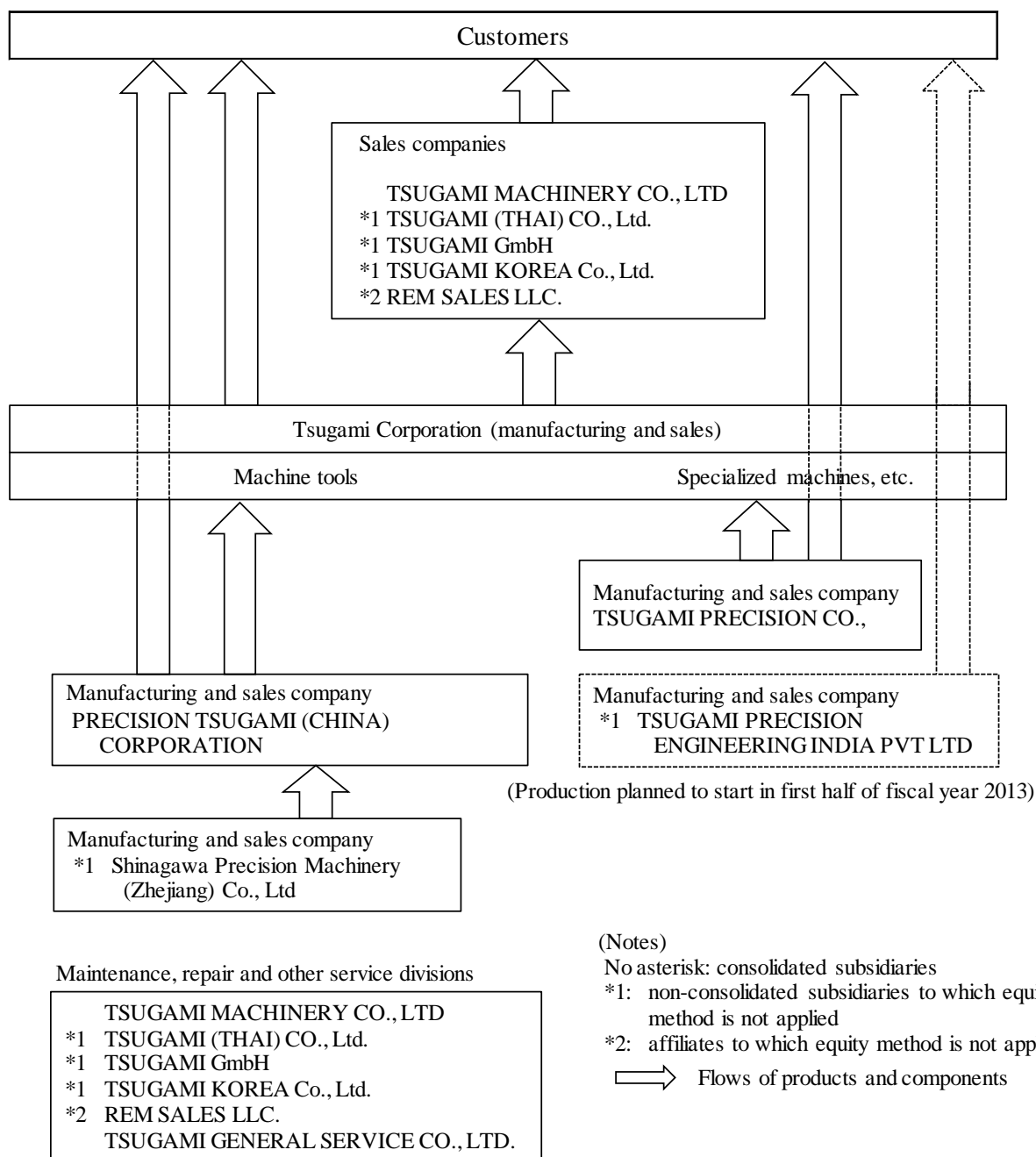
The Group has production, selling, and service bases worldwide, and may therefore be affected by disasters that might be caused by a range of phenomena, including natural disasters, computer viruses, and terrorism.

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

## 2. Status of the Group

The Tsugami Group engages primarily in the manufacture and sales of machine tools and other products, including automatic lathes, grinding machines, machining centers and rolling machines. The Group undertakes additional business activities, including research on individual companies and other services.

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



Maintenance, repair and other service divisions

TSUGAMI MACHINERY CO., LTD  
 \*1 TSUGAMI (THAI) CO., Ltd.  
 \*1 TSUGAMI GmbH  
 \*1 TSUGAMI KOREA Co., Ltd.  
 \*2 REM SALES LLC.  
 TSUGAMI GENERAL SERVICE CO., LTD.

