Annual Securities Report

From April 1, 2008 to March 31, 2009

Document submitted to EDINET

Tsugami Corporation (E01480)

(The English translation of Yuukasyouken-Houkokusyo)

Contents

[Cover]

Document submitted	Annual Securities Report
Applicable law clause	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
Destination	Director General of the Kanto Finance Bureau
Date of submission	June 22, 2009
Fiscal year	The 106th term (from April 1, 2008 to March 31, 2009)
Corporate name	Tsugami Corporation
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Chapter 1. Corporate Information

Section 1. Overview of the Company's Situation

1. Changes in major financial data

Fiscal term	102nd term	103rd term	104th term	105th term	106th term
Closing month and year	March 2005	March 2006	March 2007	March 2008	March 2009
(1) Consolidated financial data					
Net sales (million yen)	25,004	34,006	36,557	28,495	22,687
Ordinary income (million yen)	3,545	5,363	5,535	2,756	626
Net income (loss) (million yen)	2,832	5,530	3,447	1,629	-873
Net assets (million yen)	18,986	23,272	23,450	21,916	19,718
Total assets (million yen)	27,539	36,827	35,943	32,732	25,703
Net assets per share (yen)	243.41	306.53	322.67	319.50	289.07
Net income (loss) per share (yen)	35.02	71.38	46.36	23.03	-12.88
Net income per share after residual equity adjustment (yen)	34.99	70.81	46.05	22.86	–
Capital adequacy ratio (%)	68.9	63.2	65.0	66.3	76.0
Earnings on equity (%)	15.45	26.17	14.79	7.24	–
Price-earnings ratio (times)	12.74	13.30	14.56	14.50	–
Cash flows from operating activities (million yen)	4,109	1,551	4,142	3,946	439
Cash flows from investing activities (million yen)	-558	-1,020	-383	-1,394	-1,803
Cash flows from financing activities (million yen)	-1,637	-1,845	-3,157	-2,696	1,210
Cash and cash equivalents at the end of the term (million yen)	4,112	2,796	3,496	3,352	3,188
Number of employees (Average number of temporary employees in addition to the above)	641 (173)	605 (305)	601 (427)	591 (464)	580 (404)

Fiscal term	102nd term	103rd term	104th term	105th term	106th term
Closing month and year	March 2005	March 2006	March 2007	March 2008	March 2009
(2) Financial data of the submitting company					
Net sales (million yen)	24,336	33,262	35,255	27,962	22,043
Ordinary income (million yen)	3,164	5,016	5,110	2,564	625
Net income (loss) (million yen)	2,650	5,333	3,257	1,544	-540
Capital (million yen) (Number of shares issued) (thousand shares)	10,599 (89,019)	10,599 (89,019)	10,599 (79,019)	10,599 (68,019)	10,599 (68,019)
Net assets (million yen)	18,655	22,747	22,723	21,137	19,277
Total assets (million yen)	26,927	36,215	35,186	32,031	25,425
Net assets per share (yen)	239.16	299.63	312.66	308.02	282.55
Dividend per share (Of which, interim dividend per share) (yen)	5.00 (2.00)	8.00 (3.00)	10.00 (4.00)	10.00 (5.00)	10.00 (5.00)
Net income (loss) per share (yen)	32.80	68.99	43.80	21.82	-7.98
Net income per share after residual equity adjustment (yen)	32.77	68.44	43.51	21.66	–
Capital adequacy ratio (%)	69.3	62.8	64.3	65.3	75.1
Earnings on equity (%)	14.63	25.77	14.36	7.09	–
Price-earnings ratio (times)	13.60	13.76	15.41	15.31	–
Dividend payout ratio (%)	15.2	11.6	22.8	45.83	–
Number of employees (Average number of temporary employees in addition to the above)	426 (100)	423 (192)	425 (247)	412 (244)	523 (190)

Notes
1. Net sales do not include consumption taxes (consumption tax and local consumption tax; the same shall apply hereinafter).
2. Since a net loss was posted in the 106th 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 a net loss was posted in the 106th 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 a net loss was posted in the 106th 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 *Sogo Kenkyusho* (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

3. Businesses

The Group (Tsugami Corporation and its affiliates) consists of Tsugami Corporation ("the Company"), six 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.

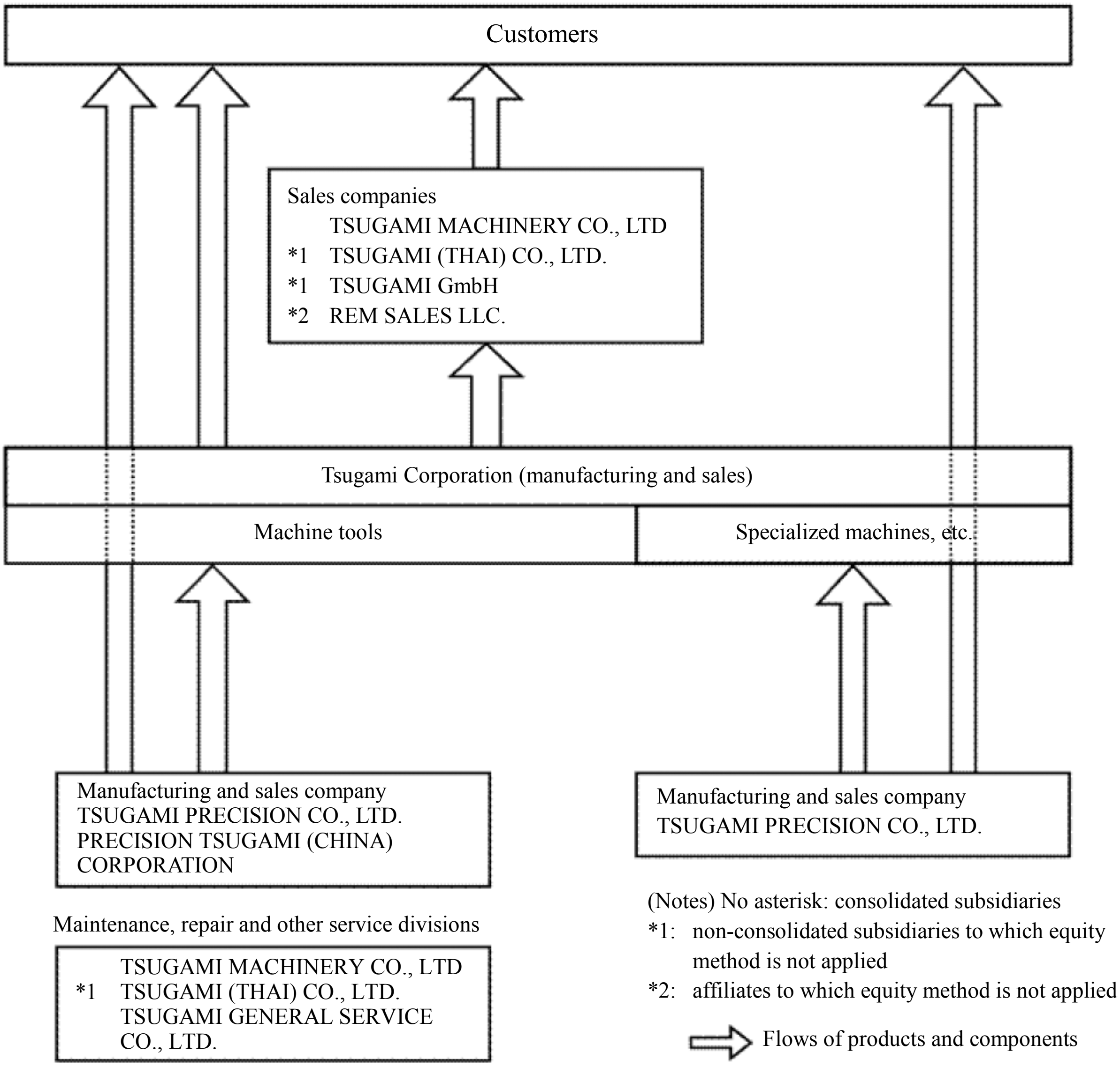
(ii) Specialized machines and other businesses

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.



(Note) The manufacturing and sales company TSUGAMI SHIMAMOTO LTD. was absorbed into Tsugami Corporation effective January 1, 2009.

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	Zhejiang, China	51 million yuan	Machine tool business	100	Processes, assembles, and sells products of the Company. There are interlocking officers.

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

Tsugami Shimamoto Ltd. was taken over by Tsugami Corporation on January 1, 2009.

5. Employees

(1) Group employees

As of March 31, 2009

Business segment	Number of employees	
Machine tool business	509	(367)
Specialized machines and other businesses	29	(16)
Company-wide (common)	42	(21)
Total	580	(404)

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, 2009

Number of employees	Average age	Average service years	Average annual salary (yen)
523 (190)	44.0	18.8	5,590,723

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 (57 employees) are not included.

2. The number of employees increased 111 from the end of the previous fiscal year primarily because of the merger of Tsugami Shimamoto Ltd. on January 1, 2009.

3. 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 358.

Labor-management relations are good.

Section 2. Business Situation

1. Overview of operating results

(1) Operating results

In the first half of the consolidated fiscal year under review, prices of raw materials rose in response to higher crude oil and other prices, while in the second half of the year Japan was caught in a major global economic slowdown originating from the severe financial crisis. As a result, the Japanese economy faced extremely difficult conditions, including a decline in capital investment caused by stalled exports and a personal consumption slump. Influenced by these developments and the additional adverse factor of the yen's rapid appreciation in exchange markets, the Japanese economy faced an unparalleled economic crisis described as a once-in-a-century phenomenon.

Looking at orders in the machine tool industry, overseas markets offset weaker domestic demand in the first half of the fiscal year under review. However, external demand fell sharply in all regions, with the rapid economic deceleration starting October 2008. Orders experienced a particularly heavy fall in 2009, declining at year-on-year rates in excess of 80% for three consecutive months from January to March. The operating environment remains tough in all sectors, including HDD, a main target market for the Company, other IT fields and automobiles.

In this environment, the Group continued to supply precision processing machinery that meet demands for ecological and energy-saving measures in automobile and related industries, higher accuracy in IT and related industries and other requirements in other industries based on precision processing know-how they have accumulated over the years. At the same time, the Group brought various new products to markets.

Consolidated business performance was heavily affected by operating conditions, which declined rapidly in the second half of the fiscal year under review and the subsequent period with the financial crisis in the United States as a trigger. The Group, however, sought to minimize the effects of weaker orders on its business performance by restructuring and streamlining production bases and cutting expenses across the Group. Moreover, the Group took steps such as shifting production to plants in China to absorb the effects of the higher yen and improve price competitiveness, and made strategic preparations for a turnaround orders in the future, including more rapid product development.

Consolidated net sales for the fiscal year under review declined 20.4% year on year, to 22,687 million yen, on weaker sales to auto parts manufacturers and IT business operators that are the main customers of the Company, which resulted from the unexpectedly severe economic downturn.

Consolidated net sales in Japan slipped 27.3% year on year, to 10,776 million yen. Consolidated exports plunged 12.9% year on year, to 11,911 million yen. The export ratio rose from 48.0% for the previous fiscal year, to 52.5%.

Consolidated operating income fell 70.9% year on year, to 810 million yen. Consolidated ordinary income declined 77.3% year on year, to 626 million yen. Under the effects of lower share prices worldwide associated with the U.S. financial crisis, consolidated net loss of 873 million yen resulted from factors, including a devaluation loss of 1,163 million yen, consisting of 887 million yen lost on the devaluation of shares in Tornos S.A., an alliance partner in Switzerland, and a 276 million yen loss on the devaluation of shares in domestic business partners, an impairment loss of 99 million yen.

Operating results by business segment are as follows:

(i) In the machine tool business, net sales stood at 21,987 million yen, down 18.7% year on year. Operating income was 1,426 million yen, falling 57.5% year on year.

(ii) In the specialized machines and other businesses, net sales were 700 million yen, down 51.3% year on year. Operating income was 74 million yen, declining 62.2% year on year.

(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	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009) (million yen)	Year on year (%)
Machine tool business	23,381	82.4
Specialized machines and other businesses	661	58.4
Total	24,043	81.5

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	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009) (million yen)	Year on year (%)
Machine tool business	21,987	-18.7
Specialized machines and other businesses	700	-51.3
Total	22,687	-20.4

Notes 1. Transactions between the segments were canceled out.

2. The table below shows sales to a major business partner and the ratio of the sales to total sales in the past two fiscal years.

	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)		Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)	
	Amount (million yen)	Ratio (%)	Amount (million yen)	Ratio (%)
Rem Sales LLC	1,535	5.4	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)

Consolidated business performance was heavily affected by operating conditions, which declined rapidly in the second half of the fiscal year under review and the subsequent period, triggered by the financial crisis in the United States. The Group is seeking to minimize the effects of weaker orders on its business performance by restructuring and streamlining production bases and cutting expenses across the Group. It is also taking steps such as shifting production to plants in China to absorb the effects of the higher yen and improve price competitiveness.

In preparation for a turnaround in orders, the Group will strive to promote product development and to build the foundations for future development.

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 629 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.

The major results in the fiscal year under review include the development of CNC high-precision automatic lathes (P034H, B0124, and BS125H), a CNC high-precision cylindrical grinding machine (G30-II), and a vertical machining center (VA31H).

R&D expenses relating to the business were 629 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 and operating results

(1) Analysis relating to the consolidated financial position

(Current assets)

Current assets at the end of the fiscal year under review fell 6,249 million yen, to 16,486 million yen (22,735 million yen at the end of the previous fiscal year), primarily reflecting a fall of 4,985 million yen in trade notes and accounts receivable and a 865 million yen decline in inventories.

(Fixed assets)

Fixed assets at the end of the fiscal year under review declined 812 million yen, to 9,184 million yen (9,997 million yen at the end of the previous fiscal year). The main reasons of the decline were a 320 million yen decrease in buildings and structures and a 647 million yen fall in investment securities.

(Current liabilities)

Current liabilities at the end of the fiscal year under review declined 6,057 million yen, to 3,855 million yen (9,913 million yen at the end of the previous fiscal year), mainly attributable to a 6,091 million yen decrease in trade notes and accounts payable and a 644 million yen decline in accrued income tax.

(Long-term liabilities)

Long-term liabilities at the end of the fiscal year under review increased 1,225 million yen, to 2,129 million yen (903 million yen at the end of the previous fiscal year) primarily because of a 1,200 million yen rise in corporate bonds.

(Net assets)

Net assets at the end of the fiscal year under review were 19,718 million yen (capital of 21,916 million yen for the previous fiscal year), primarily reflecting a net loss of 873 million yen, expenditure on the acquisition of treasury stock of 84 million yen, dividends paid of 679 million yen, and a 548 million yen decrease in unrealized gains on marketable securities.

(2) Analysis of cash flows

(Cash flows)

Cash and cash equivalents fell by 164 million yen from the end of the previous consolidated fiscal year, to 3,188 million yen at the end of the consolidated fiscal year under review. The following is cash flows in each category in the fiscal year under review:

(Cash flows from operating activities)

Cash generated by operating activities was 439 million yen (3,946 million yen generated for the previous fiscal year). The result mainly reflected depreciation and amortization expenses of 927 million yen, loss on devaluation of investment securities of 1,163 million yen, a 4,988 million yen fall in trade notes and accounts receivable and an 868 million yen decline in inventories. These factors offset a net loss before taxes and other adjustments of 754 million yen, a 6,096 million yen fall in trade notes and accounts payable and 728 million yen in income and other taxes paid.

(Cash flows from investing activities)

Cash used for investing activities was 1,803 million yen (1,394 million yen used for the previous fiscal year). Key factors for the result included 809 million yen disbursed for the acquisition of tangible fixed assets and 1,150 million yen spent on the acquisition of investment securities. These factors offset fund increases attributable to factors, including an income of 163 million yen from the disposal of tangible fixed assets.

(Cash flows from financing activities)

Cash generated by financing activities was 1,210 million yen (2,696 million yen used for the previous fiscal year). The cash inflow resulted mainly from a 500 million yen increase in short-term borrowings and an income of 1,466 million from the issuance of corporate bonds. These factors offset fund decreases from factors, including an expenditure of 84 million yen on acquisition of treasury stock and dividends paid of 677 million yen.

