

Financial Information  
As of March 31<sup>st</sup>, 2016

(The English translation of the  
“有価証券報告書”  
(Yuukashoken-Houkokusho)  
For the fiscal year ended March 31<sup>st</sup>, 2016)

Tokyo Seimitsu Co., Ltd.

This report is based on the Company's Japanese-language annual filing “有価証券報告書 (Yuukashoken-Houkokusho, Securities Report)”, with the Financial Services Agency “Kanto Local Finance Bureau” (Translated from Part 1 “Company Information”, section 1 “Company Overview” to Part 1, section 5 “Financial Information” - 1. “Consolidated Financial Statements”) for reference purposes only.

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## [Cover]

[Submitted document]	Securities Report ("Yuukashoken-Houkokusho")
[Article of the applicable law requiring submission of this document]	Article 24, Paragraph 1 of the Securities Exchange Law
[Filed to]	Director, Kanto Local Finance Bureau
[Date submitted]	June 24 <sup>th</sup> , 2016
[Business year]	93 <sup>rd</sup> Fiscal Term (from April 1 <sup>st</sup> , 2015 to March 31 <sup>st</sup> , 2016)
[Company name in Japanese]	株式会社東京精密 <i>(Kabushiki-Gaisha Tokyo Seimitsu)</i>
[Company name in English]	Tokyo Seimitsu Co., Ltd.
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# Part I [Company Information]

## Section 1 [Company Overview]

### 1 [Key financial data and trends]

#### (1) Trends in consolidated management indicators and related data

Fiscal term	89 <sup>th</sup>	90 <sup>th</sup>	91 <sup>st</sup>	92 <sup>nd</sup>	93 <sup>rd</sup>
Fiscal Year ended	March, 2012	March, 2013	March, 2014	March, 2015	March, 2016
Net sales (Millions yen)	57,727	51,013	55,268	66,445	70,274
Ordinary income (Millions yen)	9,301	7,892	9,024	12,791	13,232
Net Income attributable to Owners of the Parent (Millions yen)	8,607	3,995	5,858	8,993	9,704
Comprehensive income (Millions yen)	8,361	4,718	7,168	10,969	7,199
Net assets (Millions yen)	52,789	57,304	64,668	74,371	79,418
Total assets (Millions yen)	77,845	77,862	82,565	98,457	101,933
Net assets per share (yen)	1,276.39	1,384.43	1,557.28	1,787.05	1,903.29
Net income per share (yen)	208.83	96.93	142.06	217.97	234.58
Diluted net income per share (yen)	208.54	96.72	141.49	216.93	233.29
Equity ratio (%)	67.6	73.3	77.8	75.0	77.3
Return on equity (%)	17.7	7.3	9.7	13.0	12.7
Price earnings ratio (Times)	8.2	20.2	12.8	12.6	9.4
Cash flow from operating activities (Millions yen)	8,914	8,337	6,434	10,820	7,210
Cash flow from investing activities (Millions yen)	- 3,298	- 3,019	- 1,374	- 2,958	- 3,823
Cash flow from financing activities (Millions yen)	- 5,327	- 4,322	- 3,244	-1,762	-2,851
Cash and cash equivalents at end of fiscal year (Millions yen)	16,452	18,147	20,411	26,775	27,308
Number of Employees (Average number of part-time employees, not included in the above figure.) (Person)	1,144 (470)	1,275 (495)	1,393 (540)	1,447 (620)	1,559 (690)

Notes: 1. "Net sales" are presented exclusive of consumption tax.

2. Upper number in "Employees" indicates the number of full-time employees.

3. In accordance with "Accounting Standard for Business Combination (ASBJ Statement No.21, Sep. 13, 2013)," Net Income indicates Net Income attributable to Owners of the Parent from this fiscal year.

(2) The Trends in non-consolidated management indicators and related data

Fiscal term	89 <sup>th</sup>	90 <sup>th</sup>	91 <sup>st</sup>	92 <sup>nd</sup>	93 <sup>rd</sup>
Fiscal Year ended	March, 2012	March, 2013	March, 2014	March, 2015	March, 2016
Net sales (Millions yen)	50,316	40,887	45,189	54,577	59,159
Ordinary income (Millions yen)	7,167	6,277	7,046	10,048	10,051
Net income (Millions yen)	7,773	3,626	4,999	7,497	7,851
Common stock (Millions yen)	10,215	10,216	10,238	10,295	10,374
Number of shares issued (shares)	41,253,981	41,254,781	41,278,381	41,340,681	41,423,381
Net assets (Millions yen)	41,633	44,921	49,910	57,000	61,806
Total assets (Millions yen)	66,877	64,979	65,653	78,157	81,641
Net assets per share (yen)	1,005.76	1,084.04	1,202.32	1,370.62	1,482.79
Cash dividends per share (yen)	16.00	16.00	23.00	55.00	59.00
(Interim cash dividends included herein) (yen)	(8.00)	(8.00)	(10.00)	(22.00)	(26.00)
Net income per share (yen)	188.59	87.97	121.22	181.72	189.80
Diluted net income per share (yen)	188.32	87.78	120.73	180.86	188.76
Equity ratio (%)	62.0	68.8	75.5	72.4	75.2
Return on equity (%)	20.5	8.4	10.6	14.1	13.3
Price earnings ratio (Times)	9.1	22.2	15.0	15.2	11.6
Dividend payout ratio (%)	8.5	18.2	19.0	30.3	31.1
Number of Employees (Average number of temporary employees, not included in the above figure). (Person)	582 (280)	613 (285)	618 (330)	637 (380)	679 (440)

Notes: 1. "Net sales" are presented exclusive of consumption tax.

2. Upper number in "Employees" indicates the number of full-time employees.

## 2 [History]

March, 1949	Tokyo Seimitsu Kogu Co., Ltd. (the predecessor of Tokyo Seimitsu Co., Ltd.) was established, and began production and sales of cutting tools for sewing machine manufactures and various precision parts and tools. Capital: 1,600,000 yen
January, 1953	The company successfully developed Japan's first high pressure flow-type micrometer.
October, 1957	The company successfully developed Japan's first LVDT-type electric micrometer.
April, 1962	The company was renamed Tokyo Seimitsu Co., Ltd.
August, 1962	The company's stock was listed on the Second Section of the Tokyo Stock Exchange.
December, 1963	First phase construction at the Hachioji Plant was completed.
February, 1967	Second phase construction at the Hachioji Plant was completed.
April, 1969	Tosei Engineering Services Co., Ltd. (now Tosei Engineering Corp.) was established as a company for providing post-sales services.
July, 1969	First phase construction at the Tsuchiura Plant was completed.
January, 1971	Construction of the main building at the Hachioji Plant was completed.
August, 1981	Construction of the Tsuchiura coordinate measuring machine plant was completed.
October, 1985	Tosei Systems Co., Ltd. was established as a company for carrying out software development.
September, 1986	The company's stock was selected for listing on the First Section of the Tokyo Stock Exchange.
March, 1989	Tokyo Seimitsu Europe GmbH (now Accretech (Europe) GmbH) was established in West Germany (now Germany) as a center for overseas business operations.
October, 1989	Tokyo Seimitsu America, Inc. was established in the U.S. as a center for overseas business operations.
October, 1992	Tokyo Seimitsu purchased the U.S. company Silicon Technology Corporation in order to obtain an overseas production center.
April, 1995	The holding company TSK America, Inc. was established for integrated management of U.S. subsidiaries.
July, 1997	Construction for expansion of the Hachioji Plant (No. 2 plant building) was completed.
January, 1998	In order to streamline production and sales for the North America region, four local subsidiaries in the U.S. were merged, with TSK America, Inc. as the surviving company.
February, 1999	Tokyo Seimitsu increased the capitalization of Micro Technologies Co., Ltd. and reorganized it as a company for production of wafer inspection systems.
April, 1999	Construction of the Tsuchiura head office building and plant for our subsidiary Tosei Engineering Corp. was completed.
March, 2001	Construction of the new main building at the Hachioji Plant was completed.
June, 2001	Stock of Tokyo Seimitsu subsidiary Tosei Engineering Corp. was listed on the Second Section of the Tokyo Stock Exchange.
October, 2002	Accretech (China) Co., Ltd. was established as a center for sales, distribution, and maintenance services in China.
March, 2005	Construction of the Hachioji No. 3 Plant and Tsuchiura new main building was completed.
October, 2005	In order to increase the competitiveness and improve the corporate value of the Tokyo Seimitsu Group, Tokyo Seimitsu carried out a share exchange in order to make the subsidiary Tosei Engineering Corp. a wholly owned subsidiary. As a result, Tosei Engineering Corp. was delisted from the Tokyo Stock Exchange.
January, 2007	Tokyo Seimitsu increased the capitalization and reorganized a former local company to create Accretech Korea Co., Ltd. in order to strengthen the sales, service, and support operations for the Korea semiconductor market.



April, 2007	Tokyo Seimitsu merged the subsidiary Accretech Micro Technologies Co., Ltd. in order to strengthen the competitiveness of the wafer inspection systems business.
March, 2008	Construction of the Tsuchiura semiconductor plant at our subsidiary Tosei Engineering Corp. was completed.
April, 2008	Construction of the CMM building at the Tsuchiura Plant was completed.
April, 2009	Tokyo Seimitsu Co., Ltd. USA office was opened as a center for sales in North America.
June, 2010	Head office was relocated from Mitaka-shi, Tokyo to Hachioji-shi, Tokyo.
June, 2011	Construction of the Hachioji No. 5 Plant was completed.
April, 2012	Tokyo Seimitsu closed USA office and established Accretech America Inc. as a center of sales in North America.
August, 2012	Tokyo Seimitsu started precision dicing blade business after assignment of business.
September, 2014	Accretech Adamas (Thailand) Co., Ltd. was established for constructing an overseas plant to manufacture Precision dicing blades.

### 3 [Business overview]

The Tokyo Seimitsu Group (the "Group") is composed of Tokyo Seimitsu Co., Ltd. (the "Company") and 31 subsidiary companies, with its primary business being the manufacturing and sales of Semiconductor production equipment (SPE) and Metrology instruments.

Segmentation (as per Financial Announcements) of results is provided on the basis of business categories as shown below.

#### Semiconductor production equipment (SPE) business

This business handles manufacturing and inspection equipment such as wafer probing machines, wafer dicing machines, and other machines used in the semiconductor manufacturing and testing process. In this business, the Company is responsible for the primary production elements. Our subsidiary Tosei Engineering Corp is responsible for production of other related products. Sales and post-sales service are carried out primarily by the Company and software is provided by our subsidiary Tosei Systems Co., Ltd.

For overseas sales, in addition to exports by the Company, sales are conducted in America by our subsidiary Accretech America Inc., in Europe by our subsidiary Accretech (Europe) GmbH, and in Asia by our subsidiaries such as Accretech Korea Co., Ltd., Accretech (China) Co., Ltd., and Accretech Taiwan Co., Ltd. etc.

#### <Major affiliates>

Tosei Engineering Corp., Tosei Systems Co., Ltd., Accretech America Inc., Accretech (Europe) GmbH, Accretech Korea Co., Ltd, Accretech (China) Co., Ltd., Accretech Taiwan Co., Ltd., and Accretech (Malaysia) Sdn Bhd.