### 3. Management policy

(1) Basic management policy

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

(2) Medium- and long-term management strategies

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

(i) Introduction of new products targeting growth fields

The Group is focused on developing new products that respond fully to customer demands, targeting markets where future growth is expected, including 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 smart phones, telecommunications and medical care.

(ii) Business strategies targeting growth regions

The Group will make further efforts to build up production, sales and after-sales service organizations in markets where investor confidence is high, such as China, Southeast Asia and India, over the medium and long terms.

(iii) Management streamlining and customer satisfaction enhancement

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

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



**4. Consolidated Financial Statements**

## (1) Consolidated Balance Sheets

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

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

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

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Net sales	35,932	35,739
Cost of sales	*1 28,569	*1 27,388
Gross profit	7,363	8,350
Selling, general and administrative expenses		
Salaries and allowances	804	1,017
Provision for reserve for bonus payment	56	73
Retirement benefit expenses	73	75
Provision for reserve for directors' retirement benefits	5	5
Research and development expenses	*2 751	*2 847
Insurance premiums	106	116
Provision for allowance for doubtful accounts	61	--
Provision for reserve for product warranties	107	134
Other selling, general and administrative expenses	1,664	1,994
Total selling, general and administrative expenses	3,631	4,264
Operating income	3,732	4,086
Non-operating income		
Interest received	0	2
Dividends received	83	47
Insurance benefits received	43	40
Other non-operating income	44	72
Total non-operating income	172	162
Non-operating expenses		
Interest paid	76	70
Loss on sales of trade notes	45	119
Foreign exchange losses	229	125
Other non-operating expenses	47	57
Total non-operating expenses	399	373
Ordinary income	3,504	3,875
Extraordinary income		
Gain on sales of fixed assets	*3 0	*3 1
Gain on sales of investments securities	5	--
Total extraordinary income	6	1
Extraordinary expenses		
Loss on retirement of fixed assets	*4 9	*4 40
Loss on sales of fixed assets	*5 4	*5 2
Loss on devaluation of investment securities	179	10
Impairment loss	--	*6 10
Loss on devaluation of inventories	--	*1 40
Loss on sales of affiliates' stock	--	4
Loss on sales of subsidiaries' stocks	--	9
Loss on disaster	--	*7 21
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Settlement Package	60	--
Other extraordinary expenses	1	0
Total extraordinary expenses	266	138
Income before taxes and other adjustments	3,244	3,738
Corporate, inhabitant and enterprise taxes	478	1,692
Deferred taxes	-72	-234
Total corporate and other taxes	406	1,457
Income before minority interests	2,837	2,281
Minority interests in income	--	--
Net income	2,837	2,281

## (Consolidated Statements of Comprehensive Income)

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

## (3) Consolidated Statements of Changes in Net Assets

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

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

## (4) Consolidated Statements of Cash Flows

	(Million yen)	
	Previous consolidated fiscal year (From April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities		
Income before taxes and other adjustments	3,244	3,738
Depreciation and amortization expenses	738	760
Loss (gain) on devaluation of investment securities	179	10
Impairment loss	--	10
Increase (decrease) in allowance for doubtful accounts	12	3
Increase (decrease) in reserve for retirement benefits	-46	-18
Interest and dividends received	-83	-49
Interest paid	76	70
Loss on retirement of fixed assets	9	40
Loss (gain) on sales of fixed assets	4	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Decrease (increase) in trade notes and accounts receivable	-383	-2,745
Loss on devaluation of inventories	--	40
Decrease (increase) in inventories	-2,571	-8,123
Increase (decrease) in trade notes and accounts payable	1,242	8,410
Loss on disaster	--	21
Other cash flows	71	-994
Sub total	2,504	1,175
Interest and dividends received	29	49
Interest paid	-77	-77
Corporate and other taxes paid	-161	-647
Cash flows from operating activities	2,295	499
Cash flows from investing activities		
Payments into time deposits	-70	-60
Refund of time deposits	70	60
Expenditure for acquisition of tangible fixed assets	-1,127	-1,450
Income from disposal of tangible fixed assets	5	38
Expenditure for acquisition of investment securities	-1	-1
Income from disposal of investments securities	33	--
Payment for investment in affiliates	-443	-467
Income from recovery of loans receivable	15	11
Other cash flows	-80	-46
Cash flows from investing activities	-1,599	-1,915
Cash flows from financing activities		
Short-term borrowings	3,480	3,406
Repayment of short-term borrowings	-2,350	-3,406
Income from disposal of treasury stocks	0	113
Redemption of corporate bonds	-300	-300
Proceeds from issuance of common stocks	--	3,469
Expenditure for acquisition of treasury stocks	-592	-2
Dividends paid	-666	-661
Repayments of lease obligations	-9	-10
Cash flows from financing activities	-437	2,608
Translation differences for cash and cash equivalents	-40	10
Net increase (decrease) in cash and cash equivalents	218	1,203
Cash and cash equivalents at the beginning of the term	3,842	* 4,061
Cash and cash equivalents at the end of the term	* 4,061	* 5,264

(5) Notes relating to the going concern assumption

No corresponding item exists.