(3) Analysis relating to consolidated operating results

Net sales in the fiscal year under review stood at 22,687 million yen, down 20.4% year on year. Operating income was 810 million yen, declining 70.9% year on year. Under the effects of lower share prices worldwide associated with the U.S. financial crisis, consolidated net loss of 873 million yen resulted from factors, including a devaluation loss of 1,163 million yen, consisting of 887 million yen loss on the devaluation of shares in Tornos S.A., an alliance partner in Switzerland, and a 276 million yen loss on the devaluation of shares in domestic business partners, an impairment loss of 99 million yen.

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 798 million yen.

Capital expenditures by business segment are as follows:

Capital expenditures in the machine tool business were 798 million yen, which was allocated primarily to production facilities at Nagaoka and Shinsyuu 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, 2009

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	2,213	766	232 (71,339)	12	254	3,478	358 (139)
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	695	871	22 (64,685)	6	42	1,637	94 (44)
Niigata factory (Niigata-shi, Niigata)	Machine tool business	Equipment for producing machine tools	78	4	164 (18,245)	–	13	261	–
Other (Kawasaki-ku, Kawasaki-shi, Kanagawa)	–	Apartments for unmarried employees	176	–	91 (469)	–	1	268	–

(2) Overseas subsidiary As of March 31, 2009

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	385	218	– (–)	–	11	615	7 (134)

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	Information systems, and machinery and equipment	180	13	Self-financing	December 2008	March 2010
Shinshu factory of the Company	Saku-shi, Nagano	Machine tool business and specialized machines and other businesses	Machinery and equipment	50	–	Self-financing	October 2009	March 2010
Precision Tsugami (China) Corporation	Zhejiang, China	Machine tool business	Machinery and equipment	100	–	Self-financing	April 2009	September 2009

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, 2009)	Number of shares issued on the date of the submission of the report (June 22, 2009)	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 The First Section of the Osaka Securities Exchange	Number of shares per unit: 1,000
Total	68,019,379	68,019,379	–	–

Note The figures in the number of shares issued on the date of the submission of the report column do not include shares issued through the exercise of stock acquisition rights from June 1, 2009 through the date of the submission of the report.

(2) Stock acquisition rights

The table below shows the details of the stock acquisition rights 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, 2009)	At end of month preceding date of submission of the report (May 31, 2009)
Number of stock acquisition rights (Note 1)	144	124
Number of own stock acquisition rights of the stock acquisition rights	–	–
Type of shares underlying stock acquisition rights	Common shares	Same as at left
Number of shares underlying stock acquisition rights	144,000	124,000
Amount to be paid for the exercise of stock acquisition rights (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 stock acquisition rights (yen) (Note 2)	Issue price: 1 Amount per share to be credited to capital: 1	Same as at left
Conditions for the exercise of stock acquisition rights	Partial exercise of each stock acquisition rights is not allowed. Other conditions shall be as set forth in the "Stock Acquisition Rights Allocation Agreement," entered into between the Company and each holder.	Same as at left
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.	Same as at left
Matters relating to subrogation payments	–	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	–	–

Notes 1. The number of shares underlying a stock acquisition right (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 stock acquisition rights 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 stock acquisition right

The amount to be paid for the exercise of each stock acquisition right 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 stock acquisition right, 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 stock acquisition rights) 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.

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

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 stock acquisition rights

(i) A holder of the stock acquisition rights may exercise the stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

(ii) Regardless of the preceding paragraph, if the holder may not exercise the stock acquisition rights until June 30, 2024, he/she may exercise the stock acquisition rights from July 1, 2024.

(iii) If the holder dies, the heir may exercise the stock acquisition rights. In this case, the heir may only exercise the stock acquisition rights 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 stock acquisition rights 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, 2009)	At end of month preceding date of submission of the report (May 31, 2009)
Number of stock acquisition rights (Note 1)	66	54
Number of own stock acquisition rights of the stock acquisition rights	–	–
Type of shares underlying stock acquisition rights	Common shares	Same as at left
Number of shares underlying stock acquisition rights	66,000	54,000
Amount to be paid for the exercise of stock acquisition rights (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 stock acquisition rights (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 stock acquisition rights	(Note 3)	Same as at left
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.	Same as at left
Matters relating to subrogation payments	–	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	(Note 5)	Same as at left

Notes 1. The number of shares underlying a stock acquisition right (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 stock acquisition rights 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 stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

(i) A holder of the stock acquisition rights may exercise the stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

(ii) Other conditions associated with the exercise of stock acquisition rights shall be approved by the Board of Directors.

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

5. Matters relating to the delivery of stock acquisition rights in association with reorganization acts

Policy for determining the features of the delivery of stock acquisition rights 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 share exchange or share transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the stock acquisition rights 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 stock acquisition rights remaining (hereinafter “Remaining Stock Acquisition Rights”) 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 share exchange comes into force, or when the full parent company incorporated as a result of the share transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan stipulates that the stock acquisition rights of the Reorganizing Company are to be delivered under the following conditions:

i Number of stock acquisition rights of the Reorganizing Company to be delivered
The same as the number of Remaining Stock Acquisition Rights held by the holder

ii Type of Reorganizing Company shares underlying the stock acquisition rights
Common shares in the Reorganizing Company

iii Number of Reorganizing Company shares underlying the stock acquisition rights
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 stock acquisition rights
The amount of assets contributed on exercise of each stock acquisition right 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 stock acquisition rights, 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 stock acquisition right to be delivered.

v Exercise period of the stock acquisition rights
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 stock acquisition rights

a. The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of stock acquisition rights by assignment.

viii Provisions concerning the acquisition of the stock acquisition rights
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 stock acquisition rights 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 share exchange agreement or a share 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 stock acquisition rights by assignment shall require the approval of the Company or that the Company will acquire all shares underlying stock acquisition rights through a resolution of a shareholders meeting

ix Other conditions for exercise of the stock acquisition rights

The same as the conditions for the exercise of stock acquisition rights specified above.

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

	At end of fiscal year under review (March 31, 2009)	At end of month preceding date of submission of the report (May 31, 2009)
Number of stock acquisition rights (Note 1)	51	51
Number of own stock acquisition rights of the stock acquisition rights	–	–
Type of shares underlying stock acquisition rights	Common shares	Same as at left
Number of shares underlying stock acquisition rights	51,000	51,000
Amount to be paid for the exercise of stock acquisition rights (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 stock acquisition rights (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 stock acquisition rights	(Note 3)	Same as at left
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.	Same as at left
Matters relating to subrogation payments	–	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	(Note 5)	Same as at left

Notes 1. The number of shares underlying a stock acquisition right (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 stock acquisition rights 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 stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

(i) A holder of the stock acquisition rights may exercise the stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

(ii) Other conditions associated with the exercise of stock acquisition rights shall be approved by the Board of Directors.

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

5. Matters relating to the delivery of stock acquisition rights in association with reorganization acts

Policy for determining the features of the delivery of stock acquisition rights 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 share exchange or share transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the stock acquisition rights 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 stock acquisition rights remaining (hereinafter “Remaining Stock Acquisition Rights”) 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 share exchange comes into force, or when the full parent company incorporated as a result of the share transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan stipulates that the stock acquisition rights of the Reorganizing Company are to be delivered under the following conditions:

i Number of stock acquisition rights of the Reorganizing Company to be delivered
The same as the number of Remaining Stock Acquisition Rights held by the holder

ii Type of Reorganizing Company shares underlying the stock acquisition rights
Common shares in the Reorganizing Company

iii Number of Reorganizing Company shares underlying the stock acquisition rights
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 stock acquisition rights
The amount of assets contributed on exercise of each stock acquisition right 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 stock acquisition rights, 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 stock acquisition right to be delivered.

v Exercise period of the stock acquisition rights
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 stock acquisition rights

a. The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of stock acquisition rights by assignment.

viii Provisions concerning the acquisition of the stock acquisition rights
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 stock acquisition rights 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 share exchange agreement or a share 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 stock acquisition rights by assignment shall require the approval of the Company or that the Company will acquire all shares underlying stock acquisition rights through a resolution of a shareholders meeting

ix Other conditions for exercise of the stock acquisition rights

The same as the conditions for the exercise of stock acquisition rights specified above.

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

	At end of fiscal year under review (March 31, 2009)	At end of month preceding date of submission of the report (May 31, 2009)
Number of stock acquisition rights (Note 1)	88	71
Number of own stock acquisition rights of the stock acquisition rights	–	–
Type of shares underlying stock acquisition rights	Common shares	Same as at left
Number of shares underlying stock acquisition rights	88,000	71,000
Amount to be paid for the exercise of stock acquisition rights (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 stock acquisition rights (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 stock acquisition rights	(Note 3)	Same as at left
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.	Same as at left
Matters relating to subrogation payments	–	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	(Note 5)	Same as at left

Notes 1. The number of shares underlying a stock acquisition right (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 stock acquisition rights 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 stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

(i) A holder of the stock acquisition rights may exercise the stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

(ii) Other conditions associated with the exercise of stock acquisition rights shall be approved by the Board of Directors.

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

5. Matters relating to the delivery of stock acquisition rights in association with reorganization acts

Policy for determining the features of the delivery of stock acquisition rights 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 share exchange or share transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the stock acquisition rights 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 stock acquisition rights remaining (hereinafter “Remaining Stock Acquisition Rights”) 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 share exchange comes into force, or when the full parent company incorporated as a result of the share transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan stipulates that the stock acquisition rights of the Reorganizing Company are to be delivered under the following conditions:

i Number of stock acquisition rights of the Reorganizing Company to be delivered
The same as the number of Remaining Stock Acquisition Rights held by the holder

ii Type of Reorganizing Company shares underlying the stock acquisition rights
Common shares in the Reorganizing Company

iii Number of Reorganizing Company shares underlying the stock acquisition rights
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 stock acquisition rights
The amount of assets contributed on exercise of each stock acquisition right 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 stock acquisition rights, 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 stock acquisition right to be delivered.

v Exercise period of the stock acquisition rights
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 stock acquisition rights

a. The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of stock acquisition rights by assignment.

viii Provisions concerning the acquisition of the stock acquisition rights
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 stock acquisition rights 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 share exchange agreement or a share 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 stock acquisition rights by assignment shall require the approval of the Company or that the Company will acquire all shares underlying stock acquisition rights through a resolution of a shareholders meeting

ix Other conditions for exercise of the stock acquisition rights

The same as the conditions for the exercise of stock acquisition rights specified above.

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

	At end of fiscal year under review (March 31, 2009)	At end of month preceding date of submission of the report (May 31, 2009)
Number of stock acquisition rights (Note 1)	77	77
Number of own stock acquisition rights of the stock acquisition rights	–	–
Type of shares underlying stock acquisition rights	Common shares	Same as at left
Number of shares underlying stock acquisition rights	77,000	77,000
Amount to be paid for the exercise of stock acquisition rights (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 stock acquisition rights (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 stock acquisition rights	(Note 3)	Same as at left
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.	Same as at left
Matters relating to subrogation payments	–	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	(Note 5)	Same as at left

Notes 1. The number of shares underlying a stock acquisition right (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 stock acquisition rights 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 stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

(i) A holder of the stock acquisition rights may exercise the stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

(ii) Other conditions associated with the exercise of stock acquisition rights shall be approved by the Board of Directors.

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

5. Matters relating to the delivery of stock acquisition rights in association with reorganization acts

Policy for determining the features of the delivery of stock acquisition rights 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 share exchange or share transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively "Reorganization Acts"), the stock acquisition rights 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 stock acquisition rights remaining (hereinafter "Remaining Stock Acquisition Rights") 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 share exchange comes into force, or when the full parent company incorporated as a result of the share transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan stipulates that the stock acquisition rights of the Reorganizing Company are to be delivered under the following conditions:

i Number of stock acquisition rights of the Reorganizing Company to be delivered
The same as the number of Remaining Stock Acquisition Rights held by the holder

ii Type of Reorganizing Company shares underlying the stock acquisition rights
Common shares in the Reorganizing Company

iii Number of Reorganizing Company shares underlying the stock acquisition rights
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 stock acquisition rights
The amount of assets contributed on exercise of each stock acquisition right 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 stock acquisition rights, 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 stock acquisition right to be delivered.

v Exercise period of the stock acquisition rights
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 stock acquisition rights

a. The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of stock acquisition rights by assignment.

viii Provisions concerning the acquisition of the stock acquisition rights
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 stock acquisition rights 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 share exchange agreement or a share 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 stock acquisition rights by assignment shall require the approval of the Company or that the Company will acquire all shares underlying stock acquisition rights through a resolution of a shareholders meeting

ix Other conditions for exercise of the stock acquisition rights

The same as the conditions for the exercise of stock acquisition rights specified above.

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

	At end of fiscal year under review (March 31, 2009)	At end of month preceding date of submission of the report (May 31, 2009)
Number of stock acquisition rights (Note 1)	97	87
Number of own stock acquisition rights of the stock acquisition rights	–	–
Type of shares underlying stock acquisition rights	Common shares Number of shares per unit: 1000 shares	Same as at left
Number of shares underlying stock acquisition rights	97,000	87,000
Amount to be paid for the exercise of stock acquisition rights (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 stock acquisition rights (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 stock acquisition rights	(Note 3)	Same as at left
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.	Same as at left
Matters relating to subrogation payments	–	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	(Note 5)	Same as at left

Notes 1. The number of shares underlying a stock acquisition right (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 stock acquisition rights 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 stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

(i) In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

(ii) Other conditions associated with the exercise of stock acquisition rights shall be approved by the Board of Directors.

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

5. Matters relating to the delivery of stock acquisition rights in association with reorganization acts

Policy for determining the features of the delivery of stock acquisition rights 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 share exchange or share transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the stock acquisition rights 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 stock acquisition rights remaining (hereinafter “Remaining Stock Acquisition Rights”) 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 share exchange comes into force, or when the full parent company incorporated as a result of the share transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan stipulates that the stock acquisition rights of the Reorganizing Company are to be delivered under the following conditions:

i Number of stock acquisition rights of the Reorganizing Company to be delivered
The same as the number of Remaining Stock Acquisition Rights held by the holder

ii Type of Reorganizing Company shares underlying the stock acquisition rights
Common shares in the Reorganizing Company

iii Number of Reorganizing Company shares underlying the stock acquisition rights
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 stock acquisition rights
The amount of assets contributed on exercise of each stock acquisition right 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 stock acquisition rights, 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 stock acquisition right to be delivered.

v Exercise period of the stock acquisition rights
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 stock acquisition rights

a. The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of stock acquisition rights by assignment.

viii Provisions concerning the acquisition of the stock acquisition rights
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 stock acquisition rights 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 share exchange agreement or a share 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 stock acquisition rights by assignment shall require the approval of the Company or that the Company will acquire all shares underlying stock acquisition rights through a resolution of a shareholders meeting

ix Other conditions for exercise of the stock acquisition rights

The same as the conditions for the exercise of stock acquisition rights specified above.

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

	At end of fiscal year under review (March 31, 2009)	At end of month preceding date of submission of the report (May 31, 2009)
Number of stock acquisition rights (Note 1)	51	51
Number of own stock acquisition rights of the stock acquisition rights	–	–
Type of shares underlying stock acquisition rights	Common shares Number of shares per unit: 1000 shares	Same as at left
Number of shares underlying stock acquisition rights	51,000	51,000
Amount to be paid for the exercise of stock acquisition rights (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 stock acquisition rights (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 stock acquisition rights	(Note 3)	Same as at left
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.	Same as at left
Matters relating to subrogation payments	–	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	(Note 5)	Same as at left

Notes 1. The number of shares underlying a stock acquisition right (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 stock acquisition rights 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 stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

(i) In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

(ii) Other conditions associated with the exercise of stock acquisition rights shall be approved by the Board of Directors.