#### Metrology business

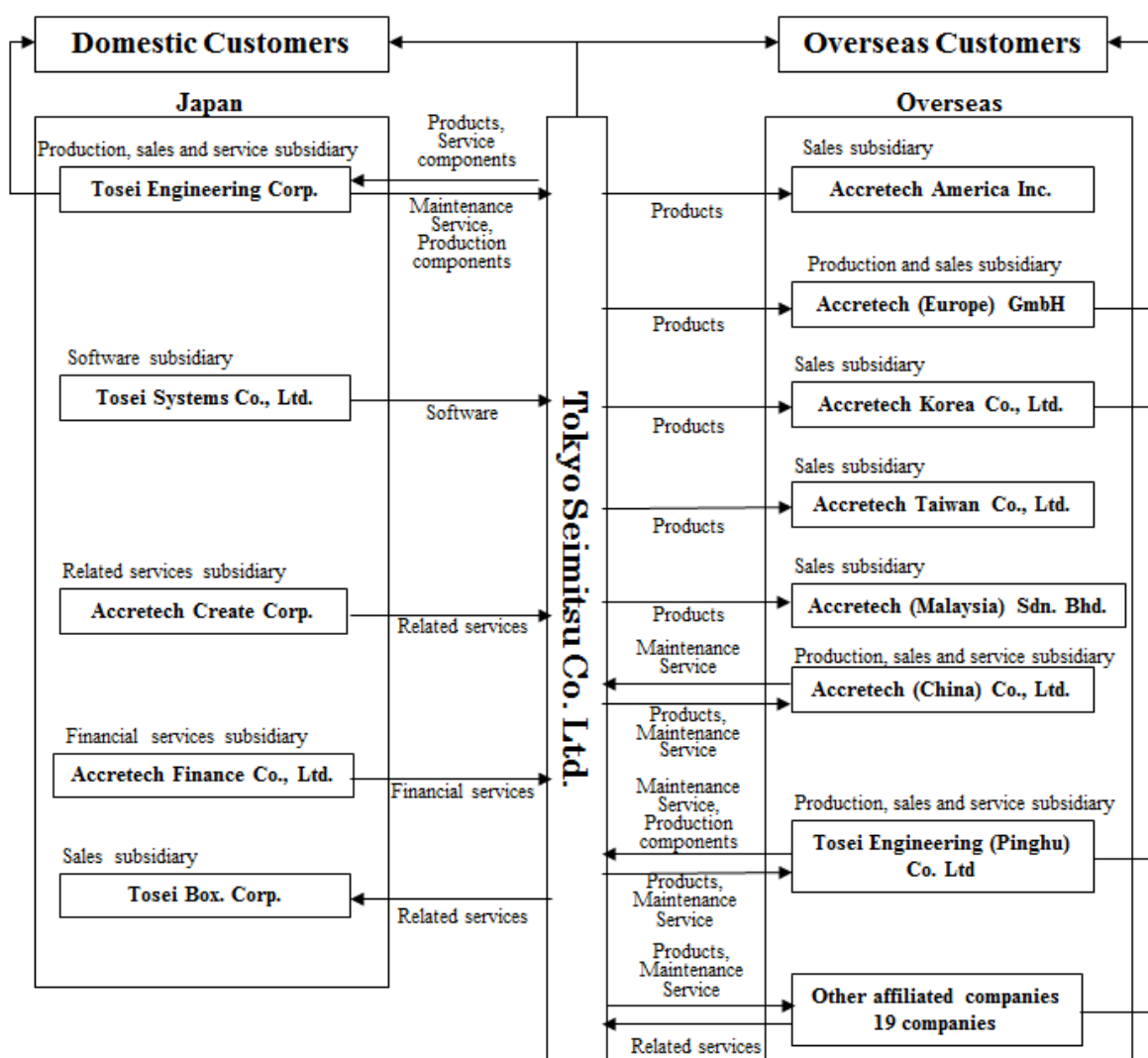
This business handles 3D coordinate measuring machines, surface texture and contour measuring systems, and other precision measuring systems. For this business, the Company and Tosei Engineering Corp. are responsible for the production and primary elements of sales and our subsidiary Tosei Systems Co., Ltd. provides software. Certain related products are manufactured by Tosei Engineering (Pinghu) Co., Ltd. and Tosei (Thailand) Co., Ltd.

For overseas sales, in addition to exports by the Company and Tosei Engineering Corp, sales are conducted in America by our subsidiary Tosei America, Inc., in Europe by our subsidiary Accretech (Europe) GmbH and in Asia by our subsidiaries such as Accretech Korea Co., Ltd. and Accretech (China) Co., Ltd. etc.

#### <Major affiliates>

Tosei Engineering Corp., Tosei Systems Co., Ltd., Accretech (Europe) GmbH, Accretech (China) Co., Ltd., Tosei Engineering (Pinghu) Co., Ltd, Tosei (Thailand) Co., Ltd. and Tosei America, Inc.

The correlation between Company and Group subsidiary are as shown below.



Our consolidated and non-consolidated subsidiaries are as shown below.

	Consolidated subsidiaries	Non-consolidated subsidiaries	Affiliated companies
Company Name	Tosei Engineering Corp Tosei Systems Co., Ltd Accretech Create Corp Tosei Box Corp Accretech Finance Co., Ltd Accretech America Inc. Accretech (Europe) GmbH Accretech Korea Co., Ltd Accretech (China) Co., Ltd Accretech Taiwan Co., Ltd Accretech (Malaysia) Sdn Bhd Tosei Engineering (Pinghu) Co., Ltd Tosei (Thailand) Co., Ltd Tosei America., Inc.	Accretech (Singapore) Pte. Ltd Tokyo Seimitsu (Thailand) Co., Ltd Accretech Adamas (Thailand) Co., Ltd Accretech Vietnam Co., Ltd PT Accretech Indonesia Accretech Do Brazil Ltda Tosei Korea Co., Ltd. Tosei Taiwan Co., Ltd. PT Tosei Indonesia Tosei Engineering Malaysia Sdn. Bhd Tosei Philippines Corporation Tosei Engineering Private Limited Tosei Canada Measuring Inc. Tosei Mexico S.A. De.C.V Tosei Brasil Comércio de Instrumentos de Medição Ltda Accretech-Tosei Hungary Kft Accretech (Pinghu) Co., Ltd	No corresponding companies

#### 4 [Overview of affiliates]

Name of company	Location	Capital or investment	Description of Principal business	Percentage voting rights held by Company (holding Company)		Relationship with Company				
				Hold by Company (%)	Holding Company (%)	Concurrent Position as Directors		Business transactions	Financial assistance	Leasing of fixed assets
						by directors	by employees			
(Consolidated subsidiaries)										
Tosei Engineering Corp	Tsuchiura, Ibaraki	(Millions yen) 988	SPE business Metrology business	100.0	-	2	-	Supply of products for SPE to the Company, and maintenance and services for products related to the Company's metrology instruments	No	Yes
Tosei Systems Co., Ltd	Hachioji, Tokyo	(Millions yen) 50	SPE business Metrology business	100.0	-	3	-	Provision of software to the Company's products	No	Yes
Accretech Create Corp.	Hachioji, Tokyo	(Millions yen) 10	SPE business Metrology business	100.0	-	-	1	Transit insurance services to the Company's products	No	Yes
Tosei Box Corp	Hachioji, Tokyo	(Millions yen) 10	Metrology business	100.0 (30.0)	-	1	-	Provision of office facilities to the Company	Yes	Yes
Accretech Finance Co., Ltd	Hachioji, Tokyo	(Millions yen) 50	SPE business Metrology business	100.0	-	1	1	Provision of short-term loans to the Company	No	No
Accretech America Inc.	Richardson, Texas, USA	(1,000s USD) 4,500	SPE business	100.0	-	2	-	Sales of products related to the Company's SPE	No	No
Accretech (Europe) GmbH	Munich, Bavaria, Germany	(1,000s Euro) 1,500	SPE business Metrology business	100.0	-	3	-	Sales of products related to the Company's SPE and metrology instruments	No	No
Accretech Korea Co., Ltd.	Seongnam-si, Gyeonggi-do Korea	(Millions KRW) 1,000	SPE business Metrology business	100.0	-	3	2	Sales of products related to the Company's SPE and metrology instruments	No	No
Accretech (China) Co., Ltd.	Shanghai, China	(1,000s CNY) 15,211	SPE business Metrology business	100.0	-	3	2	Sales of products related to the Company's SPE and metrology instruments	No	No
Accretech Taiwan Co., Ltd.	Jhubei, Hsinchu, Taiwan	(1,000s TWD) 60,000	SPE business	100.0	-	4	-	Sales of products related to the Company's SPE and metrology instruments	No	No
Accretech (Malaysia) Sdn Bhd.	Petaling Jaya, Selangor Malaysia	(1,000s MYR) 1,000	SPE business	100.0	-	1	2	Sales of products related to the Company's SPE	No	No
Tosei Engineering (Pinghu) Co., Ltd.	Pinghu, Zhejiang, China	(1,000s CNY) 39,480	SPE business Metrology business	100.0 (100.0)	-	1	-	-	No	No
Tosei (Thailand) Co., Ltd	Muang Chonburi, Thailand	(1,000s THB) 6,000	Metrology business	49.0 (49.0)	-	-	-	-	No	No
Tosei America, Inc.	Cincinnati, Ohio, USA	(1,000s USD) 1	Metrology business	100.0 (100.0)	-	-	-	-	No	No

Notes: 1. The "Description of Principal business" column lists the name of the business segment(s).

2. Figures listed in (%) in the "Percentage voting rights held by Company (holding Company)" indicate the (%) indirectly held.

3. Company holds 49.0% of Voting Rights for Tosei (Thailand) Co., Ltd., however, it is listed as a subsidiary because the Company substantially controls Tosei (Thailand) Co., Ltd.

4. Of the above companies, Tosei Engineering Corp and Accretech Taiwan Co., Ltd. are specified subsidiaries.

5. None of the above companies has filed a securities registration statement or securities report ("Yuukashoken-Houkokusho").

## 5 [Employees]

### (1) Consolidated companies

At March 31<sup>st</sup>, 2016

Name of business segment	Number of employees (person)
SPE business	788 (330)
Metrology business	663 (320)
Company-wide (corporate staff)	108 (40)
Total	1,559 (690)

Notes: 1. The number of employees presented above represents full-time employees.

2. The number in parentheses in the "Number of employees" column is the average annual number of part-time employees which have not been included in the number of full-time employees.

### (2) The Company

At March 31<sup>st</sup>, 2016

Number of employees (person)	Average age (years)	Average years of continuous service (years)	Average annual salary (yen)
679 (440)	41.3	12.7	7,523,864

Name of business segment	Number of employees (person)
SPE business	444 (280)
Metrology business	193 (130)
Company-wide (corporate staff)	42 (30)
Total	679 (440)

Notes: 1. The number of employees presented above represents full-time employees.

2. The number in parentheses in the "Number of employees" column is the average annual number of part-time employees which have not been included in the number of full-time employees.

3. The average annual salary includes bonuses and overtime pay.

### (3) Trade union

The trade union for this company is a member of Japan Association of Metal, Machinery, and Manufacturing workers (JAM). There are no particular items concerning labor-management relations which require mentioning. While trade unions have not been formed at our consolidated subsidiaries, the labor-management relationships in those subsidiaries are good.

## Section 2 [Business Overview]

### 1 [Overview of business results]

#### (1) Operating results

Global business conditions in the Fiscal Year ended March 31<sup>st</sup>, 2016 (hereinafter referred to as FY2016/3) were characterized by a gradual economic recovery continuing in the USA, accompanied by an improvement in the employment situation, business activity and strong private consumption and European economies displaying strong private consumption and a gradual recovery trend. Also, some improvement in corporate income and the labor market continued in Japan. Hence on the whole, global business conditions were steadily expanding. On the other hand, the Chinese economy faces a further slowdown and economic growth in emerging Asian countries continues to be sluggish. Given the decreasing price of natural resources, geopolitical risks in Europe and the Middle East and rapid Japanese Yen appreciation, the prospects for future business conditions remain unclear.

Under the business conditions outlined above, Consolidated Business Performance improved both in Sales and Profits, with active investments by our main users both in the Semiconductor Production Equipment and Metrology business segments. Consolidated Sales in the Fiscal Year 2016/3 (April 1<sup>st</sup>, 2015 – March 31<sup>st</sup>, 2016) were ¥70.274 billion (up 5.8% YoY), Operating Income was ¥13.222 billion (up 9.1% YoY), Ordinary Income was ¥13.232 billion (up 3.4% YoY), and Net Income Attributable to Owners of the Parent was ¥9.704 billion (up 7.9% YoY).

Business results during the term in each segment were as follows.