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 4

Names of consolidated subsidiaries

Tsugami Machinery Co., Ltd.  
Tsugami Precision Co., Ltd.  
Tsugami General Service Co., Ltd.  
Precision Tsugami (China) Corporation

(2) Names of non-consolidated subsidiaries:

Non-consolidated subsidiaries:

Tsugami (Thai) Co., Ltd.  
Tsugami GmbH.  
Tsugami Korea Co., Ltd.  
Shinagawa Precision Machinery (Zhejiang) Co., Ltd.  
Tsugami Precision Engineering India Pvt Ltd

(Reason for non-consolidation)

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

2. Application of equity method

(1) Companies to which the equity method is applicable: 0

(2) The non-consolidated subsidiaries

(Tsugami (Thai) Co., Ltd., Tsugami GmbH, Tsugami Korea Co., Ltd., Shinagawa Precision Machinery (Zhejiang) Co., Ltd. and Tsugami Precision Engineering India Pvt Ltd.) as well as the affiliate (Rem Sales LLC), have little material effect on the consolidated net income or loss and the consolidated retained earnings, and further, have small significance in the Group as a whole. For the above reason, the equity method is not applied on these companies.

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

Among the consolidated subsidiaries, the balance sheet date of Precision Tsugami (China) Corporation is December 31.

When preparing the consolidated financial statements, the Company uses the financial statements of Precision Tsugami (China) Corporation, as of that date and makes necessary adjustments for important transactions between December 31 and the consolidated book-closing date.

4. Matters concerning significant accounting policies

(1) Valuation standard and valuation method of major assets

(i) Securities

Other securities

Securities with fair market value:

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

Securities without fair market value:

Cost accounting method using the moving average method

(ii) Derivatives

Market value method

(iii) Inventories:

Primarily cost accounting method using the moving average method (The values in the consolidated balance sheet were calculated using the book-value write-down method based on the decline of profitability.).



- (2) Depreciation and amortization methods used for material depreciable and amortizable assets
- (i) Property, plant and equipment (excluding leased assets)  
Depreciation is principally computed by the declining-balance method.  
However, buildings acquired on or after April 1, 1998, excluding fittings, equipment, and foreign subsidiary, are depreciated on a straight-line basis.  
The significant service lives are summarized as follows:  
Buildings and structures: 15-38 years  
Machinery and transportation vehicle: 9 year
- (ii) Intangible fixed assets (excluding leased assets)  
Intangible fixed assets are amortized using the straight-line method.  
However, software for in-house use is amortized on a straight-line basis over the expected usable period, up to five years.
- (iii) Leased assets  
Depreciation for leased assets is computed using the straight-line method over the lease terms as service life, assuming no residual value.  
Among finance lease transactions other than those that are deemed to transfer the ownership of leased assets to lessees, the lease transactions whose start dates are prior to March 31, 2008, are accounted for by the method for ordinary lease transactions.
- (iv) Long-term prepaid expenses  
This is computed using the straight-line method.
- (3) Accounting standards for major deferred assets
- Stock issuance cost  
This is amortized using the straight-line method (3 years).
- Corporate bonds issuance expenses  
This is amortized using the straight-line method during the period required for maturity of corporate bonds (5 years).
- (4) Accounting standards for significant allowances
- (i) Allowance for doubtful accounts  
To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.
- (ii) Allowance for employees' bonuses  
To provide for the payment of employees' bonuses, the Company and its domestic subsidiaries provide accrued bonuses for employees based on the projected amount for the current consolidated fiscal year.
- (iii) Allowance for directors' bonuses  
To provide for the payment of director's bonuses, the Company and its domestic subsidiaries accrue bonuses for directors based on the projected amount for the current consolidated fiscal year.  
However, since the Company was unable to reasonably project the amount at the end of the consolidated fiscal year under review, this was not posted.
- (iv) Allowance for retirement benefits  
To prepare for the payment of employee retirement benefits, the Company and its domestic consolidated subsidiaries provide accrued retirement benefits based on projected benefits obligations and the fair value of pension assets at the current consolidated fiscal year-end.  
In addition, any difference arising as a result of the change of accounting standards (2,180 million yen) is expensed equally, mainly over 15 years. Also, any actuarial difference is expensed equally from the fiscal year following its accrual over an average remaining service period (5 years) of employees at the time of the accrual using the straight-line method.
- (v) Allowance for directors' retirement benefits  
Certain of the Company's consolidated subsidiaries recorded an allowance for retirement benefits for directors equivalent to the amount payable in accordance with their rules for directors' retirement benefits.
- (vi) Allowance for product warranties  
To provide for expenses for repair cost that arise in the after-sales free-repair warranty period, the Company accrues repair expenses using an amount projected based on the past ratio of repairs.