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

5. Matters relating to the delivery of stock acquisition rights in association with reorganization acts

Policy for determining the features of the delivery of stock acquisition rights 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 share exchange or share transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the stock acquisition rights 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 stock acquisition rights remaining (hereinafter “Remaining Stock Acquisition Rights”) 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 share exchange comes into force, or when the full parent company incorporated as a result of the share transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan stipulates that the stock acquisition rights of the Reorganizing Company are to be delivered under the following conditions:

i Number of stock acquisition rights of the Reorganizing Company to be delivered
The same as the number of Remaining Stock Acquisition Rights held by the holder

ii Type of Reorganizing Company shares underlying the stock acquisition rights
Common shares in the Reorganizing Company

iii Number of Reorganizing Company shares underlying the stock acquisition rights
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 stock acquisition rights
The amount of assets contributed on exercise of each stock acquisition right 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 stock acquisition rights, 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 stock acquisition right to be delivered.

v Exercise period of the stock acquisition rights
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 stock acquisition rights

a. The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of stock acquisition rights by assignment.

viii Provisions concerning the acquisition of the stock acquisition rights
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 stock acquisition rights 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 share exchange agreement or a share 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 stock acquisition rights by assignment shall require the approval of the Company or that the Company will acquire all shares underlying stock acquisition rights through a resolution of a shareholders meeting

ix Other conditions for exercise of the stock acquisition rights

The same as the conditions for the exercise of stock acquisition rights specified above.

(3) Features of rights plan

Not applicable.

(4) 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.

(5) Ownership of shares by owner

As of March 31, 2009

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	–	33	46	184	67	8	10,643	10,981	–
Number of shares held (unit)	–	21,488	672	6,477	6,059	32	32,788	67,516	503,379
Holdings (%)	–	31.8	1.0	9.6	9.0	0.0	48.6	100.0	–

Notes
1. Treasury stock (453,084 shares) includes 453 units in the individuals and others category and 84 fractional shares.
2. Shares in the other corporations column includes 12 units of shares under the name of the Japan Securities Depository Center.

(6) Major shareholders

As of March 31, 2009

Name	Address	Number of shares held (thousand shares)	Ratio of holdings to the number of shares issued (%)
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
Japan Trustee Services Bank, Ltd. (trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	4,255	6.25
The Dai-ichi Mutual Life Insurance Company	1-8-12, Harumi, Chuo-ku, Tokyo	2,631	3.86
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
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	1,298	1.90
Tsugami Customers' Shareholding Association	1-1-1, Higashi-Zao, Nagaoka-shi, Niigata	1,277	1.87
State Street Bank and Trust Company 505012 (Standing agency: Kabuto-cho Securities Settlement Office of Mizuho Corporate Bank, Ltd.)	P.O.BOX 351, BOSTON, MASSACHUSETTS 02101, U.S.A. (6-7, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo)	1,121	1.64
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)	1,000	1.47
Total	–	21,174	31.13

Notes 1. All shares held by Mizuho Trust & Banking Co., Ltd. relate to the trust service.

2. All shares held by Japan Trustee Services Bank, Ltd. relate to the trust service.

3. All shares held by The Master Trust Bank of Japan, Ltd. relate to the trust service.

4. 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

(7) Voting rights

(i) Shares issued

As of March 31, 2009

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 453,000	–	–
Shares with complete voting rights (other shares)	Common shares 67,063,000	67,063	–
Fractional shares	Common shares 503,379	–	–
Total number of shares issued	68,019,379	–	–
Number of voting rights of all shareholders	–	67,063	–

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, 2009

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	453,000	–	453,000	0.67
Total	–	453,000	–	453,000	0.67

(8) Stock option system

The Company has a stock option system. In the system, the Company issues stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights	Described in (2) Situation of stock acquisition rights
Number of shares	Ditto
Amount to be paid for the exercise of stock acquisition rights	Ditto
Exercise period	Ditto
Conditions for the exercise of stock acquisition rights	Ditto
Matters relating to the transfer of stock acquisition rights	Ditto
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights 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 stock acquisition rights 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 titles 3
Type of shares underlying stock acquisition rights	Described in (2) Situation of stock acquisition rights
Number of shares	Ditto
Amount to be paid for the exercise of stock acquisition rights	Ditto
Exercise period	Ditto
Conditions for the exercise of stock acquisition rights	Ditto
Matters relating to the transfer of stock acquisition rights	Ditto
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	Described in (2) Situation of stock acquisition rights

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 stock acquisition rights 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 stock acquisition rights	Described in (2) Situation of stock acquisition rights
Number of shares	Ditto
Amount to be paid for the exercise of stock acquisition rights	Ditto
Exercise period	Ditto
Conditions for the exercise of stock acquisition rights	Ditto
Matters relating to the transfer of stock acquisition rights	Ditto
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	Described in (2) Situation of stock acquisition rights

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 stock acquisition rights 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 stock acquisition rights	Described in (2) Situation of stock acquisition rights
Number of shares	Ditto
Amount to be paid for the exercise of stock acquisition rights	Ditto
Exercise period	Ditto
Conditions for the exercise of stock acquisition rights	Ditto
Matters relating to the transfer of stock acquisition rights	Ditto
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	Described in (2) Situation of stock acquisition rights

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 stock acquisition rights to be issued as stock compensation-type stock options to the Compan'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 stock acquisition rights	Described in (2) Situation of stock acquisition rights
Number of shares	Ditto
Amount to be paid for the exercise of stock acquisition rights	Ditto
Exercise period	Ditto
Conditions for the exercise of stock acquisition rights	Ditto
Matters relating to the transfer of stock acquisition rights	Ditto
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	Described in (2) Situation of stock acquisition rights

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 stock acquisition rights 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 stock acquisition rights	Common shares
Number of shares	51,000 shares maximum (Note 1)
Amount to be paid for the exercise of stock acquisition rights	One yen per share (Note 2)
Exercise period	Within 20 years of the day following the date when the stock acquisition rights are granted
Conditions for the exercise of stock acquisition rights	(Note 3)
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	(Note 4)

Notes 1. The total number of stock acquisition rights shall be 51 maximum. The type of shares that are the object of the stock acquisition rights shall be common stocks. The number of shares for each stock acquisition right (the “Number of Granted Shares”) shall be 1000 shares.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the stock acquisition rights 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 stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

i In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

ii Other conditions associated with the exercise of stock acquisition rights shall be approved by the Board of Directors.

4. Matters relating to the delivery of stock acquisition rights in association with reorganization acts

Policy for determining the features of the delivery of stock acquisition rights 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 share exchange or share transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively “Reorganization Acts”), the stock acquisition rights 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 stock acquisition rights remaining (hereinafter "Remaining Stock Acquisition Rights") 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 share exchange comes into force, or when the full parent company incorporated as a result of the share transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan stipulates that the stock acquisition rights of the Reorganizing Company are to be delivered under the following conditions:

i Number of stock acquisition rights of the Reorganizing Company to be delivered
The same as the number of Remaining Stock Acquisition Rights held by the holder

ii Type of Reorganizing Company shares underlying the stock acquisition rights
Common shares in the Reorganizing Company

iii Number of Reorganizing Company shares underlying the stock acquisition rights
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 stock acquisition rights
The amount of assets contributed on exercise of each stock acquisition right 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 stock acquisition rights, 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 stock acquisition right to be delivered.

v Exercise period of the stock acquisition rights
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 stock acquisition rights

a. The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of stock acquisition rights by assignment.

viii Provisions concerning the acquisition of the stock acquisition rights
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 stock acquisition rights 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 share exchange agreement or a share 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 stock acquisition rights by assignment shall require the approval of the Company or that the Company will acquire all shares underlying stock acquisition rights through a resolution of a shareholders meeting

ix Other conditions for exercise of the stock acquisition rights

The same as the conditions for the exercise of stock acquisition rights specified above.

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 stock acquisition rights to be issued as stock compensation-type stock options to the Conpany'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 Conpany's directors 7 Statutory auditors 4
Type of shares underlying stock acquisition rights	Common shares
Number of shares	100,000 shares maximum (Note 1)
Amount to be paid for the exercise of stock acquisition rights	One yen per share (Note 2)
Exercise period	Within 20 years of the day following the date when the stock acquisition rights are granted
Conditions for the exercise of stock acquisition rights	(Note 3)
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	(Note 4)

Notes 1. The maximum total number of stock acquisition rights to be issued within one year of each fiscal year's annual shareholders' meeting shall be 76 for directors and 25 for statutory auditors. The type of shares that are the object of the stock acquisition rights shall be common stocks. The number of shares for each stock acquisition right (the "Number of Granted Shares") shall be 1000 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:

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

2. Amount to be paid for the exercise of stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

i In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)

ii Other conditions associated with the exercise of stock acquisition rights shall be approved by the Board of Directors.

4. Matters relating to the delivery of stock acquisition rights in association with reorganization acts

Policy for determining the features of the delivery of stock acquisition rights 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 share exchange or share transfer (limited to a case in which the Company is to be a wholly owned subsidiary) (hereinafter collectively "Reorganization Acts"), the stock acquisition rights 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 stock acquisition rights remaining (hereinafter "Remaining Stock Acquisition Rights") 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 share exchange comes into force, or when the full parent company incorporated as a result of the share transfer is established), provided that the merger agreement, consolidation agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan stipulates that the stock acquisition rights of the Reorganizing Company are to be delivered under the following conditions:

i Number of stock acquisition rights of the Reorganizing Company to be delivered
The same as the number of Remaining Stock Acquisition Rights held by the holder

ii Type of Reorganizing Company shares underlying the stock acquisition rights
Common shares in the Reorganizing Company

iii Number of Reorganizing Company shares underlying the stock acquisition rights
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 stock acquisition rights
The amount of assets contributed on exercise of each stock acquisition right 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 stock acquisition rights, 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 stock acquisition right to be delivered.

v Exercise period of the stock acquisition rights
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 stock acquisition rights

a. The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights by assignment
The approval of the board of directors of the Reorganizing Company shall be required for the acquisition of stock acquisition rights by assignment.

viii Provisions concerning the acquisition of the stock acquisition rights
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 stock acquisition rights 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 share exchange agreement or a share 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 stock acquisition rights by assignment shall require the approval of the Company or that the Company will acquire all shares underlying stock acquisition rights through a resolution of a shareholders meeting ix Other conditions for exercise of the stock acquisition rights

The same as the conditions for the exercise of stock acquisition rights specified above.

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 stock acquisition rights 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 stock acquisition rights	Common shares
Number of shares	800,000 shares maximum (Note 1)
Amount to be paid for the exercise of stock acquisition rights	(Note 2)
Exercise period	From the day two years after the day following the date on which the stock acquisition rights are allotted to June 30, 2014.
Conditions for the exercise of stock acquisition rights	Stipulated in a resolution of the Board of Directors of the Company and the "Stock Acquisition Rights Allocation Agreement" based on the resolution concluded between the Company and the recepients of stock acquisition rights
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	–

Notes 1. The total number of stock acquisition rights shall be 800 maximum. The type of shares that are the object of the stock acquisition rights shall be common stocks. The number of shares for each stock acquisition right (the "Number of Granted Shares") shall be 1000 shares.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the stock acquisition rights 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 stock acquisition rights

The amount of assets contributed upon exercise of each stock acquisition right is calculated by multiplying the paid-in value per share (the "Exercise Price") delivered upon exercise of each stock acquisition right 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 stock acquisition rights 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 stock acquisition rights (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.

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

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 by adjusted to the reasonable extent, by taking into account conditions for the relevant allotment or dividend payments.

3. Provisions concerning the acquisition of the stock acquisition rights

   If a proposal for a merger agreement in which the Company ceases to exist, or a proposal for a share exchange agreement or a share 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 stock acquisition rights free of charge on the date stipulated separately by the Company's Board of Directors.

(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 stock acquisition rights 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 stock acquisition rights	Common shares
Number of shares	111,000 shares maximum (Note 1)
Amount to be paid for the exercise of stock acquisition rights	One yen per share (Note 2)
Exercise period	Within 20 years of the day following the date when the stock acquisition rights are granted
Conditions for the exercise of stock acquisition rights	(Note 3)
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	–

Notes 1. The total number of stock acquisition rights shall be 111 maximum. The type of shares that are the object of the stock acquisition rights shall be common stocks. The number of shares for each stock acquisition right (the "Number of Granted Shares") shall be 1000 shares.

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

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

The above adjustment shall be applied only to the number of the shares that are the object of the stock acquisition rights 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 stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

(1) In principle, a holder of stock acquisition rights may exercise the stock acquisition rights for subscription 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 period specified in the table above. In this case, the holder may only exercise the stock acquisition rights for subscription within a period of seven days from the next day of the date when he/she loses the above titles.

If holders of stock acquisition rights waive the stock acquisition rights for subscription, they may not exercise the stock acquisition rights for subscription.

(2) Matters concerning increases in capital and capital reserve when shares are issued upon exercise of the stock acquisition rights for subscription

i The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights for 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 stock acquisition rights for 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 stock acquisition rights for subscription by assignment

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

(4) Provision concerning the acquisition of stock acquisition rights for subscription

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

(5) Treatment of fractions of less than one share generated when stock acquisition rights for subscription are exercised

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

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 stock acquisition rights 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 stock acquisition rights	Common shares
Number of shares	191,000 shares maximum (Note 1)
Amount to be paid for the exercise of stock acquisition rights	One yen per share (Note 2)
Exercise period	Within 20 years of the day following the date when the stock acquisition rights are granted
Conditions for the exercise of stock acquisition rights	(Note 3)
Matters relating to the transfer of stock acquisition rights	The approval of the Board of Directors is required for the transfer of stock acquisition rights.
Matters relating to subrogation payments	–
Matters relating to the delivery of stock acquisition rights in association with reorganization acts	–

Notes 1. The maximum total number of stock acquisition rights to be issued within one year of each fiscal year's annual shareholders' meeting shall be 300 for directors and 100 for statutory auditors. The type of shares that are the object of the stock acquisition rights shall be common stocks. The number of shares for each stock acquisition right (the "Number of Granted Shares") shall be 1000 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:

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

2. Amount to be paid for the exercise of stock acquisition rights

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

3. Conditions for the exercise of stock acquisition rights

(1) In principle, a holder of stock acquisition rights may exercise the stock acquisition rights for subscription 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 stock acquisition rights for subscription within a period of seven days from the next day of the date when he/she loses the above titles.

If holders of stock acquisition rights waive the stock acquisition rights for subscription, they may not exercise the stock acquisition rights for subscription.

(2) Matters concerning increases in capital and capital reserve when shares are issued upon exercise of the stock acquisition rights for subscription

i The amount of increase in capital when shares are issued with the exercise of the stock acquisition rights for 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 stock acquisition rights for 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 stock acquisition rights for subscription by assignment

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

(4) Provision concerning the acquisition of stock acquisition rights for subscription

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

(5) Treatment of fractions of less than one share generated when stock acquisition rights for subscription are exercised

If the number of shares to be delivered to a holder of stock acquisition rights who has exercised stock acquisition rights for 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 January 15, 2008 (Acquisition period: from January 15, 2008 to April 11, 2008)	1,500,000	600,000,000
Treasury stock acquired before the fiscal year under review	1,419,000	427,445,000
Treasury stock acquired in the fiscal year under review	–	–
Number and total value of remaining treasury stock	81,000	172,555,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	5.4	28.8
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 (%)	5.4	28.8

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on March 14, 2008 (Acquisition period: from March 14, 2008 to June 19, 2008)	2,000,000	800,000,000
Treasury stock acquired before the fiscal year under review	21,000	6,304,000
Treasury stock acquired in the fiscal year under review	–	–
Number and total value of remaining treasury stock	1,979,000	793,696,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	99.0	99.2
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 (%)	99.0	99.2

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on June 20, 2008 (Acquisition period: from June 20, 2008 to September 11, 2008)	1,000,000	450,000,000
Treasury stock acquired before the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	36,000	13,436,000
Number and total value of remaining treasury stock	964,000	436,564,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	96.4	97.0
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 (%)	96.4	97.0

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on September 12, 2008 (Acquisition period: from September 12, 2008 to December 11, 2008)	1,000,000	350,000,000
Treasury stock acquired before the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	219,000	42,915,000
Number and total value of remaining treasury stock	781,000	307,085,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	78.1	87.7
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 (%)	78.1	87.7

Classification	Number of shares	Total value (yen)
Resolution at a Board of Directors meeting held on December 12, 2008 (Acquisition period: from December 12, 2008 to March 12, 2009)	1,000,000	200,000,000
Treasury stock acquired before the fiscal year under review	–	–
Treasury stock acquired in the fiscal year under review	15,000	2,160,000
Number and total value of remaining treasury stock	985,000	197,840,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	98.5	98.9
Treasury stock acquired in the current fiscal year	–	–
Ratio of treasury stock that has not been acquired until the date of the submission of the report (%)	98.5	98.9

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	–	–
Treasury stock acquired in the fiscal year under review	149,000	21,882,000
Number and total value of remaining treasury stock	1,351,000	228,118,000
Ratio of treasury stock that had not been acquired until the end of the fiscal year under review (%)	90.1	91.2
Treasury stock acquired in the current fiscal year	650,000	108,007,000
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

(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	14,117	3,891,302
Treasury stock acquired in the current fiscal year	2,494	401,700

(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 underwiters	–	–	–	–
Acquired treasury stock cancelled	–	–	–	–
Acquired treasury stock transferred in relation to mergers, share exchanges, and company splits	–	–	–	–
Other (Note)	111,000	42,444,000	59,000	12,036,000
Treasury stock held	453,084	–	1,046,578	–

Note Exercise of stock acquisition rights (111,000 shares, disposal of 42,444,000 yen) in the fiscal year under review

Exercise of stock acquisition rights (59,000 shares, disposal of 12,036,000 yen) in the current fiscal year

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.