#### A. SPE business segment

In the SPE business segment, electronics component manufacturers had been actively investing in SPE. Although in the 2<sup>nd</sup> half, semiconductor manufacturers decreased capital investment and adjusted inventories in the face of decreased demand in emerging markets - in particular from China which faced continuing economic uncertainty after the summer period. The trend in the past few years has shown fluctuating demand within short cycles including a rapid increase in demand after a slow 3<sup>rd</sup> quarter. However, under the recent circumstances, the rapid increase in orders in the 4<sup>th</sup> quarter did not eventuate. As a result and combined with investment demand for semiconductors for automobiles and needs for new packaging technology, the SPE segment displayed a gradual recovery.

Accordingly, Sales for our SPE segment in this Fiscal Year were ¥41.773 billion (up 4.0% YoY), and Segment Profit(Operating Income) was ¥7.339 billion (up 5.4% YoY).

#### B. Metrology business Segment

In the Metrology business segment, the automobile industry, which is the major user of our products, has continued capital investments to establish world-wide production structures and build production innovation for further efficiency and the machine tools industry and the aircraft industry continued to show steady demand. Also, government incentives to provide financial support for investment by domestic small and medium enterprises have also had a notable consistent positive effect.

for our Metrology business segment in this Fiscal Year were ¥28.500 billion (up 8.5% YoY) and Segment Profit(Operating Income) was ¥5.883 billion (up 14.0% YoY).

Note: The above amounts are exclusive of consumption tax.

## (2) Cash flows

Cash and cash equivalents as at March 31<sup>st</sup> 2016 amounted to ¥27.308 billion, an increase of ¥261 million from the end of FY2015/3. The status of cash flows and factors behind them are given below.

Cash and cash equivalents earned from operating activities (amount of positive cash flow) significantly decreased from ¥10.820 billion in FY2015/3 to ¥7.210 billion in FY2016/3. This was primarily due to the fact that Increase in trade notes and accounts payable decreased from ¥2.349 billion to ¥268 million in FY2016/3, and also that Payment of income taxes increased from ¥2.059 billion to ¥3.820 billion in FY2016/3.

Cash and cash equivalents used in investment activities increased from ¥2.958 billion in FY2015/3 to ¥3.823 billion in FY2016/3. This is mainly because of an increase of Payment for purchase of tangible fixed assets from ¥1.525 billion to ¥3.162 billion in FY2016/3.

Net cash used in financing activities increased from ¥1.762 billion in FY2015/3 to ¥2.851 billion in FY2016/3, due to an increase in Dividend payments from ¥1.443 billion to ¥2.438 billion in FY2016/3.

## 2 [Production, orders, and sales]

### (1) Actual Production

The production results for each business segment in FY2016/3 are shown below.

Business segment	Production (Millions yen)	YoY (%)
SPE business	39,702	4.3
Metrology business	26,720	5.3
Total	66,422	4.7

Notes: 1. The above production results are based on the sales prices.

2. The above amounts are exclusive of consumption tax.

### (2) Orders received

The orders received for each business segment in FY2016/3 are shown below.

Business segment	Orders received (Millions yen)	YoY (%)	Order backlog (Millions yen)	YoY (%)
SPE business	41,033	- 5.2	11,706	- 6.1
Metrology business	28,126	4.4	6,288	1.5
Total	69,159	- 1.5	17,994	- 3.6

Note: The above amounts are exclusive of consumption tax.

### (3) Actual Sales

The sales amounts for each business segment in FY2016/3 are shown below.

Business segment	Sales (Millions yen)	YoY (%)
SPE business	41,773	4.0
Metrology business	28,500	8.5
Total	70,274	5.8

Notes: 1. The sales amounts for each major customer and their ratio to total sales are omitted because there are no customers with sales amounts that account for 10% or more of total sales.

2. The above amounts are exclusive of consumption tax.

### 3 [Issues for the Company and the Group]

#### (1) Establishing profitable structure

To keep providing the World's No.1 products, the Company Group is striving to proceed with product quality improvement and innovation of manufacturing. The Group has already obtained excellent business results in many measures, however, the Group will continue to proceed with its growth strategy to achieve further improvements in business results.

#### (2) Continuous profit distribution

Company management is acutely aware that continuous dividend payments remain a key indicator of business success and thorough business recovery.

#### (3) Strengthening corporate governance

Recognizing the need of corporate governance to ensure fair and transparent management activities as a reliable corporate citizen in the international community, the Company has established the following five basic policies to ensure sound and transparent management.

1. The Board of Directors strives to properly perform its roles and responsibilities to make transparent, fair, quick and committed decisions.
2. The Company respects the rights of shareholders and ensures the equality of shareholders.
3. The Company strives to have constructive dialogues with shareholders on investment policy that considers mid- to long-term returns for shareholders.
4. The Company strives to maintain appropriate collaboration with stakeholders other than shareholders, such as customers, suppliers, employees, creditors, and communities.
5. The Company strives to ensure proper information disclosure and transparency.

#### (4) Globalization

Since the sales organization has been fully localized in each region and the Company Group overseas sales have exceeded domestic sales, the Company Group has commenced local manufacturing such as in China and Thailand. With this note, the Company Group will optimize management organization for its global operations through actions such as hiring local management executives, establishing localized supply chains, and standardizing management information flows to and from Head Office.



#### 4 [Business and other risks]

Risk factors that may affect the Tokyo Seimitsu Group's business results, financial position, cash flows and other performance indicators are described below.

The Group is endeavoring to avert these risks and to reduce potential risks by hedging and diversifying. However, an unforeseen situation may have considerable influence on the Group's business performance.

Any future forecasts included in the following descriptions are based on the estimates or judgment of the Group as at the end of FY2016/3.

##### (1) Fluctuations in market conditions

The Group conducts SPE business and Metrology business on a global scale. Both of these business areas, as promising sectors in the development of an advanced information society, are expected to continue to grow. However, if the supply-demand balance is disturbed or economic conditions deteriorate in the markets of each business area, the Group's business performance could be adversely affected.

##### (2) Exchange rate fluctuations

In principle, the overseas sales are made on a Japanese Yen basis. However, transactions are carried out in US dollars with customers in the United States and/or some other regions and customers. For receivables denominated in U.S. dollars, foreign currency risks will be hedged using forward agreements and other methods if necessary, and whenever possible the transaction contracts themselves are changed to Japanese yen basis. However, in the event of unforeseen exchange rate fluctuations, the Group's business results may be influenced.

##### (3) Natural disasters and accidental disasters

In order to minimize damage caused by a possible interruption of production activities, the Group regularly conducts disaster prevention inspections and carries out production facility maintenance. Capital investment is also made to secure the safety of the facilities. Nevertheless, a sudden calamity, natural disaster or unforeseen accident could damage production facilities or interrupt operations, greatly impacting the Group's business performance.

##### (4) Procurement

It is essential for our production activities to procure high quality materials and services in a timely and proper manner from outside parties. Although the Group operates under a multiple source procurement system, the Group's business performance could be impacted due to the shortage of supply or delivery delay because some of the materials can be procured by some limited suppliers or it may become very difficult to change supplier due to the peculiarity. Also, the surge of materials and services' prices from the change of supply-demand could affect the Group's business performance.

##### (5) Environmental regulation

Several environmental regulations for water or air pollution prevention, industrial waste, energy, global warming and chemical substances in products are applicable to the Group in both Japan and overseas. The Group takes several measures in product development and manufacturing in order to reduce the impact to the environment and to comply with the related regulations. However, if these measures do not achieve the expected results or regulations and their enforcement are changed or become stricter, the Group's business performance could be adversely affected with limited production activities and increased costs incurred to comply with regulations.

##### (6) Country risk

The Group is engaged in business in various parts of the world and is operating at the optimum level within each country's political and legal system. However, unexpected changes in the political system or regulations in each country could have influence on the Group's business performance. Furthermore, terrorist attacks, wars, infectious diseases in counties or regions where the Group operates could have impact on its business results.

##### (7) Protection of intellectual property rights

The Group's SPE and precision Metrology instruments embody cutting edge technologies. Particular attention is paid to the protection of rights related to these technologies. Specifically, the Group has taken measures to defend its interest with regard to such matters as attribution of patent-related

rights and protection of trademarks and brands. However, if a lawsuit or other legal dispute with a third party in Japan or overseas were to arise concerning rights, the Group's business performance could be affected.

(8) Technological innovation

New technologies are developed on nearly a daily basis in the business areas of the Group. To develop state-of-the-art technologies and provide new products are essential in maintaining and strengthening the Group's competitiveness. However, there is no guarantee that the Group's research and development activities will always be successful.

(9) Product quality

The Group gives priority to improving quality and reliability of both its products and service activities. However, if an unexpected quality-related failure should occur, the expenditure to remedy such an issue might impact the Group's business performance.

(10) Information security

The Group possesses the customers' confidential information or personal information, and the Group's confidential information related to technologies, sales and others. The Group pays special attention to these confidential information to prevent the leak of information and falsification. However, it could be possible to have information leak or falsification due to the unforeseen events such as errors, information theft or outside attack. The Group's business performance could be impacted if those unforeseen events occur and the Group incurs liability costs as a result.

## 5 [Important business contracts]

<The Company>

### Mutual Agency Agreement

Name of counterparty	Contents of contract	Contract period
Carl Zeiss Inc. (Germany)	Mutual Agency Agreement in the multi-purpose measuring instruments field	Five years maximum beginning October 1 <sup>st</sup> , 2015

<Consolidated subsidiaries>

There are no notable contracts.

## 6 [R&D Activities]

The R&D activities of the Group are carried out primarily at the Company. They cover the full range of SPE products and measuring instrument products. Through these activities, we carry out fundamental research aimed at long-term growth, product improvements to boost the competitiveness of existing products, and the development of new product models.

The total amount of R&D costs for the Group in FY2016/3 was ¥6.292 billion. A description of the specific activities in each business segment is provided below.

### a. SPE business

In the SPE field, as the trends toward higher-precision LSI with finer structures and toward larger diameter wafers continue, the equipment at our customer companies is becoming increasingly diversified, as these companies pursue automation, higher precision, higher performance, and higher reliability in order to improve production yields and throughput. In recent years, significant advancements have been made in terms of higher wafer densities, multiple wafer layers, and thinner wafer sizes needed to accompany these finer structures. The Group is working for rapid development of next-generation devices in order to meet these market needs.

The major research and development results from FY2016/3 include, mostly continued from FY2015/3, “Probing machine performance improvement”, “Blade Dicing machine performance improvement”, “Polish Grinder performance improvement”, and “CMP application technology development”.

The total amount of R&D costs for this business area in FY2016/3 was ¥5.104 billion.

### b. Metrology business

As our customers continue to rationalize their production processes and implement factory automation, there are increasing demands for lower prices, in addition to demands for higher precision measurement accuracy and functionality. We are working to develop and improve a range of products to meet these needs.

The major research and development results from FY2016/3 include “Analysis software ACCTee performance improvement(continued from FY2015/3)”, “The development of an entry-class surface texture measuring system”, and “Opt-Scope performance improvement.”.

The total amount of R&D costs for this business area in FY2016/3 was ¥1.187 billion.

## 7 [Analysis of financial position and operating results, and Cash Flow]

### (1) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. When preparing the consolidated financial statements, we perform specific estimates which are necessary for calculations such as assets and liabilities at the end of the consolidated fiscal year, and income and expenses during the consolidated fiscal year. These estimates were performed for inventories, allowance for bad debts, deferred tax assets, investment securities, cost of sales, employee retirement benefit expenses, and other items. These estimates are based on past results with consideration for future expectations, and are performed with an emphasis on sustainable, rational, and conservative evaluation.

### (2) Analysis of financial position for FY2016/3

The financial position of the Group at the end of FY2016/3 consisted of total assets in the amount of ¥101.933 billion (¥72.710 billion in current assets and ¥29.223 billion in fixed assets), liabilities in the amount of ¥22.515 billion, and total net assets of ¥79.418 billion.

#### [1] Assets

Total assets at the end of FY2016/3 have increased ¥3.476 billion from the end of FY2015/3. There were an increase in Accounts receivable, an increase in Inventories, and an increase in Tangible fixed assets through construction of a new factory plant, although, these were offset by a decrease in Investment securities and a decrease in Net defined benefit assets driven by a stock market decline.