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

Monetary assets and liabilities denominated in foreign currencies are translated into yen at spot exchange rates at the consolidated closing date. Translation adjustments are accounted for as gains or losses. Assets, liabilities, revenues, and expenses at overseas subsidiaries are translated into yen at spot exchange rates at the consolidated closing date. Translation adjustments are included in "Translation adjustments" in net assets.

(6) Significant hedge accounting method

(i) Hedge accounting method

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

(ii) Hedging instrument and hedged item

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

Hedging instrument: exchange contracts

Hedged item: foreign currency receivables

(iii) Hedging policy

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

(iv) Method for assessing hedging effectiveness

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

(7) Scope of Funds in Consolidated Cash Flow Statements

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

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

Accounting method for consumption taxes

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

## (7) Changes in Accounting Policies

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
<p>(Application of the Accounting Standard for Earnings per Share)</p> <p>The Group began applying the “Accounting Standard for Earnings Per Share” (ASBJ Statement No. 2 revised on June 30, 2010), the “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4 revised on June 30, 2010), and the Practical Solution on Accounting for Earnings Per Share (ASBJ PITF No. 9 revised on June 30, 2010) in the consolidated fiscal year under review.</p> <p>With the application, of the fair value of stock options, the value associated with services to be provided for the Group in the future was included in the amount to be paid at the exercise of stock options, an amount used in the calculation of net income per share after residual equity adjustment.</p> <p>The net income per share after residual equity adjustment for the previous consolidated fiscal year has been revised using the changed accounting policy retroactively.</p> <p>The effect of the application is described in the notes relating to “Per share information”.</p>

## (8) Changes in Method of Presentation

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
<p>(Consolidated statements of cash flows)</p> <p>“Loss on retirement of fixed assets,” which had been included in “Other cash flows” of the cash flows from operating activities in the previous consolidated fiscal year, was posted as a separate item in the consolidated fiscal year under review because of an increase in its importance in terms of the amount. To reflect the change in the method of presentation, the Group changed the consolidated financial statements for the previous consolidated fiscal year.</p> <p>As a result, “Other cash flows” of 80 million yen in the cash flows from operating activities in the consolidated statements of cash flows for the previous consolidated fiscal year was divided into “Loss on retirement of fixed assets” of 9 million yen and “Other cash flows” of 71 million yen.</p>

## (9) Others

Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
<p>(Application of the Accounting Standard for Accounting Changes and Error Corrections)</p> <p>The Group began applying the “Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24 issued on December 4, 2009) in the beginning of the consolidated fiscal year under review.</p> <p>(Effect of changes in corporate tax rates)</p> <p>Following the introduction on December 2, 2011 of the Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures (Act No. 114 of 2011) and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake (Act No. 117 of 2011), corporate tax rates were reduced and the special reconstruction corporate tax was imposed for the fiscal years beginning on or after April 1, 2012. In line with these changes, the effective corporate tax rate used to measure deferred tax assets and liabilities are changed from 40.70% to 38.01% for temporary differences expected to be eliminated from the fiscal year beginning on April 1, 2012 to the fiscal year beginning April 1, 2014. The rate will be changed to 35.64% for temporary differences expected to be eliminated in or after the fiscal year beginning on April 1, 2015. As a result of this change, the amount of deferred tax liabilities (the amount after subtracting the amount of deferred tax assets) decreased 23 million yen, and total corporate and other taxes increased 64 million yen.</p>

## (10) Notes concerning the Consolidated Financial Statements

## (Consolidated Balance Sheet)

## \*1. Shares of non-consolidated subsidiaries and affiliates

(Million yen)

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

## 2. Amount of discount for bills receivable

(Million yen)

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

## \*3. Amount of allowance for doubtful accounts directly subtracted from assets

(Million yen)

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

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

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

(Million yen)

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

## (Consolidated Statement of Income)

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

(Million yen)

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

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

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

(Million yen)

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

## \*3. Breakdown of gain on sales of fixed assets

(Million yen)

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

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

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

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

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

## \*6. Impairment loss

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

Location	Use	Type
Saku-shi, Nagano	Idle asset	Land

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

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

## \*7. Loss on disaster

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

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

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

Recycling and tax effect relating to other comprehensive income (Million yen)

Unrealized gains on marketable securities	
Amount arising during fiscal year under review	42
Recycling	10
Before tax effect adjustment	53
Tax effect	67
Unrealized gains on marketable securities	120
Deferred gains (losses) on hedges	
Amount arising during fiscal year under review	-6
Before tax effect adjustment	-6
Tax effect	2
Deferred gains or losses on hedges	-3
Translation adjustments :	
Amount arising during fiscal year under review	104
Total other comprehensive income	222