The Company basically pay dividends twice a year as interim dividends and year-end dividends.

Dividends are determined by the Board of Directors.

The Articles of Incorporation stipulates 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 ended March 31, 2009, the Company has decided to pay dividends of 10 yen per share, including interim dividends per share.

The Company has also chosen to defer any decision on dividends for the fiscal year ending March 31, 2010, in light of the extremely uncertain outlook for the market.

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, 2009.

Resolution	Total amount of dividend (million yen)	Dividend per share (yen)
Resolution of Board of Directors on November 10, 2008	339	5.00
Resolution of Board of Directors on May 14, 2009	337	5.00

4. Trends in Stock Prices

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

Fiscal term	102nd term	103rd term	104th term	105th term	106th term
Closing month and year	March 2005	March 2006	March 2007	March 2008	March 2009
Highest (yen)	470	994	979	700	424
Lowest (yen)	212	439	605	276	126

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 2008	November	December	January 2009	February	March
Highest (yen)	268	215	190	169	164	158
Lowest (yen)	160	182	142	141	126	130

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 Chirman and CEO (Representative Director)		Takao Nishijima	December 14, 1947	May 1970 Joined the Fuji Bank, Limited. (now Mizuho Bank, Ltd.) Feb. 1999 Deputy General Manager of the Sales Division of Tokyo Seimitsu Co., Ltd. May 1999 General Manager of the Sales Development Division of the Company and Managing Director of Tsugami Kohan Co., Ltd. Jun. 2000 Director and General Manager of the Sales Development Division, Control Headquarters Apr. 2003 Representative Director, Chairman and CEO Apr. 2006 Representative Director, Chairman and CEO (current positions)	(Note 3)	10
Director Senior Executive Officer (Representative Director)		Nobuyuki Moriuchi	January 22, 1948	Apr. 1970 Joined the Fuji Bank, Limited (now Mizuho Bank, Ltd.) Apr. 1997 Joined Tokyo Seimitsu Co., Ltd. Jun. 2004 Vice President of ACCRETECH USA, INC. Feb. 2006 Joined the Company Apr. 2006 Managing Executive Officer in charge of the Overseas Division, Sales Headquarters Apr. 2008 Senior Executive Officer and General Manager of the Overseas Sales Headquarters Jun. 2008 Director, Senior Executive Officer and General Manager of the Overseas Sales Headquarters Jun. 2009 Representative Director and Senior Executive Officer (current positions)	(Note 3)	–
Director Senior Executive Officer (Representative Director)		Yoshiharu Kikuchi	April 17, 1948	Apr. 1971 Joined the Company May 1999 Leader of the Automatic Lathe Group, Nagaoka Factory Jun. 2000 Director and Leader of the Automatic Lathe Group, Nagaoka Factory Jun. 2001 Managing Director and Leader of the Automatic Lathe Group, Nagaoka Factory Apr. 2002 Managing Director and General Manager of the Technology Headquarters, Nagaoka Factory Apr. 2004 Director, Senior Executive Officer and General Manager of the Sales Headquarters Apr. 2006 Representative Director, Senior Executive Officer and General Manager of the Sales Headquarters Apr. 2008 Representative Director, Senior Executive Officer (current positions)	(Note 3)	35
Director Senior Executive Officer (Representative Director)	General Manager of the Nagaoka Factory	Toshiharu Niijima	November 14, 1954	Nov. 1979 Joined the Company Oct. 2003 Leader of the Automatic Lathe Group, Technology Headquarters Apr. 2005 Executive Officer and Deputy General Manager of the Technology Headquarters Jul. 2005 Executive Officer and Acting General Manager of the Technology Headquarters Apr. 2006 Managing Executive Officer and General Manager of the Technology Headquarters Apr. 2008 Managing Executive Officer, General Manager of the Technology Headquarters and Deputy General Manager of the Production Headquarters Jun. 2008 Managing Executive Officer, General Manager of the Technology Headquarters, Deputy General Manager of the Production Headquarters and General Manager of the Nagaoka Factory Apr. 2009 Senior Executive Officer and General Manager of the Nagaoka Factory Jun. 2009 Representative Director, Senior Executive Officer and General Manager of the Nagaoka Factory (current positions)	(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		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
Statutory Auditor		Kyouji Umeoka	January 7, 1946	Mar. 1968 Joined Mori Seiki Co., Ltd. Jun. 1990 Director and General Manager of International Operations of Mori Seiki Co., Ltd. Apr. 1997 Managing Director of Mori Seiki Co., Ltd. Oct. 2002 Senior Executive Managing Director of Mori Seiki Co., Ltd. Jan. 2003 Senior Executive Managing Director and Generel Manager of the Sales and Marketing Headquarters of Mori Seiki Co., Ltd. Jun. 2003 Statutory Auditor of the Company (current positions) Feb. 2005 Senior Executive Managing Director and General Manager of the Engineering Headquarters of Mori Seiki Co., Ltd. Jun. 2005 Senior Executive Managing Director, General Manager of Legal and General Manager of Internal Auditing, in charge of Medium-term Plan Promotion of Mori Seiki Co., Ltd. Jun. 2006 Standing Statutory Auditor of Mori Seiki Co., Ltd. Jun. 2009 Advisor of Mori Seiki Co., Ltd. (current positions)	(Note 6)	10

Title	Job title	Name	Date of birth	Career summary	Term of office	Number of shares held (thousand shares)
Statutory Auditor		Kouichiro Watanabe	April 16, 1953	Apr. 1976 Joined the Daiichi Mutual Life Insurance Company Apr. 1997 General Manager of the Research Department of the Daiichi Mutual Life Insurance Company Apr. 2001 General Manager of the Corporate Planning and Research Division and General Manager of the Corporate Planning Department No. 1 of the Daiichi Mutual Life Insurance Company Jul. 2001 Director, General Manager of the Corporate Planning and Research Division and General Manager of the Corporate Planning Department No. 1 of the Daiichi Mutual Life Insurance Company Apr. 2004 Managing Executive Director of the Daiichi Mutual Life Insurance Company Jun. 2004 Statutory Auditor of the Company (current positions) Jul. 2004 Managing Executive Officer of the Daiichi Mutual Life Incuarnce Company Jul. 2007 Director and Managing Executive Officer of the Daiichi Mutual Life Insurance Company Apr. 2008 Director and Senior Managing Executive Officer of the Daiichi Mutual Life Insurance Company (current positions)	(Note 5)	–
Statutory Auditor		Kunimasa Ohta	February 16, 1949	Apr. 1971 Joined the Fuji Bank, Limited (now Mizuho Bank, Ltd.) Apr. 1996 General Manager of the Kobe Branch of the Fuji Bank, Limited Jun. 1999 Director and General Manager of the Accounting Headquarters of Toho Rayon Co., Ltd. Jun. 2002 Director of Tokyo Seimitsu Co., Ltd. Apr. 2003 President and Executive Officer of the operating company for Tokyo Seimitsu Co., Ltd. (current positions) Jun. 2004 Representative Director of Tokyo Seimitsu Co., Ltd. Oct. 2004 Representative Director and Chief Financial Officer of Tokyo Seimitsu Co., Ltd. (current positions) Jun. 2009 Statutory Auditor of the Company (current positions)	(Note 4)	3
Total						108

Notes
1. Directors Takeo Nakagawa and Mitsuhiro Masumi are outside directors stipulated in Article 2, Item 15 of the Company Law.
2. Statutory Auditors Kyouji Umeoka, Kouichiro Watanabe, and Kumimasa Ohta 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 19, 2009
4. Four years from the closing of the annual shareholders meeting held on June 19, 2009
5. Four years from the closing of the annual shareholders meeting held on June 20, 2008
6. Four years from the closing of the annual shareholders meeting held on June 22, 2007
7. 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)
Teruaki Makuta	November 9, 1956	Apr. 1979 Joined the Mitsui Bank, Ltd. (now Sumitomo Mitsui Banking Corporation) May 2001 Deputy General Manager of the Hong Kong Branch of the Mitsui Bank, Ltd. Apr. 2004 General Manager of the Hiratsuka Corporate Sales Department of the Mitsui Bank, Ltd. May 2007 Manager of the Control Headquarters of the Company Apr. 2009 Executive Officer, General Manager of the Administration Division and General Manager of the International Administration Division of the Company (current positions)	–

6. Corporate Governance

(1) Corporate governance

(i) 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.

(ii) Initiatives relating to corporate governance

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 19, 2009.

The Company positions the Boad 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.

1) Development of internal control system

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

A. 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.

B. 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.

C. Rules and systems concerning risk managment

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.

D. 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.

E. 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.

F. 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.

G. 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

H. 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.

I. 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.

J. Systems for getting rid of antisocial forces

a. The Company shall take a resolute stance against antisocial forces that threaten social order and healthy corporate activities.
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.

2) Accounting audit

The Company has chosen KPMG AZSA & Co. as its accounting auditor. The Company has concluded an audit agreement with KPMG AZSA & Co. 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.

Shigehisa Horinokita and Ryo Tanaka, certified public accountants belonging to KPMG AZSA & Co., provided accountancy services for the Company. The certified public accountants were assisted by four other certified public accountants and eleven other staff with the accountancy service.

The Company appointed Ernst & Young ShinNihon LLC as accounting auditor for the 107th term at an annual shareholders meeting held on June 19, 2009.

3) 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.

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 Kyouji Umeoka was a standing statutory auditor of Mori Seiki Co., Ltd. but retired from the post on June 17, 2009 and became an advisor to Mori Seiki. Mori Seiki holds 2 million shares in the Company, and the Company holds 100,000 shares in Mori Seiki.

Outside Statutory Auditor Kouichiro Watanabe is a director and senior manging executive officer of the Daiichi Mutual Life Insurance Company, which has 2.1 million shares in the Company.

Outside Statutory Auditor Kunimasa Ohta is a representative director and chief financial officer of Tokyo Seimitsu Co., Ltd., which owns 4.592 million shares of the Company. The Company has 65,000 shares in Tokyo Seimitsu.

(iii) Salaries for directors

Salaries for the directors and statutory auditors of the Company for the fiscal year under review were 136 million yen and 44 million yen, respectively. The salaries include compensation through stock options of 33 million yen.

(iv) Audit fees

Fees to KPMG AZSA & Co. for operations stipulated in Article 2, Paragraph 1 of the Certified Public Accountant Act for the fiscal year under review were 46 million yen.

Operations other than the above are advisory services relating to internal control over financial reporting. Compensation for the services is 1 million yen.

(v) 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.

(vi) 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.

(vii) Number of directors

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

(viii) 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.

(ix) 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
Consolidated subsidiaries	–	–	–	–
Total	–	–	46	1

(ii) Other important compensation

Not applicable.

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

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.

(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, 2007 to March 31, 2008) 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, 2008 to March 31, 2009) 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 105th term (from April 1, 2007 to March 31, 2008) were prepared under the Regulations for Financial Statements prior to revision. The financial statements for the 106th term (from April 1, 2008 to March 31, 2009) 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, 2007 to March 31, 2008) and the fiscal year under review (from April 1, 2008 to March 31, 2009), and the financial statements for the 105th fiscal year (from April 1, 2007 to March 31, 2008) and the 106th fiscal year (from April 1, 2008 to March 31, 2009) were audited by KPMG AZSA & Co.

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, 2008)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2009)
Assets		
Current assets		
Cash and deposits	3,402	3,238
Trade notes and accounts receivable	9,662	4,677
Inventories	9,046	–
Commodities and products	–	1,336
Goods in process	–	4,755
Raw materials and supplies	–	2,088
Deferred tax assets	370	122
Other current assets	310	367
Allowance for doubtful accounts	-57	-100
Total current assets	22,735	16,486
Fixed assets		
Tangible fixed assets		
Buildings and structures	7,908	7,560
Accumulated depreciation	-3,668	-3,640
Buildings and structures (net)	4,240	3,919
Machinery, equipment and vehicles	8,888	9,144
Accumulated depreciation	-6,957	-7,258
Machinery, equipment and vehicles (net)	1,930	1,886
Land	598	591
Leased assets	–	29
Accumulated depreciation	–	-3
Leased assets (net)	–	26
Other tangible fixed assets	708	761
Accumulated depreciation	-441	-552
Other tangible fixed assets (net)	266	209
Total tangible fixed assets	7,035	6,633
Intangible fixed assets	43	43
Investments and other assets		
Investment securities	*1 2,488	*1 1,840
Investments in affiliates	218	218
Long-term loans receivable	2	3
Deferred tax assets	–	335
Other intangible fixed assets	209	111
Total investments and other assets	2,918	2,508
Total fixed assets	9,997	9,184
Deferred assets		
Bond issuance expenses	–	32
Total deferred assets	–	32
Total assets	32,732	25,703

(Million yen)

	Figures at the end of the previous consolidated fiscal year (As of March 31, 2008)	Figures at the end of the consolidated fiscal year under review (As of March 31, 2009)
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,220	2,129
Short-term borrowings	–	500
Corporate bonds due for redemption within one year	–	300
Accrued income tax	691	46
Reserve for bonus payment	327	142
Reserve for product warranties	–	75
Other current liabilities	673	661
Total current liabilities	9,913	3,855
Long-term liabilities		
Corporate bonds	–	1,200
Reserve for retirement benefits	790	823
Reserve for directors' retirement benefits	21	8
Other long-term liabilities	91	96
Total long-term liabilities	903	2,129
Total liabilities	10,816	5,984
Net assets		
Shareholders' equity		
Common stock	10,599	10,599
Capital surplus	4,138	4,138
Retained earnings	6,936	5,373
Treasury stock	-50	-92
Total shareholders' equity	21,623	20,019
Valuation and translation adjustments		
Unrealized gains on marketable securities	40	-508
Translation adjustments	26	20
Total valuation and translation adjustments	66	-487
Stock acquisition rights	226	187
Total net assets	21,916	19,718
Total liabilities and net assets	32,732	25,703

(ii) Consolidated statements of income

(Million yen)

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
Net sales	28,495	22,687
Cost of sales	22,142	*1 18,068
Gross profit	6,352	4,618
Selling, general and administrative expenses		
Salaries and allowances	830	834
Provision for reserve for bonus payment	75	28
Retirement benefit expenses	85	104
Provision for reserve for directors' retirement benefits	21	–
Research and development expenses	*2 470	*2 629
Insurance premiums	102	94
Provision for allowance for doubtful accounts	–	153
Provision for reserve for product warranties	–	75
Other selling, general and administrative expenses	1,982	1,889
Total selling, general and administrative expenses	3,568	3,808
Operating income	2,784	810
Non-operating income		
Interest received	2	1
Dividends received	36	37
Rent received	12	11
Insurance benefits received	48	26
Subsidy income	–	42
Other non-operating income	35	30
Total non-operating income	136	149
Non-operating expenses		
Interest paid	1	31
Loss on sales of trade notes	59	106
Dormant expense	–	*3 128
Other non-operating expenses	103	66
Total non-operating expenses	164	332
Ordinary income	2,756	626
Extraordinary income		
Gain on sales of fixed assets	*4 0	*4 1
Gain on sales of investment securities	10	–
Reversal of allowance for doubtful accounts	22	–
Reversal of reserve for directors' bonuses	15	–
Reversal of stock acquisition rights	–	105
Total extraordinary income	47	106
Extraordinary expenses		
Loss on retirement of fixed assets	*5 3	*5 8
Loss on sales of fixed assets	*6 4	–
Impairment loss	–	*7 99
Loss on devaluation of investment securities	6	1,163
Loss on retirement of inventories	–	31
Loss on devaluation of inventories	–	24
Product improvement expenses	*8 110	–
Retirement benefit expenses	–	68
Provision for reserve for product warranties	–	64
Other extraordinary expenses	1	27
Total extraordinary expenses	126	1,488
Income/loss before taxes and other adjustments	2,677	-754
Corporate, inhabitant and enterprise taxes	1,037	60
Deferred taxes	11	58
Total corporate and other taxes	1,048	118
Net income/loss	1,629	-873