#### [2] Liabilities

Through a decrease of short and long term debts and a decrease of Deferred tax liabilities, an amount of Liabilities at the end of FY2016/3 decreased by ¥1.570 billion from the end of FY2015/3.

#### [3] Net assets

Total net assets at the end of FY2016/3 have increased by ¥5.046 billion from the end of FY2015/3, due to an increase in Shareholder's equity through Net Income attributable to Owners of the Parent and a decrease in Accumulated other comprehensive income, which comes from stock market and foreign exchange market fluctuations.

### (3) Analysis of operating results for FY2016/3

#### [1] Sales

Sales for FY2016/3 were ¥41.773 billion for the SPE business and ¥28.500 billion for the Metrology business, with a combined total of the two businesses of ¥70.274 billion. Business results in FY2016/3 have increased comprehensively because of firm demand for our products.

#### [2] Cost of sales, selling and general administrative expenses

Cost of sales for FY2016/3 was ¥42.185 billion and the Selling and general administrative expenses were ¥14.867 billion. The ratio of the cost of sales to total sales generally continued to be flat from 60.6%% in FY2015/3 to 60.0% in FY2016/3. The ratio of the selling and general administrative expenses to total sales also continued to be flat, from 21.1% for FY2015/3, to 21.2% for FY2016/3.

#### [3] Operating income

As results of [1] and [2] above, operating income for FY2016/3 was ¥13.222 billion.

#### [4] Non-operating income and expenses

Non-operating income for FY2016/3 was ¥243 million mainly from Dividend income, and Non-operating expenses for the same term was ¥232 million mainly due to Foreign exchange losses.

#### [5] Ordinary income

As recorded above, Ordinary income for FY2016/3 was ¥13.232 billion.

[6] Extraordinary gains and losses

Extraordinary gains in FY2016/3 were ¥8 million mainly from a Gain on reversal of share subscription rights. Extraordinary losses were limited to ¥0 million from a Loss on valuation of golf club membership.

[7] Income before income taxes and minority interests

As a result, Income before taxes and minority interests for FY2016/3 was ¥13.240 billion.

[8] Income taxes

Income taxes and other taxes in FY2016/3 were ¥3.484 billion and the ratio to income before income taxes and minority interests was 26.3%.

[9] Net income attributable to non-controlling interests

Net income attributable to non-controlling interests for FY2016/3 was ¥52 million.

[10] Net Income attributable to Owners of the Parent

As a result of the above, Net Income attributable to Owners of the Parent for FY2016/3 was ¥9.704 billion.

(4) Analysis of Cash Flow for FY2016/3

FY2016/3 Cash and cash equivalents earned from operating activities were ¥7.210 billion of positive cash flow, used in investing activities was ¥3.823 billion of negative cash flow, and used in financing activities was ¥2.851 billion of negative cash flow. As a result, Cash and cash equivalents at the end of FY2016/3 increased by ¥261 million to ¥27.308 billion. This was primarily due to factors including Income before income taxes and minority interests from operating activities, Payment for purchase of tangible fixed assets from investment activities, and Dividend payments from financing activities.

(5) Factors having important effects on the operating performance

Both the SPE and Metrology industries, which are the primary fields of activity for the Group, are industries with a fast pace of technological innovation and with intense competition, producing high-level technological demands. The industry which our customers operate in is the semiconductor industry, which regularly experiences cycles of expansion and contraction on a large-scale. The performance of the Group has been affected by these cycles many times in the past. In this environment, our most important tasks are to constantly develop new products and to continue creating a highly competitive product lineup which can keep the effects of market volatility to a minimum.

(6) Medium- and long-term management strategies

The Group builds cooperative Win-Win relationships with domestic and overseas companies and individuals that share a common goal. Behind all our efforts is the goal of being a truly global company. To accomplish this goal, the Group will concentrate resources into selected products targeting each business segment.

In recent years, the Group's overseas sales have exceeded domestic sales. Therefore, sales organization has been fully localized in each region, and such as in China and Thailand, local manufacturing has commenced. The Company Groups will optimize management organization for its global operations through actions such as hiring local management executives, establishing localized supply chains, establishing localized supply chains, and standardizing management information flows to and from Head Office.

## Section 3 [Equipment and Facilities]

### 1 [Overview of capital expenditures]

Capital expenditures of the Group are primarily centered on production equipment in both the SPE business and Metrology business, in order to expand future business opportunities and product differentiation versus competitors, and are aimed at rationalizing and labor-saving.

The total amount of capital expenditures in FY2016/3 was ¥3.795 billion. An overview of this investment by business segment is provided below.

#### (1) SPE business

Capital expenditures in this business are conducted primarily in preparation for expanding production of existing products, and for production lines to be available to respond quickly to the market situation and customer needs in a timely manner.

The primary contents of this investment were ¥1.324 billion as mobilization costs for our Hachioji Plant No. 6, ¥116 million for Polish Grinder for internal evaluation, ¥74 million for installation of a rooftop photovoltaic power system and ¥49 million for the purchase of a CNC Inner diameter grinding machine. Total capital expenditures in this business during FY2016/3 were ¥2.940 billion.

#### (2) Metrology business

Capital expenditures in this business were conducted primarily in preparation for expanding production, and also aimed at achieving cost reductions and constructing efficient and flexible production lines.

The primary contents of this investment were ¥52 million for ultra-precision formed grinding machines by the Company, and ¥117 million for CNC tool and cutter grinding machines and ¥25 million for purchase of a CNC automatic turning center by the Company's subsidiary, Tosei Engineering. Total capital expenditures in this business during FY2016/3 were ¥855 million.

## 2 [Major equipment and facilities]

### (1) The Company

At March 31<sup>st</sup>, 2016

Location	Business segment	Description	Book value (Millions yen)						Number of employees (person)
			Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m <sup>2</sup> )	Lease assets	Total	
Hachioji Headquarters, Plant (Hachioji, Tokyo)	SPE business	Production equipment, others	5,721	1,238	1,129	3,436 (37)	14	11,540	451
Tsuchiura Plant (Tsuchiura, Ibaraki)	Metrology business	Production equipment, others	1,488	69	183	151 (17)	3	1,896	141
Sales offices and satellite offices	SPE business, Metrology business	Air conditioning system, others	22	0	30	- (-)	1	54	87
Others	SPE business, Metrology business	Guest houses, others	15	-	-	50 (3)	-	65	0

Notes: 1. The book value does not include amounts for construction in progress account.

2. Currently there is no idle equipment.

### (2) Domestic subsidiaries

At March 31<sup>st</sup>, 2016

Company	Location	Business segment	Description	Book value (Millions yen)						Number of employees (person)
				Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m <sup>2</sup> )	Lease assets	Total	
Tosei Engineering Corp.	Head Office & Plants (Tsuchiura, Ibaraki, others)	SPE business Metrology business	Production equipment, others	2,045	527	102	1,914 (42)	-	4,588	304
Tosei Systems Co., Ltd.	Head Office (Hachioji, Tokyo)	SPE business Metrology business	Instrument supplies, others	0	-	1	- (-)	-	1	97
Accretech Create Corp.	Head Office (Hachioji, Tokyo)	SPE business Metrology business	Instrument supplies, others	0	-	0	- (-)	-	0	1
Tosei Box Corp.	Head Office (Hachioji, Tokyo)	Metrology business	Head office building, others	95	-	0	1 (1)	-	97	13

Notes: 1. The book value does not include amounts for construction in progress account.

2. Currently there is no idle equipment.

## (3) Overseas subsidiaries

At March 31<sup>st</sup>, 2016

Company	Location	Business segment	Description	Book value (Millions yen)						Number of employees (person)
				Buildings & structures	Machinery & vehicles	Tools & supplies	Land (1000s m <sup>2</sup> )	Lease assets	Total	
Accretech America Inc.	Head Office (Richardson, Texas, USA)	SPE business	Head office building, others	14	0	8	- (-)	-	23	38
Accretech (Europe) GmbH	Head Office (Munich, Bavaria, Germany)	SPE business	Head office building, others	20	15	31	- (-)	-	66	49
Accretech Korea Co., Ltd.	Head Office (Seongnam-si, Gyeonggi-do, Korea)	SPE business	Instrument supplies, others	-	5	6	- (-)	-	11	41
Accretech (China) Co., Ltd.	Head Office (Shanghai, China)	SPE business	Instrument supplies, others	-	8	43	- (-)	0	52	109
Accretech Taiwan Co., Ltd.	Head Office (Jhubei, Hsin-chu, Taiwan)	SPE business	Instrument supplies, others	2	-	9	- (-)	-	11	77
Accretech (Malaysia) Sdn Bhd.	Head Office (Petaling Jaya, Selangor Malaysia)	SPE business	Instrument supplies, others	5	40	11	- (-)	-	57	30
Tosei Engineering (Pinghu) Co., Ltd.	Head Office (Pinghu, Zhejiang, China)	SPE business	Production equipment, others	326	48	5	- (-)	-	380	60
Tosei (Thailand) Co., Ltd.	Head Office (Muang Chonburi, Thailand)	Metrology business	Production equipment, others	109	39	28	49 (4)	-	227	49
Tosei America, Inc.	Head Office (Cincinnati, Ohio, USA)	Metrology business	Instrument supplies, others	-	14	2	- (-)	-	16	12

Notes: 1. The book value does not include amounts for construction in progress account.

2. Currently there is no idle equipment.



### 3 [Plans for equipment and facility additions or disposals]

#### (1) Additions of major equipment and facilities

Company	Location	Business segment	Equipment or facility		Expected amount of investment		Start date	Expected completion date	
			Type	Description	Total (Millions yen)	Amount already invested (Millions yen)			
The Company	Hachioji Plant (Hachioji, Tokyo)	SPE business	Buildings and structures	Construction of Hachioji 6 <sup>th</sup> plant, others	4,934	2,718	Feb., 2015	March, 2017	
			Machinery	Vertical machining center, others	1,737	124	August, 2016	May, 2017	
			Tools, instruments	Digital Microscope, others	389	2	March, 2016	March, 2017	
			Software	Project management online system, others	163	-	April, 2016	March, 2017	
					7,223	2,844			
	Tsuchiura Plant (Tsuchiura, Ibaraki)	Metrology business	Buildings and structures	Demonstration rooms, others	148	5	March, 2016	Dec., 2016	
			Machinery	Coordinates measuring system, others	62	35	Oct., 2015	May, 2017	
			Tools, instruments	3-axes hybrid laser marking system, others	187	29	March, 2016	March, 2017	
			Software	Gross cost management system update, others	18	-	April, 2016	March, 2017	
					415	69			
	Head Office (Hachioji, Tokyo)	SPE business, Metrology business	Tools, instruments	Refresh of backbone network tools, others	171	-	April, 2016	July, 2017	
			Software	HR Payroll system update, others	111	-	April, 2016	July, 2017	
					282	-			
	Total					7,920	2,913		
	Tosei Engineering Corp.	Head Office, plants, and others (Tsuchiura, Ibaraki-ken, and elsewhere)	SPE business, Metrology business	Buildings and structures	Air conditioning system update in head office	4	-	May, 2016	June, 2016
Machinery				CNC combined lathe, others	132	-	April, 2016	August, 2016	
Vehicles				Sales vehicles	16	-	April, 2016	Sep., 2016	
Tools, instruments				X-ray Residual stress measurement tool, others	49	0	March, 2016	July, 2016	
					201	0			

Note: 1. Future required capital will be financed internally.

2. Because it is difficult to quantitatively estimate the capacity increase after completion, this information has been omitted.

3. The above amounts do not include consumption tax.

#### (2) Disposal of major equipment and facilities

Except for disposals conducted in the course of the Group's routine renewal of its equipment and facilities, there is no plan for significant disposals of any major equipment and facilities.