## (Consolidated Statements of Changes in Net Assets)

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

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

	Number of shares at the beginning of the current consolidated fiscal year	Increase in shares in the current consolidated fiscal year	Decrease in shares in the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year
Outstanding shares				
Common shares	68,019	--	--	68,019
Total	68,019	--	--	68,019
Treasury stock				
Common shares	1,154	1,103	117	2,140
Total	1,154	1,103	117	2,140

(Notes) 1. The increase in common shares of treasury stock by 1,103 thousand shares reflected an increase of 7 thousand shares due to the purchase of odd-lot shares, and the purchase of 1,096 thousand shares of treasury stock.

2. The decrease in treasury stock of 117 thousand shares was due to the exercise of stock options.

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

Category	Description of subscription rights to shares	Type of shares to be issued under subscription rights to shares	Number of shares to be issued under subscription rights to shares				Outstanding balance at the end of the current consolidated fiscal year (million yen)
			Number of shares at the beginning of the current consolidated fiscal year	Increase in shares in the current consolidated fiscal year	Decrease in shares in the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year	
Submitting company (parent company)	Subscription rights to shares as stock options	--	--	--	--	--	290
Total		--	--	--	--	--	290

## 3. Matters relating to dividends

## (1) Dividends paid

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

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

(Resolution)	Type of shares	Total amount of dividend (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 12, 2011	Common shares	329	Retained earnings	5.00	March 31, 2011	May 31, 2011

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

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

	Number of shares at the beginning of the current consolidated fiscal year	Increase in shares in the current consolidated fiscal year	Decrease in shares in the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year
Outstanding shares				
Common shares	68,019	6,900	--	74,919
Total	68,019	6,900	--	74,919
Treasury stock				
Common shares	2,140	5	763	1,382
Total	2,140	5	763	1,382

(Notes) 1. The increase in common shares of treasury stock of 5 thousand shares due to the purchase of odd-lot shares.

2. The decrease in treasury stock of 763 thousand shares was due to the exercise of stock options.

## 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 current consolidated fiscal year (million yen)
			Number of shares at the beginning of the current consolidated fiscal year	Increase in shares in the current consolidated fiscal year	Decrease in shares in the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year	
Submitting company (parent company)	Subscription rights to shares as stock options	--	--	--	--	--	345
Total		--	--	--	--	--	345

## 3. Matters relating to dividends

## (1) Dividends paid

(Resolution)	Type of shares	Total amount of dividend (million yen)	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 12, 2011	Common shares	329	5.00	March 31, 2011	May31, 2011
Board of directors meeting held on November 14, 2011	Common shares	331	5.00	September 30, 2011	November28, 2011

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

(Resolution)	Type of shares	Total amount of dividend (million yen)	Funds for dividends	Dividend per share (yen)	Record date	Effective date
Board of directors meeting held on May 10, 2012	Common shares	367	Retained earnings	5.00	March 31, 2012	May29, 2012

(Consolidated Statements of Cash Flows)

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

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

## (Segment information)

## a. (Segment Information)

## 1. Summary of reportable segments

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

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

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

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

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

Intersegment revenue and transfers are based on market prices.

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

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

(Million yen)

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

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

2. "Adjustment" of segment assets of 4,766 million yen includes Company-wide assets of 8,592 million yen and an effect of intersegment adjustments of minus 3,826 million yen.

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

3. "Adjustment" of increases in tangible fixed assets and intangible fixed assets of minus 43 million yen is the effect of intersegment adjustments.

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



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

(Million yen)

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

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

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

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

3. "Adjustment" of increases in tangible fixed assets and intangible fixed assets of minus 30 million yen is the effect of intersegment adjustments.

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

(Related party information)

Transaction with directors and major shareholders

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

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

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

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

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

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

Class	Name	Capital or investments	Business or job	Ownership of voting rights in percentage	Relationship with the party	Transactions	Transaction amount (million yen)	Account	Balance at end of year (million yen)
Director	Takeo Nakagawa	---	Director of Company, CEO of Fine Tech Corporation	---	Sales of the Company's product and purchase of Fine Tech's products	Sales of the Company's products	102	Trade notes and accounts receivable	66
Auditor	Ryuichi Kimura	---	Statutory auditor of the Company Representative Director of Tokyo Seimitsu Co., Ltd.	(Owning) Direct: 2.50% (Owned) Direct: 6.24%	Sales of the Company's products and purchase of Tokyo Seimitsu's products	Sales of the Company's products	6	Trade notes and accounts receivable	0
						Purchase of Tokyo Seimitsu's products	127	Trade notes and accounts payable	44

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

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

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

## (Securities)

## 1. Other securities

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

(Million yen)

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

(Note) Since unlisted stocks (whose consolidated balance sheet amount is 2 million yen) have no market prices, and their fair values are very difficult to estimate, they are not included in other securities with market value.