(iii) Consolidated statements of changes in net assets

(Million yen)

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
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	4,208	4,138
Change during the fiscal year		
Disposal of treasury stock	-5	–
Retirement of treasury stock	-65	–
Total change during the fiscal year	-70	–
Balance at end of the fiscal year	4,138	4,138
Retained earnings		
Balance at end of previous fiscal year	10,568	6,936
Change during the fiscal year		
Cash dividends paid	-795	-679
Net income/loss	1,629	-873
Retirement of treasury stock	-4,466	–
Disposal of treasury stock	–	-9
Total change during the fiscal year	-3,632	-1,562
Balance at end of the fiscal year	6,936	5,373
Treasury stock		
Balance at end of previous fiscal year	-2,681	-50
Change during the fiscal year		
Purchase of treasury stock	-1,916	-84
Disposal of treasury stock	15	42
Retirement of treasury stock	4,532	–
Total change during the fiscal year	2,630	-41
Balance at end of the fiscal year	-50	-92
Total shareholders' equity		
Balance at end of previous fiscal year	22,695	21,623
Change during the fiscal year		
Cash dividends paid	-795	-679
Net income/loss	1,629	-873
Purchase of treasury stock	-1,916	-84
Disposal of treasury stock	10	32
Retirement of treasury stock	–	–
Total change during the fiscal year	-1,072	-1,604
Balance at end of the fiscal year	21,623	20,019

(Million yen)

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
Valuation and translation adjustments		
Unrealized gains on marketable securities		
Balance at end of previous fiscal year	600	40
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-559	-548
Total change during the fiscal year	-559	-548
Balance at end of the fiscal year	40	-508
Translation adjustments		
Balance at end of previous fiscal year	60	26
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-33	-5
Total change during the fiscal year	-33	-5
Balance at end of the fiscal year	26	20
Total valuation and translation adjustments		
Balance at end of previous fiscal year	660	66
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-593	-554
Total change during the fiscal year	-593	-554
Balance at end of the fiscal year	66	-487
Stock acquisition rights		
Balance at end of previous fiscal year	94	226
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	132	-39
Total change during the fiscal year	132	-39
Balance at end of the fiscal year	226	187
Total net assets		
Balance at end of previous fiscal year	23,450	21,916
Change during the fiscal year		
Cash dividends paid	-795	-679
Net income/loss	1,629	-873
Purchase of treasury stock	-1,916	-84
Disposal of treasury stock	10	32
Retirement of treasury stock	–	–
Changes in items other than shareholders' equity during the fiscal year (net)	-461	-593
Total change during the fiscal year	-1,534	-2,197
Balance at end of the fiscal year	21,916	19,718

(iv) Consolidated statements of cash flows

(Million yen)

	Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)	Consolidated fiscal year under review (From April 1, 2008 to March 31, 2009)
Cash flows from operating activities		
Income before taxes and other adjustments	2,677	-754
Depreciation and amortization expenses	870	927
Loss (gain) on devaluation of investment securities	6	1,163
Impairment loss	–	99
Increase (decrease) in allowance for doubtful accounts	-22	43
Increase (decrease) in reserve for retirement benefits	39	33
Interest and dividends received	-39	-38
Interest paid	1	31
Loss (gain) on sales of investment securities	-10	–
Loss on retirement of fixed assets	3	5
Loss (gain) on sales of fixed assets	4	–
Decrease (increase) in trade notes and accounts receivable	4,629	4,988
Decrease (increase) in inventories	-1,650	868
Increase (decrease) in trade notes and accounts payable	-873	-6,096
Other cash flows	-285	-111
Sub total	5,351	1,160
Interest and dividends received	39	38
Interest paid	-1	-31
Legal expenses paid	-69	–
Corporate and other taxes paid	-1,374	-728
Cash flows from operating activities	3,946	439
Cash flows from investing activities		
Payments into time deposits	-170	-70
Refund of time deposits	200	70
Expenditure for acquisition of tangible fixed assets	-233	-809
Income from disposal of tangible fixed assets	2	163
Expenditure for acquisition of investment securities	-1,213	-1,150
Income from disposal of investment securities	40	–
Income from recovery of loans receivable	0	0
Other cash flows	-21	-5
Cash flows from investing activities	-1,394	-1,803
Cash flows from financing activities		
Short-term borrowings	1,000	11,200
Repayment of short-term borrowings	-1,000	-10,700
Income from disposal of treasury stock	10	9
Income from issuance of corporate bonds	–	1,466
Expenditure for acquisition of treasury stock	-1,919	-84
Dividends paid	-786	-677
Other cash flows	–	-3
Cash flows from financing activities	-2,696	1,210
Translation differences for cash and cash equivalents	0	-11
Changes in cash and cash equivalents	-144	-164
Cash and cash equivalents at the beginning of the term	3,496	3,352
Cash and cash equivalents at the end of the term	3,352	3,188

Important Matters that Become Basis of Presenting Consolidated Financial Statements

Item	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
1. Scope of consolidation	(1) Number of consolidated subsidiaries: 5 Tsugami Machinery Co., Ltd. Tsugami Shimamoto Ltd. Tsugami Precision Co., Ltd. Tsugami General Service Co., Ltd. Precision Tsugami (China) Corporation (2) Names of non-consolidated subsidiaries: Tsugami (Thai) Co., Ltd. Tsugami GmbH (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.	(1) Number of consolidated subsidiaries: 4 Tsugami Machinery Co., Ltd. Tsugami Precision Co., Ltd. Tsugami General Service Co., Ltd. Precision Tsugami (China) Corporation 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. (2) Names of non-consolidated subsidiaries: Tsugami (Thai) Co., Ltd. Tsugami GmbH (Reason for non-consolidation) Same as at left
2. Application of equity method	(1) Companies to which the equity method is applicable: 0 (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.	(1) Same as at left (2) Same as at left
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.	Same as at left

Item	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
4. Matters concerning significant accounting policies		
(1) Valuation standard and valuation method of major assets	(i) Securities Other securities Securities with fair market value: Market value method based on the quoted market value on the closing date of the fiscal year (Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method.) Securities without fair market value: Cost accounting method using the moving average method (ii) Inventories: Primarily cost accounting method using the moving average method	(i) Securities Other securities Securities with fair market value: Same as at left Securities without fair market value: Same as at left (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 current 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.
(2) Depreciation and amortization methods used for material depreciable and amortizable assets	(i) Property, plant and equipment Depreciation is principally computed by the declining-balance method. However, buildings acquired on or after April 1, 1998, excluding fittings, equipment, and foreign subsidiaries, 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: 10 years	(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

Item	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
	(Changes in accounting policies) Effective from the current consolidated fiscal year, the Company and its domestic consolidated subsidiaries have changed their depreciation method in terms of the tangible fixed assets acquired on and after April 1, 2007 in accordance with the Corporate Tax Law as amended. As a result, operating income, ordinary income, and income before income taxes all decreased by 20 million yen. The impact of the change on segment information is listed in the relevant sections. (Additional information) In compliance with the Corporate Tax Law as amended, the Company and its domestic consolidated subsidiaries depreciate fixed assets acquired on and before March 31, 2007 up to 5 percent of the remaining acquisition cost based on the prior Corporate Tax Law, and depreciate 5 percent of the remaining acquisition cost less minimum salvage value, using a straight-line method over 5 years and booked as depreciation expense. As a result, operating income, ordinary income, and net income before income taxes all decreased by 52 million yen. The impact of the change on segment information is listed in the relevant sections.	(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.
	(ii) Intangible fixed 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.	(ii) Intangible fixed assets (excluding leased assets) Same as at left
	(iii) Leased assets ―――	(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.	(iv) Long-term prepaid expenses Same as at left
(3) Accounting standards for major deferred assets	Corporate bonds issuance expenses ―――	Corporate bonds issuance expenses This is amortized using the straight-line method during the period required for maturity of corporate bonds (5 years).

Item	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
(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 ―――	(i) Allowance for doubtful accounts Same as at left (ii) Allowance for employees' bonuses Same as at left (iii) Allowance for directors' bonuses Same as at left (iv) Allowance for retirement benefits Same as at left (v) Allowance for directors' retirement benefits Same as at left (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.

Item	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
		(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.
(5) Accounting method for major lease transactions	Finance leases other than those deemed to transfer ownership of leased assets to lessees are accounted for as ordinary operating leases.	———
(6) 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.	Accounting method for consumption taxes Same as at left
5. Matters relating to valuation method for assets and liabilities of consolidated subsidiaries	All assets and liabilities of consolidated subsidiaries are valued using the full fair value method.	Same as at left
6. Scope of funds in consolidated cash flow statements	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.	Same as at left

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

Item	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
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 current 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, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
———	(Consolidated Balance Sheet) 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.
———	(Consolidated Balance Sheet) 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.

Notes

(Consolidated Balance Sheet) (Million yen)

Previous consolidated fiscal year (As of March 31, 2008)	Current consolidated fiscal year (As of March 31, 2009)
*1. Shares of non-consolidated subsidiaries and affiliates Investment securities (stocks): 16 2. Amount of discount for bills receivable: 1,314 Amount of discount for export bills receivable: 2,267	*1. Shares of non-consolidated subsidiaries and affiliates Investment securities (stocks): 16 2. Amount of discount for bills receivable: 812 Amount of discount for export bills receivable: 3,069

(Consolidated Income Statement) (Million yen)

Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
1. ———	*1. 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
*2. Total R&D expenses R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term: 470	*2. Total R&D expenses R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term: 629
3. ———	*3. Dormant expense is an expense associated with the suspension of operations in the Company and consolidated subsidiaries. Major factors are as follows: Labor costs: 86 Depreciation and amortization expenses: 40 Others: 1 Total 128
*4. Breakdown of gain on sale of fixed assets Machinery and equipment: 0	*4. Breakdown of gain on sale of fixed assets Land: 1
*5. Breakdown of loss on retirement of fixed assets Machinery and equipment: 2 Others: 0 3	*5. Breakdown of loss on retirement of fixed assets Buildings: 4 Others: 4 8
*6. Breakdown of loss on sale of fixed assets Machinery and equipment: 4	6. ———
7. ———	*7. Breakdown of impairment loss The Group posted an impairment loss for the following property in the fiscal year under review. Place: Itabashi-ku, Tokyo / Use: Property to be sold / Type: Building The Group 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.
*8. The product improvement measure expenses were incurred due mainly to the replacement of parts, which was necessary for products for certain overseas markets because of requirements for high rigidity.	8. ———

(Consolidated Statements of Changes in Net Assets)

Previous consolidated fiscal year (From April 1, 2007 to March 31, 2008)

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 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	79,019	—	11,000	68,019
Total	79,019	—	11,000	68,019
Treasury stock				
Common shares	6,341	4,824	11,035	130
Total	6,341	4,824	11,035	130

Notes 1. The number of common shares outstanding fell 11,000 thousand through retirement of treasury stock.

2. The increase in common shares of treasury stock by 4,824 thousand shares reflected an increase of 13 thousand shares due to the purchase of odd-lot shares, and the purchase of 4,811 thousand shares of treasury stock.

3. Of 11,035 thousand common shares in treasury stock that were reduced, 35 thousand shares were reduced because of the exercise of stock options, and 11,000 thousand shares decreased as a result of retirement.

2. Matters concerning stock acquisition rights and stock acquisition rights for treasury stock

Category	Description of stock acquisition rights	Type of shares to be issued under stock acquisition rights	Number of shares to be issued under stock acquisition rights				Outstanding balance at the end of the current consolidated fiscal year (million yen)
			Number of shares at the end of the previous 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)	Stock acquisition rights as stock options	—	—	—	—	—	226
Total		—	—	—	—	—	226

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 18, 2007	Common shares	436	6.00	March 31, 2007	June 8, 2007
Board of directors meeting held on November 12, 2007	Common shares	359	5.00	September 30, 2007	November 27, 2007

(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 15, 2008	Common shares	339	Retained earnings	5.00	March 31, 2008	June 3, 2008

Current 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 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	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 stock acquisition rights and stock acquisition rights for treasury stock

Category	Description of stock acquisition rights	Type of shares to be issued under stock acquisition rights	Number of shares to be issued under stock acquisition rights				Outstanding balance at the end of the current consolidated fiscal year (million yen)
			Number of shares at the end of the previous 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)	Stock acquisition rights 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 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 14, 2009	Common shares	337	Retained earnings	5.00	March 31, 2009	June 2, 2009

(Consolidated Statements of Cash Flows) (Million yen)

Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)		Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)	
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	3,402	Cash and cash accounts	3,238
Time deposits with maturity of more than 3 months	-50	Time deposits with maturity of more than 3 months	-50
Cash and cash equivalents	3,352	Cash and cash equivalents	3,188
2. Major nonfund transactions		2. Major nonfund transactions	
Retirement of treasury stock	4,532	―――	

(Lease Transactions) (Million yen)

Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)

Finance leases other than those deemed to transfer ownership of leased assets to lessees

(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
Machinery, equipment and vehicles	39	27	11
Tangible fixed assets	75	47	28
Intangible fixed assets	21	15	5
Total	136	90	46

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

Within a year	25
Longer than a year	21
Total	46

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

Lease fees paid	29
Depreciation equivalent	29

(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.

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

Finance lease transactions (lessee)

Finance lease transactions without the transfer of ownership

(i) Leased assets

a. Tangible fixed assets

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

b. Intangible fixed assets

Software

(ii) Depreciation and amortization methods for leased assets

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

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

	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

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

Within a year	13
Longer than a year	8
Total	21

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

Lease fees paid	23
Depreciation equivalent	23

(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.

(Securities)

1. Other securities with market value (Million yen)

	Classification	Previous consolidated fiscal year (As of March 31, 2008)			Current consolidated fiscal year (As of March 31, 2009)		
		Acquisition cost	Carrying amount on the consolidated balance sheet	Difference	Acquisition cost	Carrying amount on the consolidated balance sheet	Difference
Carrying amounts on the consolidated balance sheet exceeding the acquisition cost	(1) Shares	611	919	308	610	666	56
	(2) Corporate bond	–	–	–	–	–	–
	(3) Others	–	–	–	–	–	–
	Subtotal	611	919	308	610	666	56
Carrying amounts on the consolidated balance sheet not exceeding the acquisition cost	(1) Shares	1,788	1,548	-240	1,719	1,154	-564
	(2) Corporate bond	–	–	–	–	–	–
	(3) Others	–	–	–	–	–	–
	Subtotal	1,788	1,548	-240	1,719	1,154	-564
Total		2,399	2,467	67	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.

In the previous consolidated fiscal year, no securities in the category of Other Securities with Market Value were impaired. In the current consolidated fiscal year, 1,163 million yen in impairment was posted for securities in the category of Other Securities with Market Value.

2. Other securities sold during the current consolidated fiscal year (Million yen)

Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)			Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)		
Amount of sale	Total profit on sale	Total loss on sale	Amount of sale	Total profit on sale	Total loss on sale
40	10	–	–	–	–

3. Securities not marked to market (Million yen)

	Previous consolidated fiscal year (As of March 31, 2008)	Current consolidated fiscal year (As of March 31, 2009)
	Carrying amount on the consolidated balance sheet	Carrying amount on the consolidated balance sheet
Other securities Unlisted stocks	4	2

Note In the previous consolidated fiscal year, 6 million yen in impairment was posted for securities in the category of Other Securities with Market Value. In the current consolidated fiscal year, no securities in the category of Other Securities with Market Value were impaired.