## Section 4 [Corporate Information]

### 1 [Information on the Company's shares]

#### (1) Number of shares and others

##### [1] Number of shares

Type	Total number of shares authorized to be issued
Common stock	110,501,100
Total	110,501,100

##### [2] Number of shares issued

Type	Number of shares issued at end of the fiscal year (As of March 31 <sup>st</sup> , 2016)	Number of shares issued on the filing date of the securities report (As of June 24 <sup>th</sup> , 2016)	Stock exchanges on which the Company is listed	Description
Common stock	41,423,381	41,427,481	Tokyo Stock Exchange (First Section)	Unit amount of stocks is 100.
Total	41,423,381	41,427,481	-	-

Note: The number of shares issued as of the filing date of the securities report does not include those issued upon the exercise of share subscription rights (including bonds with warrants for the purchase of shares of common stock issued under former Commercial Code of Japan) during the period from June 1<sup>st</sup>, 2016, through the filing date of this report.

(2) Status of share subscription rights

The 8<sup>th</sup> share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	229 *Note 1	227 *Note 1
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	22,900 *Note 1	22,700 *Note 1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1,642 per share *Note 2	Same as at left
Exercise period for share subscription rights	July 13 <sup>th</sup> , 2013-June 30 <sup>th</sup> , 2018	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1,642 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note5	Same as at left

The 9<sup>th</sup> share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	306 *Note 1	Same as at left
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	30,600 *Note 1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1,428 per share *Note 2	Same as at left
Exercise period for share subscription rights	July 24 <sup>th</sup> , 2014-June 30 <sup>th</sup> , 2019	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1,428 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

### The 10<sup>th</sup> share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	633 *Note 1	Same as at left
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	63,300 *Note 1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	2,162 per share *Note 2	Same as at left
Exercise period for share subscription rights	July 23 <sup>rd</sup> , 2015-June 30 <sup>th</sup> , 2020	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 2,162 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

### The 11<sup>th</sup> share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	709 *Note 1	706 *Note1
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	70,900 *Note 1	70,600 *Note1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1,876 per share *Note 2	Same as at left
Exercise period for share subscription rights	July 23 <sup>rd</sup> , 2016-June 30 <sup>th</sup> , 2021	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1,876 Amount to be credited to common stock *Note3	Same as at left
Conditions for exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

The 12<sup>th</sup> share subscription rights

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	745 *Note 1	742 *Note 1
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	74,500 *Note 1	74,200 *Note 1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	2,825 per share *Note 2	Same as at left
Exercise period for share subscription rights	July 23 <sup>rd</sup> , 2017-June 30 <sup>th</sup> , 2022	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 2,825 Amount to be credited to common stock *Note 3	Same as at left
Conditions for exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

Share subscription rights issued June 2005 (stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	96 *Note 1	80 *Note 1
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	9,600 *Note 1	8,000 *Note 1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	June 30 <sup>th</sup> , 2005-June 30 <sup>th</sup> , 2025	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock 1	Same as at left
Conditions for exercise of the share subscription rights	*Note 6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	-	-

Share subscription rights issued July 2006 (stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	66 *Note 1	55 *Note 1
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	6,600 *Note 1	5,500 *Note 1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 15 <sup>th</sup> , 2006-July 14 <sup>th</sup> , 2026	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note 3	Same as at left
Conditions for exercise of the share subscription rights	*Note 6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

Share subscription rights issued July 2007 (stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	84 *Note 1	72 *Note 1
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	8,400 *Note 1	7,200 *Note 1
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 20 <sup>th</sup> , 2007-July 19 <sup>th</sup> , 2027	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note 3	Same as at left
Conditions for exercise of the share subscription rights	*Note 6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

Share subscription rights issued July 2011 (stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	275 *Note 1	Same as at left
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	27,500 *Note 1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 13 <sup>th</sup> , 2011-July 12 <sup>th</sup> , 2031	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note 3	Same as at left
Conditions for exercise of the share subscription rights	*Note 6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

Share subscription rights issued July 2012 (stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	275 *Note 1	Same as at left
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	27,500 *Note 1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 24 <sup>th</sup> , 2012-July 23 <sup>rd</sup> , 2032	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note 3	Same as at left
Conditions for exercise of the share subscription rights	*Note 6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

Share subscription rights issued July 2013 (stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	306 *Note 1	Same as at left
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	30,600 *Note 1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 23 <sup>rd</sup> , 2013-July 22 <sup>nd</sup> , 2033	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note 3	Same as at left
Conditions for exercise of the share subscription rights	*Note 6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left



Share subscription rights issued July 2014 (stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	336 *Note 1	Same as at left
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	33,600 *Note 1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 23 <sup>rd</sup> , 2014-July 22 <sup>nd</sup> , 2034	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note 3	Same as at left
Conditions for exercise of the share subscription rights	*Note 6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

Share subscription rights issued July 2015 (stock-based compensation type)

	As of the end of the fiscal year (March 31 <sup>st</sup> , 2016)	As of the end of the month prior to the date this report was submitted (May 31 <sup>st</sup> , 2016)
Number of share subscription rights	361 *Note 1	Same as at left
Number of share subscription rights held by the Company	-	-
Type of shares to be issued upon the exercise of share subscription rights	Common Stock	Same as at left
Number of shares to be issued upon the exercise of share subscription rights	36,100 *Note 1	Same as at left
Amount to be subscribed upon the exercise of the share subscription rights (yen)	1 per share	Same as at left
Exercise period for share subscription rights	July 23 <sup>rd</sup> , 2015-July 22 <sup>nd</sup> , 2035	Same as at left
Upon the exercise of the share subscription rights, issue price and amount to be credited to common stock (yen)	Issue price 1 Amount to be credited to common stock *Note 3	Same as at left
Conditions for exercise of the share subscription rights	*Note 6	Same as at left
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.	Same as at left
Matters relating to subrogation payment	-	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4	Same as at left
Matters relating to the provisions for acquisition of share subscription rights	*Note 5	Same as at left

Notes:

- The number of shares issued upon the exercise of the share subscription rights (hereafter referred to as “Number of Shares Granted”) is 100. Meanwhile, the Number of Shares granted may be adjusted by following adjustment methods.

(Adjustment of the Number of Shares Granted)

If the Company conducts a stock split or reverse stock split, the Number of Shares Granted shall be adjusted according to the following formula, with resulting fractions less than 1 share to be rounded down.

$$\text{Adjusted Number of Shares Granted} = \text{Number of Shares Granted before adjustment} \times \text{Stock split (or reverse stock split) ratio}$$

In addition, if another unavoidable circumstance which requires adjusting the Number of Shares Granted occurs, the Number of Shares Granted shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

- The amount to be paid by the holders upon the exercise of each share subscription right shall be the amount calculated by multiplying the amount to be subscribed per share (hereafter the “Exercise Price”) for the Company’s shares of common stock that may be issued upon the exercise of share subscription rights by the number of shares granted. However, if any of the cases below takes places, the Exercise Price shall be adjusted by applying the following formulas, with resulting fractions less than one yen to be rounded up.

- A stock split or reverse stock split of the Company stock occurs.

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Stock split (or reverse stock split) ratio}}$$

- If the Company issues shares of new common stock or disposes of its treasury stock at prices less than the then-current market price (excluding the exercise of share subscription rights).

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{\frac{\text{Number of shares already issued} + \text{Number of new shares to be issued (disposed of)} \times \text{Issue (disposal) price per share}}{\text{Market price}}}{\text{Number of shares already issued} + \text{Number of new shares to be issued}}$$

- If another unavoidable circumstance which requires adjusting the Exercise Price occurs, the Exercise Price shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

- The amount of capital increase occurring when shares are issued upon exercise of a share subscription right shall be 1/2 of the capital increase limit as calculated according to Article 17, Item 1 of the Corporate Calculation Rules, with resulting fractions less than one yen to be rounded up.

- In the event that the Company experiences a merger (only if the company is eliminated as a result of the merger), absorption-type company split or incorporation-type company split (in each case only if the Company becomes a split company), or stock swap or stock transfer (in each case only if the Company becomes a wholly owned subsidiary) (the above events hereafter collectively referred to by the general term “Structural Reorganization”), then the holders of share subscription rights remaining at the time the Structural Reorganization takes effect (hereafter referred to as “Remaining share subscription rights”) shall be provided with share subscription rights based on the conditions below for the public company as indicated in Article 236, Item 1, Number 8, (a) - (e) of the Corporation Law of Japan (hereafter referred to as “Reorganized Company”).

However, the provision of share subscription rights for the Reorganized Company in accordance with the conditions below shall occur only when such provision is specified in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, stock swap agreement, or stock transfer plan.

- Number of share subscription rights for the Reorganized Company to be provided  
The number of provided share subscription rights shall be the same as the number of Remaining share subscription rights possessed by the holder of the Remaining share subscription rights.
- Type of Reorganized Company shares issued upon exercise of the share subscription rights  
The issued shares shall be common stock of the Reorganized Company.
- Number of Reorganized Company shares issued upon exercise of the share subscription rights  
The number of issued shares shall be determined in accordance with “Number of shares issued upon exercise of stock acquisition rights” in the table above, with consideration for the conditions and other details of the Structural Reorganization.
- Amount to be paid by the holder of the share subscription right upon exercise of that right  
The amount to be paid by the holder of the provided share subscription right upon exercise of that right shall be the amount calculated by multiplying the post-reorganization paid-in amount (determined by adjusting the Exercise Price with consideration for the conditions and other details of the Structural Reorganization) by the number of Reorganized Company shares issued upon exercise of the stock acquisition rights as determined according to (3) above.  
For the post-reorganization paid-in amount of share subscription rights provided as stock-based compensation, the amount shall be 1 yen per share of the Reorganized Company.
- Period in which the share subscription rights can be exercised  
The period shall be from either the later of the start date determined in “Exercise period for share subscription rights” above or the date on which the Structural Reorganization took effect until the end date determined in “Exercise period for stock acquisition rights” above.
- Restrictions on acquisition of share subscription rights by transfer  
The acquisition of share subscription rights by transfer requires approval by a resolution of the Reorganized Company Board of Directors.
- Provisions for acquisition of the share subscription rights  
This shall be determined in accordance with “Items related to the provisions for acquisition of share subscription rights” above.
- Other conditions concerning exercise of the share subscription rights  
These shall be decided in accordance with “Conditions for exercise of the share subscription rights” above.

5. If any of resolutions (1) - (5) listed below is approved by a General Meeting of Shareholders of the Company or, when a resolution of the General Meeting of Shareholders is not required, if a resolution by the Board of Directors or decision by a representative executive officer occurs, the Company shall be permitted to acquire share subscription rights at no cost on the date decided separately by the Board of Directors.
- (1) A resolution approving a merger agreement by which the Company becomes an extinct company
  - (2) A resolution approving a split agreement or split plan by which the Company becomes a split company
  - (3) A resolution approving a stock swap agreement or stock transfer plan by which the Company becomes a wholly owned subsidiary
  - (4) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of any shares issued by the Company
  - (5) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of shares which were issued by the company upon exercise of share subscription rights, or in order for the Company to acquire all of this class of stock pursuant to a resolution by the General Meeting of Shareholders.
6. (1) The share subscription rights can only be exercised when the holder of the share subscription rights has lost his/her position as a director of the Company (including executive officers of the Company with a committee system of corporate governance) or executive officer. However, the share subscription rights can be exercised only during the period from the date following the day on which the holder of the share subscription rights lost his/her position (hereafter referred to as the "Right Exercise Start Date") until the day when 7 days have passed after the Right Exercise Start Date (or if that day is not a business day, the preceding business day).
- (2) In the event that the holder of the share subscription rights dies, the heirs of the holder may exercise the share subscription rights. However in this case, the share subscription rights can be exercised only during the period from the date following the next date of the holder's death until the day when 6 months have passed from this date (or if that day is not a business day, the preceding business day).

(3) Status of exercise of corporate bond with share subscription rights with an amended exercise price, others

Not applicable.

(4) Contents of the rights plan

Not applicable.