Impairment losses of 179 million yen are recorded for 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 the fair value at the end of the fiscal year declines 30% to around 50%, the Company estimates the recoverability of each stock and determines whether impairment accounting is needed or not.

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

(Million yen)

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

(Note) Since unlisted stocks (whose consolidated balance sheet amount is 2 million yen) have no market prices, and their fair values are very difficult to estimate, they are not included in other securities with market value.

Impairment losses of 10million yen are recorded for 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 the fair value at the end of the fiscal year declines 30% to around 50%, the Company estimates the recoverability of each stock and determines whether impairment accounting is needed or not.

## 2. Other securities sold during the consolidated fiscal year

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

Classification	Amount of sale (million yen)	Total profit on sale (million yen)	Total loss on sale (million yen)
Shares	27	5	--

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

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

## (Pension and Severance Cost)

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

The retirement benefits systems of the Group consist of a retirement lump-sum grant system and a defined benefit corporate pension system. 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 enforcement of the Defined-Benefit Corporate Pension Act in January 2010.

## 2. Projected benefit obligations and their breakdowns

(Million yen)

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

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

## 3. Breakdown of retirement benefit expenses

(Million yen)

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

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

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

## (1) Periodic allocation method for projected benefits

Periodic straight-line base

## (2) Discount rates(%)

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

## (3) Expected return on assets (%)

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

## (4) Method and years during which an actuarial gain or loss is amortized

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

## (5) Years during which unsettled differences at change of accounting principles were accounted for

15 years

(Per share information)

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

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

	Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)
Net income per share		
Net income (million yen)	2,837	2,281
Net income that does not belong to common shareholders (million yen)	--	--
Net income on common shares (million yen)	2,837	2,281
Average number of shares during the period (thousand shares)	66,431	67,323
Net income per share after residual equity adjustment		
Adjustment in net income (million yen)	--	--
Increase in common shares (thousand shares)	1,256	909
Summary of residual shares not included in the calculation of net income per share after residual equity adjustment because of no dilutive effect	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 18, 2010 (Number of shares: 350,000)	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 18, 2010 (Number of shares: 350,000)
	-----	Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 18, 2011 (Number of shares: 350,000)

(Changes in accounting policies)

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

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

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

Net income per share after residual equity adjustment: 41.89yen

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

(Important post-balance sheet events)

No corresponding event occurred.

Notes relating to lease transactions, financial instruments, tax effect accounting, derivatives trading, stock options, business combination, rental properties and asset retirement obligations- are omitted because the need to disclose such information with this summary of financial results is deemed to be small.

**5. Non-consolidated Financial Statements****(1) Balance Sheets**

	(Million yen)	
	Figures at the end of the previous fiscal year (As of March 31, 2011)	Figures at the end of the fiscal year under review (As of March 31, 2012)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,491	4,150
Trade notes receivable	235	509
Accounts receivable	8,172	14,687
Products and other commodities	1,926	1,733
Goods in process	4,796	5,687
Raw materials and supplies	1,790	2,155
Prepaid expenses	36	71
Short-term loans to affiliates	952	1,759
Deferred tax assets	262	396
Advance paid	13	16
Accounts due	611	775
Other current assets	16	9
Allowance for doubtful accounts	-82	-125
<b>Total current assets</b>	<b>22,224</b>	<b>31,827</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings	6,662	6,632
Accumulated depreciation	-3,638	-3,762
Buildings (net)	3,023	2,869
Structures	479	447
Accumulated depreciation	-370	-347
Structures (net)	109	99
Machinery and equipment	7,693	6,752
Accumulated depreciation	-6,772	-6,067
Machinery, equipment (net)	921	685
Vehicles	53	36
Accumulated depreciation	-46	-33
Vehicles (net)	6	3
Tools, furniture and fixtures	914	808
Accumulated depreciation	-688	-613
Tools, furniture and fixtures (net)	225	194
Land	591	581
Leased assets	31	36
Accumulated depreciation	-14	-20
Leased assets (net)	17	15
Construction in progress	--	35
<b>Total tangible fixed assets</b>	<b>4,895</b>	<b>4,484</b>
<b>Intangible fixed assets</b>		
Software	87	73
Telephone subscription rights	10	10
Leased assets	13	9
<b>Total intangible fixed assets</b>	<b>110</b>	<b>93</b>
<b>Investments and other assets</b>		
Investment securities	4,911	4,955
Shares in affiliates	136	132
Investments in affiliates	1,722	3,919
Long-term loans receivable from subsidiary (net)	--	394
Long-term loans to employees	1	1
Long-term prepaid expenses	2	5
Other intangible fixed assets	67	97
<b>Total investments and other assets</b>	<b>6,842</b>	<b>9,505</b>
<b>Total fixed assets</b>	<b>11,848</b>	<b>14,083</b>
<b>Deferred assets</b>		
Stock issuance cost	--	20
Bond issuance expenses	18	11
<b>Total deferred assets</b>	<b>18</b>	<b>32</b>
<b>Total assets</b>	<b>34,091</b>	<b>45,942</b>