(Derivatives trading) (Million yen)

1. Transactions

Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current 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 (March 31, 2008) and consolidated fiscal year under review (March 31, 2009)

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

(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 retirement lump-sum grants system and a qualified pension system.

2. Projected benefit obligations and their breakdowns (Million yen)

	Previous consolidated fiscal year (As of March 31, 2008)	Current consolidated fiscal year (As of March 31, 2009)
(1) Projected benefit obligations	-2,451	-2,483
(2) Pension assets	526	611
(3) Unfunded obligations for retirement and severance benefits (1)＋(2)	-1,924	-1,872
(4) Unsettled difference at change of accounting principle	982	835
(5) Unrecognized actuarial gain or loss	152	212
(6) Unrecognized prior service cost	–	–
(7) Net accrued retirement benefits reflected in consolidated balance sheets (3)＋(4)＋(5)＋(6)	-790	-823
(8) Prepaid pension cost	–	–
(9) Allowance for retirement benefits (7)－(8)	-790	-823

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

3. Breakdown of retirement benefit expenses (Million yen)

	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
Retirement benefit expenses	397	430
(1) Serveice cost	130	131
(2) Interest cost	35	35
(3) Expected return on pension assets	-7	-10
(4) Unsettled difference at change of accounting principle	139	139
(5) Recognized actuarial gain or loss	100	66
(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, 2008)	Current consolidated fiscal year (As of March 31, 2009)
(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, 2007 to March 31, 2008)

1. Expenses relating to stock options posted in the fiscal year by acount

Cost of sales	20 million yen
Selling, general and administrative expenses	111 million yen

2. Description and change in the scale of stock options

(1) Description of stock options

	2004 First general-type stock acquisition rights	2005 Second general-type stock acquisition rights
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)	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	From 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 stock acquisition righs	2006 Third general-type stock acquisition rights
Positions and numbers of officers to receive stock options	The Company's directors4 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)	Common shares 220,000 shares	Common shares 340,000 shares
Grant date	July 1, 2005	July 3, 2006
Vesting conditions	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)	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 directors4 Statutory auditors 4	Titled executive officers 8 Employees with similar positions 3
Number of stock options by share type (Note)	Common shares 78,000 shares	Common shares 72,000 shares
Grant date	July 20, 2006	July 20, 2006
Vesting conditions	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)
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 stock acquisition rights	2007 Stock compensation-type stock options Plan A
Positions and numbers of officers to receive stock options	Employees of the Company 42 Directors of subsidiaries of the Company 7	The Company's directors 4 Statutory auditors 4
Number of stock options by share type (Note)	Common shares 350,000 shares	Common shares 101,000 shares
Grant date	July 9, 2007	July 9, 2007
Vesting conditions	Not applicable	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)
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
Positions and numbers of officers to receive stock options	Titled executive officers 11 Employee of the Company 1
Number of stock options by share type (Note)	Common shares 89,000 shares
Grant date	July 9, 2007
Vesting conditions	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)
Target period of service	Not applicable
Exercise period	July 10, 2007 to July 9, 2027

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

(2) Change in the scale of stock options

The stock options that existed in the fiscal year ended March 31, 2008 are counted. The number of stock options is converted to the number of shares.

(i) Number of stock options

	2004 First general-type stock acquisition rights	2005 Second general-type stock acquisition rights	2005 First compensation-type stock acquisition righs
Before vesting date (shares)			
End of previous fiscal year	–	360,000	–
Granted	–	–	–
Lapsed	–	–	–
Vested	–	360,000	–
Non-vested	–	–	–
After vesting date (shares)			
End of previous fiscal year	230,000	–	180,000
Vested	–	360,000	–
Exercised	35,000	–	–
Lapsed	–	–	–
Unexercised	195,000	360,000	180,000

	2006 Third general-type stock acquisition rights	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	–	–	–
Non-vested	340,000	–	–
After vesting date (shares)			
End of previous fiscal year	–	78,000	59,000
Vested	–	–	–
Exercised	–	–	–
Lapsed	–	–	–
Unexercised	–	78,000	59,000

	2007 Fourth general-type stock acquisition rights	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	–	–	–
Granted	350,000	101,000	89,000
Lapsed	–	–	–
Vested	–	101,000	89,000
Non-vested	350,000	–	–
After vesting date (shares)			
End of previous fiscal year	–	–	–
Vested	–	101,000	89,000
Exercised	–	–	–
Lapsed	–	–	–
Unexercised	–	101,000	89,000

(ii) Unit price information (Yen)

	2004 First general-type stock acquisition rights	2005 Second general-type stock acquisition rights	2005 First compensation-type stock acquisition righs
Exercise price	286	575	1
Average stock price at the time of exercise	554	–	–
Fair valuation of unit price (grant date)	–	–	–

	2006 Third general-type stock acquisition rights	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	–	–	–
Fair valuation of unit price (grant date)	176	608	608

	2007 Fourth general-type stock acquisition rights	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	–	–	–
Fair valuation of unit price (grant date)	138	513	513

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

The following is the method of estimating a fair unit price of the 2007 stock options granted in the fiscal year:

(i) Valuation technique used Black-Scholes method

(ii) Major fundamental figures and estimation method

	2007 General-type stock acquisition rights	2007 Compensation-type stock acquisition rights Plan A and Plan B
Stock price volatility (Note 1)	33.058%	58.605%
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)	1.299%	1.934%

Notes

1. The stock price volatility for the 2007 general-type stock acquisition rights was calculated based on the closing price on the last trading day of each month in the past 3.5 years (from January 4, 2004 to July 3, 2007). The stock price volatility for the 2007 Plan A and Plan B compensation-type stock acquisition rights was calculated based on the closing price on the last trading day of each month in the past 10 years (from June 1997 to June 2007).
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 pieiod.
3. The projected dividend is based on the actual dividend for the fiscal year ended March 31, 2007.
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.

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

1. Expenses and income relating to stock options posted in the fiscal year by account

Cost of sales	16 million yen
Selling, general and administrative expenses	73 million yen
Reversal of stock acquisition rights	105 million yen

2. Description and change in the scale of stock options

(1) Description of stock options

	2004 First general-type stock acquisition rights (Note 2)	2005 Second general-type stock acquisition rights (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	From 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 stock acquisition righs	2006 Third general-type stock acquisition rights (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	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)	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 Statutory auditors 4	Titled executive officers 8 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	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)	In principle, a holder of stock acquisition rights 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), statutoryauditor, titled executive officer, or employee with a similar title. In this case, the holder may only exercise the stock acquisition rights 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 preceeding the day.)
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 stock acquisition rights (Note 2)	2007 Stock compensation-type stock options Plan A
Positions and numbers of officers to receive stock options	Employees of the Company 42 Directors of subsidiaries of the Company 7	The Company's directors 4 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	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)
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 stock acquisition rights (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	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)	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	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)	In principle, a holder of stock acquisition rights 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 stock acquisition rights 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 preceeding the day.)
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. All general stock acquisition rights were acquired gratis and cancelled by the Company on March 13, 2009.

(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 stock acquisition rights	2005 Second general-type stock acquisition rights	2005 First compensation-type stock acquisition righs
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 stock acquisition rights	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 stock acquisition rights	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 stock acquisition rights	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	–	3,000	–
Unexercised	–	97,000	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 stock acquisition rights	2005 Second general-type stock acquisition rights	2005 First compensation-type stock acquisition righs
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 stock acquisition rights	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 stock acquisition rights	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 Fifth general-type stock acquisition rights	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 stock acquisition rights	2008 Compensation-type stock acquisition rights 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 stock acquisition rights 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 stock acquisition rights 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 pieiod.
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.

(Deferred tax accounting) (Million yen)

Previous consolidated fiscal year (As of March 31, 2008)

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

(Deferred tax assets)	
Allowance for doubtful accounts	25
Reserve for bonus payment	133
Reserve for retirement benefits	329
Loss on devaluation of investment securities	359
Loss on devaluation of inventories	10
Impairment loss	121
Accrued enterprise taxes	55
Other	110
Deferred tax assets subtotal	1,146
Valuation reserve	-630
Deferred tax assets total	515
(Deferred tax liabilities)	
Unrealized gains on marketable securities	-27
Deferred tax liabilities total	-27
Net deferred tax assets (liabilities)	488

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 the difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting is equal to or less than 5% of the legally effective tax rate, notes are omitted.

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

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

(Deferred tax assets)	
Allowance for doubtful accounts	88
Reserve for bonus payment	57
Reserve for retirement benefits	335
Reserve for product warranties	30
Loss on devaluation of investment securities	89
Loss on devaluation of inventories	40
Impairment loss	48
Accrued enterprise taxes	6
Stock-based compensation expense	61
Net loss carried forward	682
Other	52
Deferred tax assets subtotal	1,494
Valuation reserve	-1,036
Deferred tax assets total	457

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 consolidated fiscal year (From April 1, 2007 to March 31, 2008)

Not applicable.

Current 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	Primarilly processing and assembling of products of the Company

(2) Legal form of business combination

Absorpotion 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.

(Segment information)

Information by business segment

Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008) (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	27,056	1,438	28,495	–	28,495
(2) Intersegment net sales or transfer to other accounts	–	–	–	–	–
Total	27,056	1,438	28,495	–	28,495
Operating expenses	23,073	1,241	24,944	765	25,710
Operating income	3,353	197	3,550	-765	2,784
II. Assets, depreciation and capital expenditures Assets	24,935	1,800	26,736	5,996	32,732
Depreciation	681	167	849	21	870
Capital expenditures	494	6	501	–	501

Notes 1. Business segments are based on product classifications.

2. Major products in each segment
   (1) Machine tool business: CNC high-precision automatic lathes, CNC high-precision cylindrical grinding machines, machining centers, rolling machines
   (2) Specialized machines and other segments: specialized machines, gauge blocks, roll dies and screw inserts
3. Non-allocatable operating expenses included in elimination or corporate totaled 765 million yen. Expenses in connection with the General Affairs Division and other administration divisions at the Company’s head office accounted for a large portion of such expenses.
4. Group assets included in elimination or corporate amounted to 5,996 million yen. Funds for managing surplus funds (cash and marketable securities), funds for long-term investment (investment securities) and assets in connection with administration divisions at the Company’s head office accounted for a large portion of such assets.
5. Depreciation and amortization expenses and capital expenditures include depreciation for and an increase in long-term prepaid expenses.
6. Changes in accounting policies
   (Changes in the depreciation method for tangible fixed assets)
   As stated in “4. Matters concerning significant accounting policies, (2) Depreciation and amortization methods used for material depreciable and amortizable assets (Changes in accounting policies)” under “Important Matters that Become Basis of Presenting Consolidated Financial Statements,” following the revision of the Corporation Tax Act, the Company and its consolidated subsidiaries in Japan changed the depreciation method for tangible fixed assets acquired on and after April 1, 2007 to the depreciation method based on the revised tax act.
   This change caused operating expenses for the “machine tool business” and “specialized machines and other businesses” to rise by 19 million yen and 0 million yen, respectively, and operating income for the businesses to fall by the same amounts, respectively, compared with figures based on the previous depreciation method.
   As stated in “4. Matters concerning significant accounting policies, (2) Depreciation and amortization methods used for material depreciable and amortizable assets (Additional information)” under “Important Matters that Become Basis of Presenting Consolidated Financial Statements,” following the revision of the Corporation Tax Act, the Company and its consolidated subsidiaries in Japan are amortizing the difference between the amount that corresponds to 5% of the acquisition value and the memorandum value in a straight line over a period of five years for assets they acquired on and before March 31, 2007 and including the amount of amortization in posted depreciation and amortization expenses, starting in the consolidated fiscal years following consolidated fiscal years during which depreciation or amortization for such assets using the method based on the Corporation Tax Act prior to its revision reaches 5% of their acquisition value.

This change caused operating expenses for the "machine tool business," "specialized machines and other businesses" and "elimination or corporate" to rise by 45 million, 6 million yen and 0 million yen, respectively, and operating income for the operations to fall by the same amounts, respectively, compared with figures based on the previous depreciation method.

Current 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.

Information by geographic segment
Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)
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.

Current 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 and total assets for all geographic segments, respectively.

Overseas net sales
Overseas net sales for the two most recent consolidated fiscal years are as follows. (Million yen)

		Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)			
		Asia	America	Europe	Total
I	Overseas net sales	9,356	1,544	2,770	13,671
II	Consolidated net sales				28,495
III	Ratio of overseas net sales to consolidated net sales (%)	32.8	5.4	9.7	48.0

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

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 and India
   (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, 2007 to March 31, 2008)

1. 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	Kazuo Fujimori	–	–	Statutory auditor of the Company Representative Director of Tokyo Seimitsu Co., Ltd.	(Owning) Direct: 0.16% (Owned) Direct: 6.75%	–	–	Sale of products of the Company	619	Trade accounts receivable	0
								Purchase of products of the company	74	Trade notes payable	19
										Trade accounts payable	6
								Purchase of fixed assets	1	Accounts payable	1

Notes
1. The transaction amount does not include consumption tax. The balance at end of year includes consumption tax.
2. Sales of products of the Company, purchase of products of the company, and fixed assets are determined by reference to market prices.
3. Tokyo Seimitsu contributed 4,592,000 of the Company’s shares that Tokyo Seimitsu holds to a retirement benefit trust at Mizuho Trust & Banking. Tokyo Seimitsu reserves the right to direct the exercise of the voting rights associated with the shares.

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

(Additional information)

Starting the fiscal year under review, 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.

1. 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.

(Per share information)

Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)		Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)	
Net assets per share	319.50 yen	Net assets per share	289.07 yen
Net income per share	23.03 yen	Net loss per share	12.88 yen
Net income per share after residual equity adjustment	22.86 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.	

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

	Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)	Current consolidated fiscal year (from April 1, 2008 to March 31, 2009)
Net income/loss per share		
Net income/loss (million yen)	1,629	-873
Net income that does not belong to common share holders (million yen)	—	—
Net income/loss on common shares (million yen)	1,629	-873
Average number of shares during the period (thousand shares)	70,775	67,826
Net income per share after residual equity adjustment		
Adjusted net income per share (million yen)	—	—
Number of increased common shares (thousand shares)	531	—
(Common shares based on stock options)	[531]	[—]
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 24, 2005 (Number of shares: 360,000) Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 23, 2006 (Number of shares: 340,000) Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 22, 2007 (Number of shares: 350,000)	———

(Important post-balance sheet events)

Previous consolidated fiscal year (from April 1, 2007 to March 31, 2008)

Resolution on stock option

The submitting company resolved to issue stock acquisition rights at the 105th annual shareholders meeting held on June 20, 2008.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (8) Stock option system, 6. Stock options based on a resolution at the annual shareholders meeting held on June 20, 2008.

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

Resolution on stock option

The submitting company resolved to issue stock acquisition rights 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, (8) Stock option system, 8. Stock options based on a resolution at the annual shareholders meeting held on June 19, 2009.

(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)	1.0	None	December 27, 2013
Total	―	―	―	1,500 (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	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	1.5	―
Lease obligations to be repaid within a year	―	5	―	―
Lease obligations (excluding those to be repaid within a year)	―	21	―	From 2010 to 2013
Total	―	527	―	―

Notes 1. The average interest rate is the weighted average rate for the borrowings at the end of the term.