(5) Changes in the number of shares issued, the amount of common stock and related others

Period	Changes in the number of shares issued (shares)	Balance of the number of shares issued (shares)	Changes in common stock (Millions yen)	Balance of common stock (Millions yen)	Changes in additional paid-in capital (Millions yen)	Balance of additional paid-in capital (Millions yen)
April 1 <sup>st</sup> , 2011- March 31 <sup>st</sup> , 2012 *Note 1	4,500	41,253,981	6	10,215	6	17,587
April 1 <sup>st</sup> , 2012- March 31 <sup>st</sup> , 2013 *Note 1	800	41,254,781	0	10,216	0	17,588
April 1 <sup>st</sup> , 2013- March 31 <sup>st</sup> , 2014 *Note 1	23,600	41,278,381	21	10,238	21	17,610
April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015 *Note 1	62,300	41,340,681	57	10,295	57	17,667
April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016 *Note 1	82,700	41,423,381	79	10,374	79	17,746

Note: Breakdown by reason for changes in the number of shares issued, the amount of capital, and the amount of paid-in capital

Date	Reason for change	Changes in the number of shares issued (shares)	Changes in common stock (Millions yen)	Changes in the amount of paid-in capital (Millions yen)
April 1 <sup>st</sup> , 2011 - March 31 <sup>st</sup> , 2012	Increase due to exercise of share subscription rights of stock option	4,500	6	6
April 1 <sup>st</sup> , 2012 - March 31 <sup>st</sup> , 2013	Increase due to exercise of share subscription rights of stock option	800	0	0
April 1 <sup>st</sup> , 2013 - March 31 <sup>st</sup> , 2014	Increase due to exercise of share subscription rights of stock option	23,600	21	21
April 1 <sup>st</sup> , 2014 - March 31 <sup>st</sup> , 2015	Increase due to exercise of share subscription rights of stock option	62,300	57	57
April 1 <sup>st</sup> , 2015 - March 31 <sup>st</sup> , 2016	Increase due to exercise of share subscription rights of stock option	82,700	79	79

Note: Due to exercise of share subscription rights of stock option, the number of shares issues increased by 4,100 shares and common stock and paid-in capital increased by ¥5 million each during April 1<sup>st</sup>, 2016 to May 31<sup>st</sup>, 2016.

## (6) Details of shareholders

At March 31<sup>st</sup>, 2016

Classification	Status of shares (1 unit = 100 shares)								Shares under 1 unit (shares)
	National and local governments	Financial institutions	Securities companies	Other corporations	Foreign shareholders		Individuals and other	Total	
					Other than individuals	Individuals			
Number of shareholders (person)	-	47	36	227	206	15	16,996	17,527	
Number of shares held (units)	-	136,602	5,622	42,523	114,775	121	114,152	413,795	43,881
Ratio (%)	-	33.01	1.36	10.28	27.73	0.03	27.59	100.00	

Notes: 1. Treasury stock of 35,393 shares is included in "Individuals and other" for 353 units and in "Shares under 1 unit" for 93 shares. The effective number as of March 31<sup>st</sup>, 2016 was also 35,393 shares.

## (7) Principal shareholders

At March 31<sup>st</sup>, 2016

Name	Address	Number of Shares held (1,000s)	Number of Shares held as a percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. Trust account	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	3,789	9.15
Japan Trustee Services Bank, Ltd. Trust account No.9	1-8-11 Harumi, Chuo-ku, Tokyo	2,127	5.14
Japan Trustee Services Bank, Ltd. Trust account	1-8-11 Harumi, Chuo-ku, Tokyo	1,535	3.71
The Precise Measurement Technique Promotion Foundation	3-1-6-203 Kyonan-cho, Musashino-shi, Tokyo	1,058	2.56
Tsugami Corporation	12-20 Tomizawa-cho, Nihombashi, Chuo-ku, Tokyo	1,033	2.49
Mizuho Bank, Ltd.	1-5-5 Otemachi, Chiyoda-ku, Tokyo	840	2.03
The Bank of New York 133522 (Standing Proxy: Mizuho Bank Ltd., Settlement & Clearing Services Department)	Rue Montoyerstraat 46,1000 Brussels, Belgium (2-15-1 Konan, Minato-ku, Tokyo)	729	1.76
Ayako Yano	Chiyoda-ku, Tokyo	612	1.48
Hideko Takagi	Mitaka-shi, Tokyo	610	1.47
State Street Bank and Trust Company (Standing Proxy: The Hong Kong and Shanghai Banking Corporation Limited, Custody Sales Department)	One Lincoln Street, Boston MA, USA (3-11-1 Nihombashi, Chuo-ku, Tokyo)	597	1.44
Total	-	12,933	31.22

Notes: The following corporations have submitted a Large Shareholding Report (change report). The reports of the number of shares held have been submitted on the dates listed below. However, because the Company was unable to verify the actual number of shares held at the end of FY2016/3, they are not considered to be among the "Major shareholders" above.

Name	Address	Shares held (1,000s)	Shares held as a percentage of total shares issued (%)	Reported date (Reporting obligation date)
Mitsubishi UFJ Financial Group, Inc. (*1)	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	2,198	5.31	Aug. 17 <sup>th</sup> , 2015 (Aug 10 <sup>th</sup> , 2015)
Nomura Securities Co., Ltd. (*2)	1-9-1 Nihombashi, Chuo-ku, Tokyo	2,124	5.13	Aug. 21 <sup>st</sup> , 2015 (Aug 14 <sup>th</sup> , 2015)

(\*1) Co-ownership between Mitsubishi UFJ Trust and Banking Corporation (2,001 thousand shares), Mitsubishi UFJ Morgan Stanley Securities Co., Ltd (112 thousand shares) and Mitsubishi UFJ Kokusai Asset Management Co., Ltd. (85 thousand shares).

(\*2) Co-ownership between Nomura Asset Management Co., Ltd (2,004 thousand shares) and Nomura

International PLC (120 thousand shares).

## (8) Status of voting rights

## [1] Shares issued

At March 31<sup>st</sup>, 2016

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	-	-	-
Shares with limited voting rights (treasury stock, etc.)	-	-	-
Shares with limited voting rights (others)	-	-	-
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock: 35,300	-	-
Shares with full voting rights (others)	Common stock: 41,344,200	413,442	-
Shares under one unit	Common stock: 43,881	-	-
Total shares issued	41,423,381	-	-
Total voting rights held by all shareholders	-	413,442	-

Note) The common stock in the "Shares under one unit" includes 93 shares of treasury stock owned by the Company.

## [2] Treasury stock, etc.

At March 31<sup>st</sup>, 2016

Shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Percent of total shares issued (%)
(Treasury stock) Tokyo Seimitsu Co., Ltd.	2968-2 Ishikawa-machi, Hachioji-shi, Tokyo	35,300	-	35,300	0.09
Total	-	35,300	-	35,300	0.09

(9) Stock option plans

The Company has adopted a stock option plan under which share subscription rights are granted to directors and employees of the Company and its subsidiaries and affiliates in accordance with the former Commercial Code of Japan and the Company Law.

The details of the plan are as follows.

The 8<sup>th</sup> share subscription rights

Date for resolution	June 27 <sup>th</sup> , 2011 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 7 Employees of the Company: 191 Directors of subsidiaries: 10 Employees of subsidiaries: 72
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

The 9<sup>th</sup> share subscription rights

Date for resolution	June 25 <sup>th</sup> , 2012 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 8 Employees of the Company: 235 Directors of subsidiaries: 9 Employees of subsidiaries: 74
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above



The 10<sup>th</sup> share subscription rights

Date for resolution	June 24 <sup>th</sup> , 2013 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 8 Employees of the Company: 235 Directors of subsidiaries: 9 Employees of subsidiaries: 71
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

The 11<sup>th</sup> share subscription rights

Date for resolution	June 24 <sup>th</sup> , 2014 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 9 Employees of the Company: 250 Directors of subsidiaries: 11 Employees of subsidiaries: 80
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

The 12<sup>th</sup> share subscription rights

Date for resolution	June 23 <sup>rd</sup> , 2015 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 9 Employees of the Company: 256 Directors of subsidiaries: 13 Employees of subsidiaries: 89
Type of shares to be issued upon the exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

Share subscription rights issued in June 2005 (stock-based compensation type)

Date for resolution	June 29 <sup>th</sup> , 2005 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 7 Employees of the Company (executive officers): 11
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above

Share subscription rights issued in July 2006 (stock-based compensation type)

Date for resolution	June 29 <sup>th</sup> ,2006 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 6 Employees of the Company (executive officers): 12
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

Share subscription rights issued in July 2007 (stock-based compensation type)

Date for resolution	June 28 <sup>th</sup> ,2007 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 6 Employees of the Company (executive officers): 12
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

Share subscription rights issued in July 2011 (stock-based compensation type)

Date for resolution	June 27 <sup>th</sup> , 2011 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 6 Employees of the Company (executive officers): 2
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

Share subscription rights issued in July 2012 (stock-based compensation type)

Date for resolution	July 6 <sup>th</sup> , 2012 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 7 Employees of the Company (executive officers): 2
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

Share subscription rights issued in July 2013 (stock-based compensation type)

Date for resolution	July 5 <sup>th</sup> , 2013 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 7 Employees of the Company (executive officers): 2
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

Share subscription rights issued in July 2014 (stock-based compensation type)

Date for resolution	July 4 <sup>th</sup> , 2014 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 8 Employees of the Company (executive officers): 2
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

## Share subscription rights issued in July 2015 (stock-based compensation type)

Date for resolution	July 7 <sup>th</sup> , 2015 (Board of Directors)
Categories and numbers of persons to whom rights are granted	Directors of the Company: 8 Employees of the Company (executive officers): 1
Type of shares to be issued upon exercise of the share subscription rights	Listed in “(2) Share subscription rights.”
Number of shares	Same as above
Amount to be subscribed upon the exercise of the share subscription rights (yen)	Same as above
Exercise period	Same as above
Conditions for the exercise of the share subscription rights	Same as above
Transfer of the share subscription rights	Same as above
Matters relating to subrogation payment	Same as above
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	Same as above
Matters relating to the conditions of acquisition of share subscription rights	Same as above

The 13<sup>th</sup> share subscription rights

Date for resolution	June 21 <sup>st</sup> , 2016 (Annual general meeting of the shareholders)
Categories and numbers of persons to whom rights are granted	Directors and Employees of the Company (not include external directors) and the Directors and Employees of Subsidiaries (not include external directors). *Note 1
Type of shares to be issued upon the exercise of the share subscription rights	Common Stock
Number of shares	90,000 in Maximum *Note 2
Amount to be subscribed upon the exercise of the share subscription rights (yen)	*Note 3
Exercise period	From the day two years after the day following the Allocation Date to June 30 <sup>th</sup> , 2023.
Conditions for the exercise of the share subscription rights	If the holder of the subscription right abandons the subscription right, exercise of that subscription right shall not be possible.
Transfer of the share subscription rights	Approval by the Board of Directors is required in order to transfer share subscription rights.
Matters relating to subrogation payment	-
Matters relating to the issuance of share subscription rights as a result of organizational restructuring action	*Note 4
Matters relating to the conditions of acquisition of share subscription rights	*Note 5

## Notes:

- Detail of Categories and numbers of persons to whom rights are granted will be separately ratified at Board of Directors of the Company.
- The number of shares issued upon the exercise of the share subscription rights (hereafter referred to as “Number of Shares Granted”) is 100. Meanwhile, the Number of Shares granted may be adjusted by following adjustment methods. )  
If the Company conducts a stock split or reverse stock split, the Number of Shares Granted shall be adjusted according to the following formula, with resulting fractions less than 1 share to be rounded down.  
Adjusted Number of Shares Granted  
= Number of Shares Granted before adjustment × Stock split (or reverse stock split) ratio  
In addition, if another unavoidable circumstance which requires adjusting the Number of Shares Granted occurs, the Number of Shares Granted shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.
- The amount to be paid by the holders upon the exercise of each share subscription right shall be the amount calculated by multiplying the amount to be subscribed per share (hereafter the “Exercise Price”) for the Company’s shares of common stock that may be issued upon the exercise of share subscription rights by the number of shares granted. Exercise Price shall be the higher of 1) averaged share price, which shall be calculated from the closing price of the shares at Tokyo Stock Exchange each day for a month before the month of exercise, or 2) closing price of the shares on the day before the day of exercise, multiplied by 1.025. However, if any of the cases below takes places, the Exercise Price shall be adjusted by applying the following formulas, with resulting fractions less than

one yen to be rounded up.