	(Million yen)	
	Figures at the end of the previous fiscal year (As of March 31, 2011)	Figures at the end of the fiscal year under review (As of March 31, 2012)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes payable	6,214	9,427
Accounts payable	1,657	4,626
Short-term borrowings	1,500	1,500
Corporate bonds due for redemption within one year	300	300
Lease obligations	9	10
Accounts payable	375	207
Accrued expenses payable	210	240
Accrued income tax	324	1,290
Advance received	49	21
Deposits received	38	81
Reserve for bonus payment	215	216
Trade notes payable related to facilities	6	41
Reserve for product warranties	93	130
Other current liabilities	23	19
<b>Total current liabilities</b>	<b>11,019</b>	<b>18,112</b>
<b>Long-term liabilities</b>		
Corporate bonds	600	300
Lease obligations	22	15
Deferred tax liabilities	361	335
Reserve for retirement benefits	785	769
Deposits received for guarantee	14	14
Other long-term liabilities	46	26
<b>Total long-term liabilities</b>	<b>1,829</b>	<b>1,461</b>
<b>Total liabilities</b>	<b>12,849</b>	<b>19,574</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	10,599	12,345
<b>Capital surplus</b>		
Capital legal reserve	4,138	5,884
Other capital surplus	18	--
<b>Total capital surplus</b>	<b>4,157</b>	<b>5,884</b>
<b>Retained earnings</b>		
Other retained earnings		
Deferred retained earnings	5,967	7,176
<b>Total retained earnings</b>	<b>5,967</b>	<b>7,176</b>
Treasury stock	-771	-499
<b>Total shareholders' equity</b>	<b>19,952</b>	<b>24,906</b>
<b>Valuation and translation adjustments</b>		
Unrealized gains on marketable securities	993	1,114
Deferred gains (losses) on hedges	5	1
<b>Total valuation and translation adjustments</b>	<b>998</b>	<b>1,115</b>
Subscription rights to shares	290	345
<b>Total net assets</b>	<b>21,241</b>	<b>26,367</b>
<b>Total liabilities and net assets</b>	<b>34,091</b>	<b>45,942</b>

## (2) Statements of Income

	(Million yen)	
	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Fiscal year under review (From April 1, 2011 to March 31, 2012)
Net sales		
Net sales of goods	1,807	1,384
Net sales of finished goods	33,339	35,998
Total net sales	35,146	37,382
Cost of sales		
Cost of goods sold		
Beginning goods	28	10
Cost of purchased goods	1,358	961
Total	1,387	972
Ending goods	10	76
Cost of goods sold	1,377	895
Cost of finished goods sold		
Beginning finished goods	955	1,916
Cost of products manufactured	28,815	35,744
Total	29,771	37,661
Ending finished goods	1,916	1,657
Finished goods transfer to other account	10	6,192
Cost of finished goods sold	27,844	29,812
Total cost of sales	29,221	30,708
Gross profit	5,925	6,674
Selling, general and administrative expenses		
Packing and transportation expenses	96	96
Advertising expenses	192	203
Salaries for directors	203	204
Salaries and allowances	636	733
Provision for reserve for bonus payment	38	36
Retirement benefit expenses	68	72
Rent paid	70	70
Traveling expenses	139	147
Insurance premiums	96	102
Research and development expenses	752	821
Depreciation and amortization expenses	17	17
Provision for allowance for doubtful accounts	68	38
Provision for reserve for product warranties	93	130
Other selling, general and administrative expenses	718	785
Total selling, general and administrative expenses	3,193	3,460
Operating income	2,732	3,214
Non-operating income		
Interest received	11	21
Dividends received	213	177
Rent received	12	12
Foreign exchange income	--	34
Insurance benefits received	43	39
Other non-operating income	41	71
Total non-operating income	322	357
Non-operating expenses		
Interest paid	7	30
Interest on bonds	10	7
Leased asset expenses	10	11
Foreign exchange losses	73	--
Amortization of stock issuance cost	--	1
Amortization of bond issuance cost	6	6
Sales discount	2	2
Loss on sales of trade notes	45	70
Other non-operating expenses	29	37
Total non-operating expenses	187	167
Ordinary income	2,867	3,403