2. The averate 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	5	5	5	4

(2) Other

Quarterly information for the fiscal year under review

	First quarter From April 1, 2008 to June 30, 2008	Second quarter From July 1, 2008 to September 30, 2008	Third quarter From October 1, 2008 to December 31, 2008	Fourth quarter From January 1, 2009 to March 31, 2009
Net sales (million yen)	7,713	7,576	4,504	2,893
Income (loss) before taxes and other adjustments (million yen)	635	-683	-194	-511
Net income (loss) (million yen)	502	-690	-266	-419
Net income (loss) per share (yen)	7.40	-10.16	-3.93	-6.20

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, 2008)	Figures at the end of the fiscal year under review (As of March 31, 2009)
Assets		
Current assets		
Cash and deposits	2,976	2,714
Trade notes receivable	*1 745	*1 226
Trade accounts receivable	*1 9,044	*1 5,312
Commodities	7	–
Products	920	–
Commodities and products	–	1,022
Raw materials	1,377	–
Goods in process	5,909	4,605
Supplies	3	–
Raw materials and supplies	–	1,780
Prepaid expenses	31	27
Short-term loans to affiliates	130	39
Deferred tax assets	312	116
Advance paid	*1 68	19
Accounts due	*1 567	286
Other current assets	3	15
Allowance for doubtful accounts	-58	-104
Total current assets	22,037	16,061
Fixed assets		
Tangible fixed assets		
Buildings	6,640	6,636
Accumulated depreciation	-2,949	-3,258
Buildings (net)	3,691	3,377
Structures	441	477
Accumulated depreciation	-272	-323
Structures (net)	169	154
Machinery and equipment	8,494	8,762
Accumulated depreciation	-6,770	-7,119
Machinery and equipment (net)	1,723	1,642
Vehicles	47	49
Accumulated depreciation	-39	-44
Vehicles (net)	7	5
Tools	218	–
Accumulated depreciation	-128	–
Tools (net)	89	–
Equipment and fixtures	344	–
Accumulated depreciation	-220	–
Equipment and fixtures (net)	123	–
Tools, furniture and fixtures	–	703
Accumulated depreciation	–	-524
Tools, furniture and fixtures (net)	–	179
Land	486	591
Leased assets	–	29
Accumulated depreciation	–	-3
Leased assets (net)	–	26
Construction in progress	25	1
Total tangible fixed assets	6,316	5,977
Intangible fixed assets		
Software	7	16
Telephone subscription rights	8	10
Total intangible fixed assets	16	26

(Million yen)

	Figures at the end of the previous fiscal year (As of March 31, 2008)	Figures at the end of the fiscal year under review (As of March 31, 2009)
Investments and other assets		
Investment securities	2,469	1,823
Shares in affiliates	317	136
Investments in affiliates	667	926
Long-term loans to employees	2	3
Long-term prepaid expenses	3	2
Deferred tax assets	117	335
Other intangible fixed assets	83	99
Total investments and other assets	3,661	3,327
Total fixed assets	9,993	9,331
Deferred assets		
Bond issuance expenses	–	32
Total deferred assets	–	32
Total assets	32,031	25,425
Liabilities		
Current liabilities		
Trade notes payable	6,232	1,700
Trade accounts payable	*1 2,287	*1 675
Short-term borrowings	–	500
Corporate bonds due for redemption within one year	–	300
Lease obligations	–	5
Accounts payable	*1 446	237
Accrued expenses payable	228	169
Accrued income tax	549	34
Advance received	2	29
Deposits received	43	37
Reserve for bonus payment	225	123
Trade notes payable related to facilities	97	101
Reserve for product warranties	–	75
Other current liabilities	*1 12	44
Total current liabilities	10,125	4,035
Long-term liabilities		
Corporate bonds	–	1,200
Lease obligations	–	21
Reserve for retirement benefits	684	815
Deposits received for guarantee	14	14
Other long-term liabilities	69	60
Total long-term liabilities	768	2,112
Total liabilities	10,893	6,147
Net assets		
Shareholders' equity		
Common stock	10,599	10,599
Capital surplus		
Capital legal reserve	4,138	4,138
Total capital surplus	4,138	4,138
Retained earnings		
Other retained earnings		
Deferred retained earnings	6,183	4,954
Total retained earnings	6,183	4,954
Treasury stock	-50	-92
Total shareholders' equity	20,871	19,599
Valuation and translation adjustments		
Unrealized gains on marketable securities	40	-508
Total valuation and translation adjustments	40	-508
Stock acquisition rights	226	187
Total net assets	21,137	19,277
Total liabilities and net assets	32,031	25,425

(ii) Non-consolidated statements of income

(Million yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
Net sales		
Net sales of goods	846	562
Net sales of finished goods	27,115	21,481
Total net sales	27,962	22,043
Cost of sales		
Cost of goods sold		
Beginning inventories	9	7
Cost of purchased goods	802	525
Total	811	532
Ending inventories	7	1
Cost of goods sold	804	530
Cost of finished goods sold		
Beginning finished goods	843	920
Cost of products manufactured	22,065	17,967
Total	22,908	18,887
Ending finished goods	920	1,020
Transfer to other account	*1 91	*1 155
Cost of finished goods sold	*2 21,897	*2 17,710
Total cost of sales	22,702	18,241
Gross profit	5,259	3,802
Selling, general and administrative expenses		
Packing and transportation expenses	99	82
Advertising expenses	218	257
Salaries for directors	150	146
Salaries and allowances	606	632
Provision for reserve for bonus payment	53	19
Retirement benefit expenses	81	100
Rent paid	96	88
Traveling expenses	265	178
Insurance premiums	99	89
Research and development expenses	*3 457	*3 628
Depreciation and amortization expenses	23	18
Provision for allowance for doubtful accounts	–	148
Provision for reserve for product warranties	–	75
Other selling, general and administrative expenses	823	816
Total selling, general and administrative expenses	2,974	3,284
Operating income	2,284	517
Non-operating income		
Interest received	2	1
Dividends received	*4 286	*4 317
Rent received	*4 102	*4 83
Insurance benefits received	48	26
Subsidy income	–	40
Other non-operating income	47	42
Total non-operating income	487	511

(Million yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
Non-operating expenses		
Interest paid	1	27
Interest on bonds	–	3
Leased expenses	94	77
Amortization of bond issuance cost	–	3
Sales discount	19	5
Loss on sales of trade notes	59	106
Dormant expense	–	*5 124
Other non-operating expenses	33	55
Total non-operating expenses	207	404
Ordinary income	2,564	625
Extraordinary income		
Gain on sales of fixed assets	*6 0	*6 4
Gain on sales of investment securities	10	–
Reversal of allowance for doubtful accounts	20	–
Reversal of reserve for directors' bonuses	15	–
Reversal of stock acquisition rights	–	105
Gain on extinguishment of tie-in shares	–	263
Total extraordinary income	45	373
Extraordinary expenses		
Loss on retirement of fixed assets	*7 2	*7 7
Impairment loss	–	*9 99
Loss on retirement of inventories	–	31
Loss on devaluation of inventories	–	24
Loss on sales of fixed assets	*8 4	–
Loss on devaluation of investment securities	6	1,163
Product improvement expenses	*10 110	–
Retirement benefit expenses	–	68
Provision for reserve for product warranties	–	64
Other extraordinary expenses	1	27
Total extraordinary expenses	126	1,486
Income/loss before taxes and other adjustments	2,484	-487
Corporate, inhabitant and enterprise taxes	870	20
Deferred taxes	70	33
Total corporate and other taxes	940	53
Net income/loss	1,544	-540

Schedule of cost of products manufactured

(Million yen)

Classification	Previous fiscal year (From April 1, 2007 to March 31, 2008) Amount	Previous fiscal year Component ratio (%)	Fiscal year under review (From April 1, 2008 to March 31, 2009) Amount	Fiscal year under review Component ratio (%)
I Material cost	16,285	68.4	11,272	64.2
II Labor cost	2,911	12.2	2,342	13.3
III Expenses	4,619	19.4	3,959	22.5
(Depreciation and amortization expenses)	-702		-723	
(Amount paid to subcontractors)	-2,316		-1,823	
Total production costs	23,816	100.0	17,574	100.0
Beginning work in process	5,003		5,909	
Total	28,820		23,484	
Ending work in process	5,909		4,605	
Transfer to other account	*1 845		*1 912	
Cost of products manufactured	22,065		17,967	

(Million yen)

Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
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.	Cost accounting method Same as at left
*1. Transfer to other account To fixed assets 144 To selling, general and administrative expenses 523 Other 177 845	*1. Transfer to other account To fixed assets 84 To selling, general and administrative expenses 770 Other 56 912

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

(Million yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
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	82	–
Change during the fiscal year		
Disposal of treasury stock	-5	–
Retirement of treasury stock	-76	–
Total change during the fiscal year	-82	–
Balance at end of the fiscal year	–	–
Total capital surplus		
Balance at end of previous fiscal year	4,220	4,138
Change during the fiscal year		
Disposal of treasury stock	-5	–
Retirement of treasury stock	-76	–
Total change during the fiscal year	-82	–
Balance at end of the fiscal year	4,138	4,138
Retained earnings		
Other retained earnings		
Deferred retained earnings		
Balance at end of previous fiscal year	9,890	6,183
Change during the fiscal year		
Cash dividends paid	-795	-679
Net income	1,544	-540
Disposal of treasury stock	-4,455	–
Retirement of treasury stock	–	-9
Total change during the fiscal year	-3,706	-1,229
Balance at end of the fiscal year	6,183	4,954
Treasury stock		
Balance at end of previous fiscal year	-2,681	-50
Change during the fiscal year		
Purchase of treasury stock	-1,916	-84
Disposal of treasury stock	15	42
Retirement of treasury stock	4,532	–
Total change during the fiscal year	2,630	-41
Balance at end of the fiscal year	-50	-92
Total shareholders' equity		
Balance at end of previous fiscal year	22,028	20,871
Change during the fiscal year		
Cash dividends paid	-795	-679
Net income	1,544	-540
Purchase of treasury stock	-1,916	-84
Disposal of treasury stock	10	32
Retirement of treasury stock	–	–
Total change during the fiscal year	-1,157	-1,271
Balance at end of the fiscal year	20,871	19,599

(Million yen)

	Previous fiscal year (From April 1, 2007 to March 31, 2008)	Fiscal year under review (From April 1, 2008 to March 31, 2009)
Valuation and translation adjustments		
Unrealized gains on marketable securities		
Balance at end of previous fiscal year	600	40
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	-559	-548
Total change during the fiscal year	-559	-548
Balance at end of the fiscal year	40	-508
Stock acquisition rights		
Balance at end of previous fiscal year	94	226
Change during the fiscal year		
Changes in items other than shareholders' equity during the fiscal year (net)	132	-39
Total change during the fiscal year	132	-39
Balance at end of the fiscal year	226	187
Total net assets		
Balance at end of previous fiscal year	22,723	21,137
Change during the fiscal year		
Cash dividends paid	-795	-679
Net income	1,544	-540
Purchase of treasury stock	-1,916	-84
Disposal of treasury stock	10	32
Retirement of treasury stock	–	–
Changes in items other than shareholders' equity during the fiscal year (net)	-427	-587
Total change during the fiscal year	-1,585	-1,859
Balance at end of the fiscal year	21,137	19,277

Significant accounting policies

Item	Previous fiscal year (from April 1, 2007 to March 31, 2008)	Current fiscal year (from April 1, 2008 to March 31, 2009)
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 inventories	The cost accounting method using the moving average method is applied for merchandise, finished goods, raw materials, work in process, and supplies.	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 current 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 under review to fall by 50 million yen, and net income before taxes and other adjustments to drop by 74 million yen.

Item	Previous fiscal year (from April 1, 2007 to March 31, 2008)	Current fiscal year (from April 1, 2008 to March 31, 2009)
3. Depreciation method for fixed assets	(1) Property, plant and equipment 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: 10 years Tools, furniture and fixtures: 5 years (Changes in accounting policies) Effective from the current fiscal year, the Company has changed their depreciation method in terms of the tangible fixed assets acquired on and after April 1, 2007 in accordance with the Corporate Tax Law as amended. As a result, operating income, ordinary income, and income before income taxes all decreased by 17 million yen. (Additional information) In compliance with the Corporate Tax Law as amended, the Company depreciates fixed assets acquired on and before March 31, 2007 up to 5 percent of the remaining acquisition cost based on the prior Corporate Tax Law, and depreciate 5 percent of the remaining acquisition cost less minimum salvage value, using a straight-line method over 5 years and booked as depreciation expense. As a result, operating income, ordinary income, and net income before income taxes all decreased by 50 million yen. The impact of the change on segment information is listed in the relevant sections. (2) Intangible fixed 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. (3) Leased assets ―――― (4) Long-term prepaid expenses This is computed using the straight-line method.	(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 (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 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 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. (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. (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. (4) Long-term prepaid expenses Same as at left
4. Accounting standards for major deferred assets	Corporate bonds issuance expenses ――――	Expenses for issuing corporate bonds This is amortized using the straight-line method during the period required for maturity of corporate bonds (five years).

Item	Previous fiscal year (from April 1, 2007 to March 31, 2008)	Current fiscal year (from April 1, 2008 to March 31, 2009)
5. Accounting standards for allowances	(1) Allowance for doubtful accounts To provide for a loss on doubtful accounts, general allowances are provided using a rate determined by past experience with bad debts. Specific allowances are provided for the estimated amounts considered to be uncollectible after reviewing the individual collectibility of certain doubtful accounts.	(1) Allowance for doubtful accounts Same as at left
	(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 current fiscal year.	(2) Allowance for employees' bonuses Same as at left
	(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 current fiscal year. However, since the Company was unable to reasonably project the amount at the end of the fiscal year under review, this was not posted.	(3) Allowance for directors' bonuses Same as at left
	(4) Allowance for product warranties ―――――	(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. (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 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 operating income and ordinary income for the fiscal year under review to increase by 10 million yen, and net loss before taxes and other adjustments to fall by 75 million yen.
	(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 current 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.	(5) Allowance for retirement benefits Same as at left

Item	Previous fiscal year (from April 1, 2007 to March 31, 2008)	Current fiscal year (from April 1, 2008 to March 31, 2009)
6. Accounting method for lease transactions	Finance leases other than those deemed to transfer ownership of leased assets to lessees are accounted for as ordinary operating leases.	―――
7. 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, 2007 to March 31, 2008)	Current fiscal year (from April 1, 2008 to March 31, 2009)
1. Accounting standards concerning lease transactions	―――	Starting the current 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 fiscal year (from April 1, 2007 to March 31, 2008)	Current fiscal year (from April 1, 2008 to March 31, 2009)
(Non-Consolidated Balance Sheet) Since the amount of accounts receivable-other, which was inlduded in other current assets until the preceding fiscal year, exceeded 1%, it was posted as an independent item. Accounts receivable-other at the end of the preceding fiscal year were 144 million yen.	―――

Notes

(Non-Consolidated Balance Sheet) (Million yen)

Previous fiscal year (As of March 31, 2008)		Current fiscal year (As of March 31, 2009)	
*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:		*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:	
Trade notes receivable:	172	Trade notes receivable:	140
Trade accounts receivable:	1,202	Trade accounts receivable:	1,413
Other (assets):	397	Trade accounts payable:	257
Trade accounts payable:	472		
Other (liabilities):	280		
2. Amount of discount for bills receivable:	1,314	2. Amount of discount for bills receivable:	812
Amount of discount for export bills receivable:	2,267	Amount of discount for export bills receivable:	3,069

(Non-Consolidated Income Statement) (Million yen)

Previous fiscal year (from April 1, 2007 to March 31, 2008)	Current fiscal year (from April 1, 2008 to March 31, 2009)
*1. Transfer to other account To fixed assets 79 Other 11	*1. Transfer to other account To fixed assets 155
2. ———	*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
*3. Total R&D expenses R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term: 457	*3. Total R&D expenses R&D expenses included in selling, general and administrative expenses and manufacturing cost for the term: 628
*4. Dividends received and rent received in relation to transactions with aubsidiaries and affiliates Dividends received: 250 Rent received: 90	*4. Dividends received and rent received in relation to transactions with aubsidiaries and affiliates Dividends received: 280 Rent received: 72
*5. ———	*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
*6. Breakdown of gain on sale of fixed assets Machinery and equipment: 0	*6. Breakdown of gain on sale of fixed assets Machinery and equipment: 2 Others: 2 4
*7. Breakdown of loss on retirement of fixed assets Machinery and equipment: 2 Others: 0 2	*7. Breakdown of loss on retirement of fixed assets Buildings: 4 Others: 3 7
*8. Breakdown of loss on sale of fixed assets Machinery and equipment: 4	8. ———
9. ———	*9. Breakdown of impairment loss The Company posted an impairment loss for the following property in the fiscal year under review. Place / Use / Type Itabashi-ku, Tokyo / Property to be sold / Building 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.
*10. The product improvement measure expenses were incurred due mainly to the replacement of parts, which was necessary for products for certain overseas markets because of requirements for high rigidity.	10. ———

(Non-Consolidated Statements of Changes in Net Assets)

Previous fiscal year (From April 1, 2007 to March 31, 2008)

1. 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 current fiscal year	Decrease in shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common shares	6,341	4,824	11,035	130
Total	6,341	4,824	11,035	130

Notes 1. The increase in common shares of treasury stock by 4,824 thousand shares reflected an increase of 13 thousand shares due to the purchase of odd-lot shares, and the purchase of 4,811 thousand shares of treasury stock.