- (1) A stock split or reverse stock split of the Company stock occurs.

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Stock split (or reverse stock split) ratio}}$$

- (2) If the Company issues shares of new common stock or disposes of its treasury stock at prices less than the then-current market price (excluding the exercise of share subscription rights).

$$\text{Adjusted Exercise Price} = \text{Exercise Price before adjustment} \times \frac{\frac{\text{Number of shares already issued} + \text{Number of new shares to be issued (disposed of)}}{\text{Market price}} \times \text{Issue (disposal) price per share}}{\text{Number of shares already issued} + \text{Number of new shares to be issued}}$$

- (3) If another unavoidable circumstance which requires adjusting the Exercise Price occurs, the Exercise Price shall be adjusted within a reasonable range with consideration for the various conditions extant at the time.

4. In the event that the Company experiences a merger (only if the company is eliminated as a result of the merger), absorption-type company split or incorporation-type company split (in each case only if the Company becomes a split company), or stock swap or stock transfer (in each case only if the Company becomes a wholly owned subsidiary) (the above events hereafter collectively referred to by the general term “Structural Reorganization”), then the holders of share subscription rights remaining at the time the Structural Reorganization takes effect (hereafter referred to as “Remaining share subscription rights”) shall be provided with share subscription rights based on the conditions below for the public company as indicated in Article 236, Item 1, Number 8, (a) - (e) of the Corporation Law of Japan (hereafter referred to as “Reorganized Company”).

However, the provision of share subscription rights for the Reorganized Company in accordance with the conditions below shall occur only when such provision is specified in the absorption-type merger agreement, incorporation-type merger agreement, absorption-type split agreement, incorporation-type split plan, stock swap agreement, or stock transfer plan.

- (1) Number of share subscription rights for the Reorganized Company to be provided  
The number of provided share subscription rights shall be the same as the number of Remaining share subscription rights possessed by the holder of the Remaining share subscription rights.
- (2) Type of Reorganized Company shares issued upon exercise of the share subscription rights  
The issued shares shall be common stock of the Reorganized Company.
- (3) Number of Reorganized Company shares issued upon exercise of the share subscription rights  
The number of issued shares shall be determined in accordance with “Number of shares issued upon exercise of stock acquisition rights” in the table above, with consideration for the conditions and other details of the Structural Reorganization.
- (4) Amount to be paid by the holder of the share subscription right upon exercise of that right  
The amount to be paid by the holder of the provided share subscription right upon exercise of that right shall be the amount calculated by multiplying the post-reorganization paid-in amount (determined by adjusting the Exercise Price with consideration for the conditions and other details of the Structural Reorganization) by the number of Reorganized Company shares issued upon exercise of the stock acquisition rights as determined according to (3) above.
- (5) Period in which the share subscription rights can be exercised  
The period shall be from either the later of the start date determined in “Exercise period for share subscription rights” above or the date on which the Structural Reorganization took effect until the end date determined in “Exercise period for stock acquisition rights” above.
- (6) Restrictions on acquisition of share subscription rights by transfer  
The acquisition of share subscription rights by transfer requires approval by a resolution of the Reorganized Company Board of Directors.
- (7) Provisions for acquisition of the share subscription rights  
This shall be determined in accordance with “Items related to the provisions for acquisition of share subscription rights” above.

5. If any of resolutions (1) - (5) listed below is approved by a General Meeting of Shareholders of the Company or, when a resolution of the General Meeting of Shareholders is not required, if a resolution by the Board of Directors or decision by a representative executive officer occurs, the Company shall be permitted to acquire share subscription rights at no cost on the date decided separately by the Board of Directors.

- (1) A resolution approving a merger agreement by which the Company becomes an extinct company
- (2) A resolution approving a split agreement or split plan by which the Company becomes a split company
- (3) A resolution approving a stock swap agreement or stock transfer plan by which the Company becomes a wholly owned subsidiary
- (4) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of any shares issued by the Company
- (5) A resolution approving a change in the articles of incorporation in order to require approval by the Company for acquisition by means of stock transfer of shares which were issued by the Company upon exercise of share subscription rights, or in order for the Company to acquire all of this class of stock pursuant to a resolution by the General Meeting of Shareholders.

## 2 [Acquisition of treasury stock]

Type of shares: Acquisition of shares of common stock under Article 155, Paragraph 7 of the Company Law of Japan

(1) Acquisition of treasury stock based on a resolution approved at the annual general meeting of shareholders  
Not applicable.

(2) Acquisition of treasury stock based on a resolution approved by the Board of Directors  
Not applicable.

(3) Acquisition of treasury stock not based on a resolution approved at the general meeting of shareholders or Board of Directors

Classification	Number of shares(shares)	Total amount (Millions yen)
Treasury stock acquired during FY2016/3	784	2
Treasury stock acquired during the period for acquisition	138	0

Note: "Treasury stock acquired during the period for acquisition" does not include the number of shares under 1 unit purchased during the period from June 1<sup>st</sup>, 2016 to the filing date of this Financial Document (Yuukashoken-houkokusho).

### (4) Current status of disposition and holding of acquired treasury stock

Classification	FY2016/3		Period for acquisition	
	Number of shares	Total disposition amount (Millions yen)	Number of shares	Total disposition amount (Millions yen)
Acquired treasury stock for which subscribers were solicited	-	-	-	-
Acquired treasury stock which was disposed	-	-	-	-
Acquired treasury stock for which transfer of shares was conducted in association with merger, stock exchange, or corporate separation.	-	-	-	-
Others (-)	-	-	-	-
Number of shares of treasury stock held	35,393	-	35,531	-

Note: 1 "Acquired treasury stock which was disposed of during the period" does not include shares under 1 unit which were sold between June 1<sup>st</sup>, 2016 to the filing date of this Financial Report (Yuukashoken-houkokusho) was submitted.

2 "Treasury stock held during the period for acquisition" does not include shares under 1 unit which were purchased or sold between June 1<sup>st</sup>, 2016 to the filing date of this Financial Report (Yuukashoken-houkokusho) was submitted.



### 3 [Dividend policy]

The Company believes the most important management task for the Company is to enhance its corporate value and constantly distribute profits to shareholders through a business model of providing World's No. 1 products based on state-of-the-art technologies in growth fields.

The Company makes it a basic policy to distribute dividends from surplus twice annually (an interim dividend and a year-end dividend). Dividends are determined with consideration for various factors, including consolidated business results, financial position, investments for business expansion, and shareholders' long-term prospects.

For FY2016/3, the Company paid ¥59 per share as the dividend, including an interim dividend (¥26 per share) paid on Dec. 4<sup>th</sup>, 2015. The Company considers maintaining a core policy regarding the distribution of profits linked to the business performance of the Company and aims to pay stable dividends targeting a consolidated dividend payout ratio of 30%. Also, considering the aim to provide stable and continuous dividend payments, the Company deems to maintain an annual dividend of ¥20 per share regardless of consolidated profits of the Company. However, it is at the discretion of the Board to review this basic policy if the Company experiences losses in two consecutive years.

Retained earnings will be used effectively for the research and development, optimization of production, sophistication of Information security systems, expansion of overseas sales, new business development, and M&A investment. Also, since our product lines are greatly impacted by economic fluctuations, the Company considers it important to strengthen our financial position and prepare for possible economic downturns.

The Company has included the following statement in its articles of incorporation. "Pursuant to a resolution of the Board of Directors, interim dividends may be paid to shareholders or registered pledges listed or recorded in the latest shareholder registry on September 30<sup>th</sup> of each year." The Board of Directors acts as the deciding body for the interim dividend, while the General Meeting of Shareholders acts as the deciding body for the year-end dividend.

(Note): Dividends for which the record date belongs to the current fiscal year are as follows.

Date of resolution	Total dividend amount (Millions yen)	Dividend per share (yen)
November 11 <sup>th</sup> , 2015 Resolution of the Board of Directors meeting	1,075	26.00
June 21 <sup>st</sup> , 2016 Resolution of the annual general meeting of shareholders	1,365	33.00

### 4 [Changes in the market price of the Company's share]

#### (1) Highest and lowest share prices during the past 5 fiscal years

Fiscal term	89 <sup>th</sup>	90 <sup>th</sup>	91 <sup>st</sup>	92 <sup>nd</sup>	93 <sup>rd</sup>
Fiscal Year-end	March, 2012	March, 2013	March, 2014	March, 2015	March, 2016
Highest (yen)	1,797	2,093	2,528	2,985	2,987
Lowest (yen)	1,117	962	1,635	1,610	1,970

Note: The above prices are those quoted on the First Section of the Tokyo Stock Exchange.

#### (2) Highest and lowest share prices during the past 6 months

Month	Oct., 2015	November	December	Jan., 2016	February	March
Highest (yen)	2,748	2,836	2,916	2,696	2,640	2,337
Lowest (yen)	2,240	2,673	2,614	2,320	1,970	2,071

Note: The above prices are those quoted on the First Section of the Tokyo Stock Exchange.

## 5 [Directors and Auditors]

Number of Male director : 15, Female director:0 (Female-to-male management ratio: 0:100)

Function	Position	Name	Date of birth	Career profile		Term of office	Number of shares owned (1,000s)
Representative Director	Chairman	Kunimasa Ota	Feb. 16 <sup>th</sup> , 1949	April 1971 April 1996 June 1999  April 2001 April 2002  June 2002 April 2003 June 2004 April 2011 April 2015	Joined The Fuji Bank, Limited. Kobe Branch Manager Director and Accounting Division Manager at Toho Rayon Co., Ltd. Joined the Company Managing Executive Officer of Administration Company Director President of the Administration Company Representative Director President Chairman (current position)	*Note 3	15
Representative Director	President and CEO	Hitoshi Yoshida	Nov. 26 <sup>th</sup> , 1959	April 1983 April 2002 June 2005 Oct. 2007 June 2011 April 2015	Joined the Company Executive Officer of Metrology Company Director President of Metrology Company Representative Director President and CEO (current position)	*Note 3	5
Representative Director	Vice President and COO	Ryuichi Kimura	Dec. 30 <sup>th</sup> , 1962	April 1986 April 2005  June 2005 Aug. 2007 June 2011 April 2015	Joined the Company Executive Officer of Semiconductor Company Director President of Semiconductor Company Representative Director Vice President and COO (current position)	*Note 3	2
Representative Director	CFO	Koichi Kawamura	Oct. 5 <sup>th</sup> , 1957	April 1980 July 2002  April 2007  April 2008  June 2009 June 2011 April 2015	Joined The Fuji Bank, Limited. Mizuho Bank, Ltd. Fujisawa Branch Manager General Manager Financial Institutions & Public Sector Banking Division Joined the Company, Senior Executive officer of Administration Company Director President of Administration Company Representative Director and CFO (current position)	*Note 3	5
Director	Senior Executive Officer of Semiconductor Company	Akihiro Endo	Jan. 10 <sup>th</sup> , 1958	April 1981 Oct. 2002 Oct. 2005  April 2009  April 2012  June 2012	Joined Oki Electric Industry Co., Ltd. Joined the Company Executive Officer of Semiconductor Company General manager of Technology div. (current position) Senior executive officer of Semiconductor Company (current position) Director (current position)	*Note 3	2
Director	Senior Executive Officer of Metrology Company	Masahiro Tomoeda	May 4 <sup>th</sup> , 1955	April 1986 Oct. 2002 April 2005  April 2013  June 2014	Joined the Company Executive Officer of Metrology Company General Manager of Sales Division, Metrology Company (current position) Senior Executive Officer of Metrology Company (current position) Director (current position)	*Note 3	2
Director	Managing Executive Officer of Semiconductor Company	Takahiro Hokida	April 24 <sup>th</sup> , 1962	July 1986 Oct. 1995 April 2010  April 2012  April 2014  June 2015	Joined YDK Co., Ltd Joined the Company Executive officer of Semiconductor Company General Manager of Test Technology Division (current position) Managing executive officer of Semiconductor Company (current position) Director (current position)	*Note 3	0