	(Million yen)	
	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Fiscal year under review (From April 1, 2011 to March 31, 2012)
Extraordinary income		
Gain on sales of fixed assets	46	0
Gain on sales of investment securities	5	--
Total extraordinary income	52	0
Extraordinary expenses		
Loss on retirement of fixed assets	1	40
Loss on sales of fixed assets	4	2
Impairment loss	--	10
Loss on devaluation of inventories	--	40
Loss on devaluation of investment securities	179	10
Loss on sales of stocks of affiliate	--	4
Loss on disaster	--	21
Loss on adjustment for changes of accounting standard for asset retirement obligations	11	--
Settlement Package	60	--
Other extraordinary expenses	1	9
Total extraordinary expenses	258	138
Income before taxes and other adjustments	2,661	3,265
Corporate, inhabitant and enterprise taxes	347	1,437
Deferred taxes	-113	-89
Total corporate and other taxes	234	1,348
Net income	2,426	1,916

## (3) Statements of Changes in Net Assets

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

	(Million yen)	
	Previous fiscal year (From April 1, 2010 to March 31, 2011)	Fiscal year under review (From April 1, 2011 to March 31, 2012)
<b>Total shareholders' equity</b>		
Balance at beginning of the fiscal year	18,750	19,952
Change during the fiscal year		
Issuance of new shares	--	3,491
Cash dividends paid	-666	-661
Net income	2,426	1,916
Purchase of treasury stock	-591	-2
Disposal of treasury stock	33	208
Total change during the fiscal year	1,201	4,953
Balance at end of the fiscal year	19,952	24,906
<b>Valuation and translation adjustments</b>		
<b>Unrealized gains on marketable securities</b>		
Balance at beginning of the fiscal year	463	993
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	529	120
Total change during the fiscal year	529	120
Balance at end of the fiscal year	993	1,114
<b>Deferred gains (losses) on hedges</b>		
Balance at beginning of the fiscal year	-99	5
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	104	-3
Total change during the fiscal year	104	-3
Balance at end of the fiscal year	5	1
<b>Total valuation and translation adjustments</b>		
Balance at beginning of the fiscal year	364	998
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	634	117
Total change during the fiscal year	634	117
Balance at end of the fiscal year	998	1,115
<b>Subscription rights to shares</b>		
Balance at beginning of the fiscal year	204	290
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	86	55
Total change during the fiscal year	86	55
Balance at end of the fiscal year	290	345
<b>Total net assets</b>		
Balance at beginning of the fiscal year	19,319	21,241
Change during the fiscal year		
Issuance of new shares	--	3,491
Cash dividends paid	-666	-661
Net income	2,426	1,916
Purchase of treasury stock	-591	-2
Disposal of treasury stock	33	208
Changes in items other than shareholders' equity during the fiscal year (net)	720	172
Total change during the fiscal year	1,922	5,125
Balance at end of the fiscal year	21,241	26,367

## 6. Other

## (1) Supplementary Information

## (i) Overseas net sales

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

(Million yen)

	Asia	America	Europe	Total
I Overseas net sales	19,049	2,796	2,857	24,703
II Consolidated net sales				35,739
III Ratio of overseas net sales to consolidated net sales (%)	53.3	7.8	8.0	69.1

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

2. Major countries or regions in each classification

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

(2) America the United States

(3) Europe Switzerland, Germany, Italy, France and Poland

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

## (ii) Net sales by machinery category

(Million yen)

	Consolidated fiscal year under review (from April 1, 2011 to March 31, 2012)		Previous consolidated fiscal year (from April 1, 2010 to March 31, 2011)		Year-on-year change	
		%		%		%
Automatic lathes	28,030	78.4	29,925	83.3	-1,895	-6.3
Grinding machines	2,932	8.2	2,295	6.4	636	27.7
Machining centers	1,039	2.9	1,431	4.0	-391	-27.4
Rolling machines, etc.	2,989	8.4	1,614	4.5	1,375	85.2
Other	747	2.1	666	1.8	81	12.3
Total	35,739	100.0	35,932	100.0	-193	-0.5
(Overseas net sales)	(24,703)	(69.1)	(26,392)	(73.4)	(-1,689)	(-6.4)

(2) Changes in directors (scheduled to take effect on June 15, 2012)

-New director candidate

- New director candidate

Director:

Byun Jae Hyun(currently Senior Executive Officer, Overseas division, President of TSUGAMI Universal Pte Ltd. and President of TSUGAMI KOREA Co., Ltd.

Kenji Yamada (former President and CEO of MODEC, Inc.)  
(Note) Mr. Kenji Yamada is candidate for an outsider auditor

- Reserve statutory auditor candidate

Reserve statutory auditor:

Toshikazu Oyanagi (currently Senior Executive Officer, General Affairs)