2. Of 11,035 thousand common shares in treasury stock that were reduced, 35 thousand shares were reduced because of the exercise of stock options, and 11,000 thousand shares decreased as a result of retirement.

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

1. 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 current fiscal year	Decrease in shares in the current fiscal year	Number of shares at the end of the current 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.

(Lease transactions) (Million yen)

Previous fiscal year (from April 1, 2007 to March 31, 2008)

Finance leases other than those deemed to transfer ownership of leased assets to lessees

(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
Machinery and equipment	3	1	2
Vehicles	10	8	2
Equipment and fixtures	54	33	21
Software	21	15	5
Total	91	58	32

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

Within a year	17
Longer than a year	14
Total	32

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

Lease fees paid	22
Depreciation equivalent	22

(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.

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

Finance lease transactions (lessee)
Finance lease transactions without the transfer of ownership
(i) Leased assets
a. Tangible fixed assets
Primary tools, equipment and fixtures in the machine tool business and the specialized machines and other businesse
b. Intangible fixed assets
Software
(ii) Depreciation and amortization methods for leased assets
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:

(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
Machinery and equipment	7	4	3
Vehicles	10	8	2
Tools, furniture and fixtures	44	34	10
Software	8	6	1
Total	70	53	17

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

Within a year	10
Longer than a year	7
Total	17

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

Lease fees paid	17
Depreciation equivalent	17

(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.

(Securities)

There were no shares of subsidiaries and affiliates that had market values in the previous fiscal year (from April 1, 2007 to March 31, 2008) and the fiscal year under review (from April 1, 2008 to March 31, 2009).

(Deferred tax accounting) (Million yen)

Previous fiscal year (As of March 31, 2008)		Current fiscal year (As of March 31, 2009)	
1. Breakdown of deferred tax assets and deferred tax liabilities by major cause		1. Breakdown of deferred tax assets and deferred tax liabilities by major cause	
(Deferred tax assets)		(Deferred tax assets)	
Allowance for doubtful accounts	26	Allowance for doubtful accounts	87
Reserve for bonus payment	91	Reserve for bonus payment	50
Reserve for retirement benefits	286	Reserve for retirement benefits	331
Loss on devaluation of investment securities	359	Reserve for product warranties	30
Loss on valuation of shares of subsidiaries and affiliates	47	Loss on devaluation of investment securities	89
Loss on devaluation of inventories	10	Loss on valuation of shares of subsidiaries and affiliates	9
Impairment loss	121	Loss on devaluation of inventories	40
Accrued enterprise taxes	45	Impairment loss	48
Other	94	Accrued enterprise taxes	5
Deferred tax assets subtotal	1,084	Stock-based compensation expense	61
Valuation reserve	-627	Net loss carried forward	682
Deferred tax assets total	457	Other	50
		Deferred tax assets subtotal	1,489
		Valuation reserve	-1,038
		Deferred tax assets total	451
(Deferred tax liabilities)			
Unrealized gains on marketable securities	-27		
Deferred tax liabilities total	-27		
Net deferred tax assets (liabilities)	429		
2. Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause		2. Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause	
Legally effective tax rate	40.7 %	Since a net loss before taxes and other adjustments was posted in the fiscal year under review, notes are omitted.	
(Adjustment)			
Change in valuation reserve	0.4		
Residence tax on a per capita basis	0.8		
Credit for experimental and research expenses	-1.5		
Entertainment expenses and other items not to qualify for decuction permanently	1.5		
Dividends income and other items no to be incuded in revenue permanently	-4.4		
Other	0.2		
Corporate and other tax rate after the application of tax effect accounting	37.7		

(Business combination)

Previous fiscal year (From April 1, 2007 to March 31, 2008)

Not applicable.

Current 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.

(Per share information)

Previous fiscal year (from April 1, 2007 to March 31, 2008)		Current fiscal year (from April 1, 2008 to March 31, 2009)	
Net assets per share	308.02 yen	Net assets per share	282.55 yen
Net income per share	21.82 yen	Net loss per share	7.98 yen
Net income per share after residual equity adjustment	21.66 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.	

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

	Previous fiscal year (from April 1, 2007 to March 31, 2008)	Current fiscal year (from April 1, 2008 to March 31, 2009)
Net income/loss per share		
Net income/loss (million yen)	1,544	-540
Net income that does not belong to common share holders (million yen)	—	—
Net income/loss on common shares (million yen)	1,544	-540
Average number of shares during the period (thousand shares)	70,775	67,826
Net income per share after residual equity adjustment		
Adjusted net income per share (million yen)	—	—
Number of increased common shares (thousand shares)	531	—
(Common shares based on stock options)	[531]	[—]
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 24, 2005 (Number of shares: 360,000) Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 23, 2006 (Number of shares: 340,000) Stock options granted on the basis of a resolution at the annual shareholders meeting held on June 22, 2007 (Number of shares: 350,000)	——

(Important post-balance sheet events)

Previous fiscal year (from April 1, 2007 to March 31, 2008)

Resolution on stock option

The Company resolved to issue stock acquisition rights at the 105th annual shareholders meeting held on June 20, 2008.

The details of the resolution are described in Section 4. Situation of Submitting Company, 1. Shares of the Company, (8) Stock option system, 6. Stock options based on a resolution at the annual shareholders meeting held on June 20, 2008.

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

Resolution on stock option

The Company resolved to issue stock acquisition rights 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, (8) Stock option system, 8. Stock options based on a resolution at the annual shareholders meeting held on June 19, 2009.

(iv) Supplementary schedule

Schedule of securities

Shares

Issue			Number of shares	Carrying amount on the balance sheet (million yen)
Investment securities	Other securities	Tornos Holdings SA	1,382,196	585
		Fanuc Ltd.	50,000	331
		Yamazen Corporation	500,000	152
		The Hachijuni Bank, Ltd.	196,000	111
		Yuasa Trading Co., Ltd.	1,000,000	95
		The Daishi Bank, Ltd.	241,000	93
		Mori Seiki Co., Ltd.	100,000	89
		The Hokuetsu Bank, Ltd.	477,184	78
		THK Co., Ltd.	59,000	77
		Mitsubishi UFJ Financial Group, Inc.	134,800	64
		Others (13 issues)	1,324,430	144
Total			5,464,610	1,823

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	6,640	488	492 (99)	6,636	3,258	208	3,377
Structures	441	36	1	477	323	29	154
Machinery and equipment	8,494	464	196	8,762	7,119	484	1,642
Vehicles	47	4	1	49	44	2	5
Tools, furniture and fixtures	562	153	12	703	524	125	179
Land	486	164	59	591	—	—	591
Leased assets	—	29	—	29	3	3	26
Construction in progress	25	27	51	1	—	—	1
Total tangible fixed assets	16,698	1,367	815	17,251	11,273	853	5,977
Intangible fixed assets							
Software	—	—	—	26	9	4	16
Telephone subscription rights	—	—	—	10	—	—	10
Total intangible fixed assets	—	—	—	36	9	4	26
Long-term prepaid expenses	7	—	—	7	3	0	(0) 3
Deferred assets							
Bond issuance expenses	—	33	—	33	—	1	32
Total deferred assets	—	33	—	33	—	1	32

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

Buildings	Nagaoka factory	Acquisition through merger with a subsidiary	472
Machinery and equipment	Nagaoka factory	Acquisition through merger with a subsidiary	65
Machinery and equipment	Nagaoka factory	Machine tool manufacturing equipment	57
Machinery and equipment	Shinshu factory	Machine tool manufacturing equipment	341
Tools, furniture and fixtures	Nagaoka factory	Acquisition through merger with a subsidiary	68
Tools, furniture and fixtures	Nagaoka factory	Machine tool manufacturing tools, etc.	79
Land	Nagaoka factory	Acquisition through merger with a subsidiary	111

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

Buildings	Headquarters	Decrease from impairment	99
Buildings	Headquarters	Decrease from sale	393
Land	Headquarters	Decrease from sale	59

3. 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.
4. 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.
5. The figure in parentheses in the “decrease in the fiscal year under review” is an impairment loss included in the decrease.

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	58	104	—	58	104
Reserve for product warranties	—	140	64	—	75
Reserve for bonus payment	225	123	225	—	123

Note A decrease in allowance for doubtful accounts during the term under review of 58 million yen is a reversal of the reserve after revaluation.

A reserve for product warranties was posted for the first time in the fiscal year under review. The decrease during the term under review of 64 million yen is relating to the preceding fiscal year.

(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	2,577
Ordinary account	26
Time diposit	40
Separate deposit	22
Foreign currency deposit	41
Subtotal	2,708
Total	2,714

(B) Trade notes receivable

Breakdown by trading partner

Partner	Amount (million yen)
Tsugami Machinery Co., Ltd.	57
Kubota Corporation	36
Kanematsu KGK Corporation	25
Maeki Corporation	23
Nissho Machinery Co., Ltd.	13
Other	69
Total	226

Breakdown by due date

Due date	Amount (million yen)
April 2009	44
May 2009	21
June 2009	39
July 2009	38
August 2009	28
September 2009	44
October 2009 or later	7
Total	226

(C) Trade accounts receivable

Breakdown by debtor

Debtor	Amount (million yen)
Precision Tsugami (China) Corporation	1,167
Kyowa Koki Co., Ltd.	732
WEMCO Werkzeugmaschinen Automation GMBH	296
Aisin AW Co., Ltd.	243
Henko Machine Tools Pte Ltd.	203
Other	2,669
Total	5,312

Occurrence, collection, and retention of trade accounts receivable

Amount carried forward from previous term (million yen) (A)	Amount accrued during the term under review (million yen) (B)	Amount collected during the term under review (million yen) (C)	Amount carried forward to following term (million yen) (D)	Collection rate (%) $\frac{(C)}{(A)+(B)} \times 100\%$	Retention period (days) $\frac{\frac{(A)+(D)}{2}}{\frac{(B)}{365}}$
9,044	22,672	26,403	5,312	83.3	115.8

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

(D) Commodities and products

Type	Amount (million yen)
Commodities	
Machine tool parts	1
Products	
Machine tools	
Automatic lathes	827
Grinding machines	11
Machining centers	68
Rolling machines, etc.	33
Other	79
Total	1,022

(E) Goods in process

Type	Amount (million yen)
Machine tools	
Automatic lathes	3,579
Grinding machines	415
Machining centers	428
Rolling machines, etc.	129
Other	53
Total	4,605

(F) Raw materials and supplies

Type	Amount (million yen)
Raw materials	
Main materials	
Steel	29
Castings	5
Parts	
Purchased parts	1,574
Outside parts	146
Manufactured parts	22
Supplies	
Consumables	2
Total	1,780

(ii) Current liabilities

(A) Trade notes payable

Breakdown by trading partner

Creditor	Amount (million yen)
Fanuc Ltd.	296
Kantoh, Ltd.	130
Seven-S Co., Ltd.	77
Niigata Ntn, K.K.	49
Alps Tool Co., Ltd.	48
Other	1,097
Total	1,700

Breakdown by due date

Due date	Amount (million yen)
April 2009	768
May 2009	421
June 2009	273
July 2009	166
August 2009	34
September 2009	35
Total	1,700

(B) Trade accounts payable

Creditor	Amount (million yen)
Nissin Manufacturing Co., Ltd.	217
Tsugami General Service Co., Ltd.	190
TORNOS S.A.	61
Tsugami Precision Co., Ltd.	43
Tsugami Machinery Co., Ltd.	23
Other	139
Total	675

(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 Administrator of shareholders' list Contact place Repurchase fee	 (Special purpose account) Securities Transfer Department, Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo (Special purpose account) Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo ―――――――― 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 *Kanpou* (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 stock acquisition rights for 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

105th fiscal year (from April 1, 2007 to March 31, 2008) Submitted to the director general of the Kanto Finance Bureau on June 23, 2008

(2) Quarterly reports and confirmation documents

1st quarter of the 106th fiscal year (from April 1, 2008 to June 30, 2008) Submitted to the director general of the Kanto Finance Bureau on August 13, 2008

2nd quarter of the 106th fiscal year (from July 1, 2008 to September 30, 2008) Submitted to the director general of the Kanto Finance Bureau on November 13, 2008

3rd quarter of the 106th fiscal year (from October 1, 2008 to December 31, 2008) Submitted to the director general of the Kanto Finance Bureau on February 12, 2009

(3) Extraordinary report

Submitted to the director general of the Kanto Finance Bureau on June 24, 2008

An extraordinary report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 2-2 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, Etc.

Submitted to the director general of the Kanto Finance Bureau on March 16, 2009

An extraordinary report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, Etc.

Submitted to the director general of the Kanto Finance Bureau on May 14, 2009

An extraordinary report under Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9 of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, Etc.

(4) Reissued extraordinary report

Submitted to the director general of the Kanto Finance Bureau on July 7, 2008

A reissued report relating to the extraordinary report submitted on June 24, 2008

(5) Report on state of purchase of treasury stock

Reporting period (from March 1, 2008 to March 31, 2008) Submitted to Director General of Kanto Finance Bureau on April 14, 2008

Reporting period (from April 1, 2008 to April 30, 2008) Submitted to Director General of Kanto Finance Bureau on May 14, 2008

Reporting period (from May 1, 2008 to May 31, 2008) Submitted to Director General of Kanto Finance Bureau on June 12, 2008

Reporting period (from June 1, 2008 to June 30, 2008) Submitted to Director General of Kanto Finance Bureau on July 14, 2008

Reporting period (from July 1, 2008 to July 31, 2008) Submitted to Director General of Kanto Finance Bureau on August 13, 2008

Reporting period (from August 1, 2008 to August 31, 2008) Submitted to Director General of Kanto Finance Bureau on September 11, 2008

Reporting period (from September 1, 2008 to September 30, 2008) Submitted to Director General of Kanto Finance Bureau on October 14, 2008

Reporting period (from October 1, 2008 to October 31, 2008) Submitted to Director General of Kanto Finance Bureau on November 14, 2008

Reporting period (from November 1, 2008 to November 30, 2008) Submitted to Director General of Kanto Finance Bureau on December 12, 2008

Reporting period (from December 1, 2008 to December 31, 2008) Submitted to Director General of Kanto Finance Bureau on January 14, 2009

Reporting period (from January 1, 2009 to January 31, 2009) Submitted to Director General of Kanto Finance Bureau on February 13, 2009

Reporting period (from February 1, 2009 to February 28, 2009) Submitted to Director General of Kanto Finance Bureau on March 12, 2009

Reporting period (from March 1, 2009 to March 31, 2009) Submitted to Director General of Kanto Finance Bureau on April 14, 2009

Reporting period (from April 1, 2009 to April 30, 2009) Submitted to Director General of Kanto Finance Bureau on May 14, 2009

Reporting period (from May 1, 2009 to May 31, 2009) Submitted to Director General of Kanto Finance Bureau on June 12, 2009

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

Not applicable.

Independent Auditor's Report

June 20, 2008

Board of Directors
Tsugami Corporation

KPMG AZSA & Co.

Designated and engagement partner
Certified public accountant Tadao Fueki

Designated and engagement partner
Certified public accountant Shigehisa Horinokita

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, 2007 to March 31, 2008, 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, 2008 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.

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 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.

Independent Auditor's Report

June 20, 2008

Board of Directors
Tsugami Corporation

KPMG AZSA & Co.

Designated and engagement partner
Certified public accountant Tadao Fueki

Designated and engagement partner
Certified public accountant Shigehisa Horinokita

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 105th fiscal year from April 1, 2007 to March 31, 2008, 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, 2008 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.

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.

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 22, 2009
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) Osaka Securities Exchange Co., Ltd. (1-8-16, Kitahama, Chuo-ku, Osaka-shi)

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, 2009 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, 2009.

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.