Function	Position	Name	Date of birth	Career history		Term of office	Number of shares owned (1,000s)
Director	Part-time	Shigeru Umenaka	March 17 <sup>th</sup> , 1948	Feb. 1970 June 1992 June 1996 Oct. 1997 April 2004 June 2004 June 2011 April 2015	Joined Tosei Engineering Service Co., Ltd. (now Tosei Engineering Corp.). Director Managing Director Representative Senior Managing Director President (current position) Director of the Company Representative Director Director (part-time) of the Company (current position)	*Note 3	19
Director	Part-time	Wolfgang Bonatz	Dec. 21 <sup>st</sup> , 1964	Oct. 1992 April 1996 Nov. 1999 Oct. 2001 June 2002	Joined Tokyo Seimitsu Europe GmbH (now Accretech (Europe) GmbH). Operations Manager Director President (current position) Director (part-time) of the Company (current position)	*Note 3	2
Director	Part-time	Hirokazu Matsumoto	Sep. 28 <sup>th</sup> , 1947	April 1976 Mar. 1983 Feb. 1988 Aug. 1997 April 1999 April 2001 Jan. 2007 April 2008 April 2013 June 2013	Researcher, Measurement Research Center at Agency of Industrial Science and Technology Visiting Researcher, National Bureau of Standards, USA Optical Measurement Section Manager, Quantum Dept., Agency of Industrial Science and Technology General Manager of Quantum Dept. Visiting Professor of Graduate School at Tokyo University of Science Deputy Director / Lengths and Dimensions Division Leader, Metrology Institute of Japan Senior Research Fellow of National Institute of Advanced Industrial Science and Technology Project Professor of Dept. of Precision Engineering, School of Engineering at the University of Tokyo Project Researcher (Current position) Director (part-time) of the Company (Current position)	*Note 3	-
Director	Part-time	Shozo Saito	July 9 <sup>th</sup> , 1950	June 2007 June 2010 June 2012 June 2013 June 2015	Executive Officer, Corporate Senior Vice President of Toshiba Corporation Executive Officer, Corporate Executive Vice President Director, Representative Executive Officer, and Corporate Senior Executive Vice President Senior Adviser Director (part-time) of the Company (Current position)	*Note 3	-
Auditor	Full-time	Hideo Sawada	Jan. 26 <sup>th</sup> , 1947	April 1969 Mar. 1997 Nov. 2002 April 2005 Jan. 2007 April 2010 June 2010	Joined Hitachi Ltd. General Manager of Patent Promotion Center Joined the Company Executive Officer of Administration Company, General Manager of IP Dept. Section Adviser, General Manager of Legal and IP Dept. Section Adviser Auditor (current position)	*Note 4	6
Auditor	Part-time	Yoshiharu Kikuchi	April 17 <sup>th</sup> , 1948	April 1971 June 2000 June 2001 April 2004 April 2006 June 2010 June 2011	Joined Tsugami Corporation Director and Leader of the Automatic Lathe Group, Nagaoka Factory Managing Director and Leader of the Automatic Lathe Group, Nagaoka Factory Director, Senior Executive Officer and General Manager of the Sales Headquarters Representative Director, Senior Executive Officer and General Manager of the Sales Headquarters Auditor (part-time) of the Company (current position) Principal Adviser of Tsugami Corporation (current position)	*Note 4	-

Function	Position	Name	Date of birth	Career history		Term of office	Number of shares owned (1,000s)
Auditor	Part-time	Naomi Inoue	Nov. 6 <sup>th</sup> , 1950	April 1974 May 1998  April 2002 April 2007 April 2008 Mar. 2010  June 2013	Joined The Fuji Bank, Limited. General Manager, Related Business Dept. Executive Officer of Mizuho Bank, Ltd. Managing Director Auditor of Mizuho Securities Co., Ltd. President of Mizuho Information & Research Institute, Inc. President of Joban Kosan, Ltd.(current position) and Auditor (part-time) of the Company (current position)	*Note 5	-
Auditor	Part-time	Yoshiro Hayashi	July 2 <sup>nd</sup> , 1948	June 2003  June 2006  June 2014  June 2015	Audit & Supervisory Board Member of Toyota Motor Corporation President of Panasonic EV Energy Co., Ltd (now Primearth EV Energy Co., Ltd) External Director of Toyo Kohan Co., Ltd (Current Position) External Auditor of Toyoda Gosei Co., Ltd.(Current Position) Auditor (current position) of the Company	*Note 6	-
Total							63

Notes:

1. Directors Hirokazu Matsumoto and Shozo Saito are external corporate directors.
2. Auditors Yoshiharu Kikuchi, Naomi Inoue and Yoshiro Hayashi are external corporate auditors.
3. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 1 year following the conclusion of the Regular General Meeting of Shareholders which was held on June 21<sup>st</sup>, 2016.
4. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 24<sup>th</sup>, 2014.
5. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 24<sup>th</sup>, 2013.
6. Until the conclusion of the Regular General Meeting of Shareholders for the final fiscal year ending within 4 years following the conclusion of the Regular General Meeting of Shareholders which was held on June 23<sup>rd</sup>, 2015.

## 6 [Corporate governance and others]

### (1) Status of Corporate Governance

#### (1) Corporate Governance philosophy

I. The Company operates corporate governance systems described as follows, which have been ratified by the Board of Director in May, 2006(most recently revised in January, 2016).

1. Basic corporate governance philosophy

The philosophy of the Company can be expressed as “Creating the World’s No.1 products through uniting worldwide outstanding technologies, wisdoms, and information, and growing together”. In order to establish WIN-WIN relationship with all stakeholders including shareholders, customers, suppliers and employees and to sustain long-term growth, the Company keeps diligent and transparent operations through strengthening corporate governance and compliance.

2. Systems to ensure that Directors of the Company, directors of its subsidiaries, and these employees’ business dealings meet laws and articles of incorporation

i. To meet appropriate corporate governance standards, the Board of Directors of the Company and its subsidiaries have put in place an effective internal control system and established a system for compliance with laws, regulations, and the articles of incorporation.

ii. The Company has a “Compliance Committee,” chaired by the director in charge of the Administration Company, and the “Accretech Group Code of Conduct” to ensure that in all business activities, employees always observe laws, regulations, the articles of incorporation, company rules, and social rules, to conduct themselves in an ethical and honest manner.

iii. The Company has a system for reporting incidence relating to compliance, by which the responsible directors and/or executive officers report details and action plans to the Board of Directors and Auditors in a timely manner.

iv. The Company has the Audit dept. which is overseen directly by the President and CEO, and carries out the Company and its subsidiaries’ internal audits in order to verify issues such as compliance with laws, regulations, the articles of incorporation, company rules, and validity of management decision making.

v. The Company has an internal whistleblower system to accept reports or provide consultation on incorrect behaviors of the Company and its subsidiaries that are against social norms or corporate ethics. Appropriate measures are taken to protect whistleblowers and maintain transparency.

vi. The Board of Auditors audits the effectiveness and functions of the internal control system.

3. Systems of information management of Director’s business dealings

i. Directors shall secure all information and documents related to business dealings based on the “Information Security Control Rules”.

ii. Upon requests by Directors and Auditors, this information will be made available for inspection.

4. Systems for the Company and its subsidiaries’ risk managements

i. The Company works to prevent potential risks. If risks appear, all personnel in the Company immediately carry out activities quickly and calmly.

ii. The Company has “Regulations for risk management” for the purpose of understanding risks that may affect the business operations and its management. The Company has also a “Risk Management Committee,” chaired by President and CEO. This committee helps prevent potential risks, while developing a system for emergency preparedness in accordance with Regulations for risk management.

iii. If the Audit dept. finds any violation of laws, regulations, the articles of corporation or internal rules, or any performance of duties that may cause a loss due to some other reasons at the Company or its subsidiaries, the Manager of the Audit dept. immediately notifies the President and CEO and instructs employees to implement corrective or improvement actions.

iv. In the event of a risk scenario arising, the committee would immediately establish a “Risk Response Team ” managed by the President and CEO, and carry out activities aimed at responding to the risk and quickly bringing it under control.

5. Systems for effect business operations by Directors of the Company and its subsidiaries

- i. The Boards of Directors of the Company and its subsidiaries determine material issues pertaining to management policy and other items and oversees the performance of duties by the Directors, in accordance with the internal rules including those of the Boards of Directors. They have a framework to ensure the distribution of sufficient materials related to the agenda to all the Directors.
  - ii. In order to realize quick business decisions for R&D and/or tactics based on market conditions, the Company adopts an executive officer system. The Company holds regular executive officer meetings to monitor the status of business plans.
  - iii. For the execution of routine business, the Company delegates authority and responsibility to appropriate personnel based on the Company's regulations in accordance with business authorization and responsibility.
6. Systems to ensure the proper performance of other duties at the Company and its subsidiaries
    - i. The Company has "Regulations for applications and reports from Subsidiaries" on matters to be declared or reported to the Company from subsidiaries, based on which important issues are reported to the Company, and some require the approval of the Company.
    - ii. The Management support team, under the direct control of the President and CEO collects information on important issues and serious risks at the subsidiaries to share information between the Company and the subsidiaries and properly perform duties in the interest of the Group.
    - iii. If the Management support team identifies a risk of loss at an affiliated company, it immediately reports to the Board of Directors and divisions concerned the nature, degree and impact of the loss.
    - iv. The Management support team actively shares information with the Audit Dept. and other relevant divisions of the Company or subsidiaries in order to prevent improper transaction or accounting related to the Company and its subsidiaries.
  7. Systems to ensure the creditability of financial statements
    - i. The Company has "Basic Policy on Internal Control over Financial Reporting" to sufficiently reduce risks against the credibility of financial reporting by the Company and its subsidiaries.
    - ii. The Company and its subsidiaries strive to ensure the validity of financial reporting by segregating responsibilities and conducting daily monitoring in the performance of their daily duties.
    - iii. The Audit Dept. evaluates and checks the validity of internal control systems related to financial reporting at the Company and its subsidiaries.
    - iv. For matters which are highly likely to have significant impact on the financial situation, the Directors, Auditors, and Public Accountants properly share information among themselves.
  8. Matters for employees who have been appointed to support Auditor's tasks
    - i. If necessary, the Company assigns around two employees belonging to the Management support team or Audit Dept. to assist the Auditors.
  9. Systems to ensure the independence of employees who assist auditors from the Directors, and those on the effectiveness of instructions of the Auditors to such employees
    - i. The employees who assist the Auditors described in the preceding paragraph do not receive any instructions from superiors of the division they belong to for matters for which they receive instructions from the Auditors.
    - ii. The appointment and/or transfer of employees to support Auditors shall be agreed by the Board of Auditors.
    - iii. The assessment of employees to support Auditors shall be referred for Auditor's opinion.
  10. Systems for reporting from Directors of the Company and/or the subsidiaries, employees and/or Auditors of the subsidiaries to the Auditors of the Company
    - i. The Directors and employees of the Company and its subsidiaries shall make report or provide information as necessary, as determined by the Board of Auditors of the Company, on request of the Auditors.
    - ii. Major matters to be reported on are as follows.
      - Internal Control System activities of the Audit Dept. and Management support

- team
  - Activities of the Auditors and internal audit divisions of subsidiaries
  - Significant accounting principles and standards of the Company and their significant changes
  - Contents of business results and forecast to be announced, and contents of important disclosure documents
  - Management of the internal whistleblower system and reported contents
  - Distribution of internal Ringi (Ratification request) and minutes of meetings requested by the Auditors
- iii. The Company and its subsidiaries ensure that their Directors and employees and the Auditors of subsidiaries are not treated unreasonably because of such reporting or information provision to the Auditors.
- 11. Systems to ensure effective Audit by other Auditors
    - i. The Representative Directors hold regular meetings with the Auditors to exchange opinions on the management of the Company and communicate each other, separately from the reporting of the performance of duties.
    - ii. The Board of Directors ensures that the Auditors participate in important meetings such as Executive Management Meetings to ensure proper performance of their duties.
    - iii. The Company shall bear all the necessary expenses or debts for the Auditors to perform their duties. Upon claim of advance payment of such expenses pursuant to the Companies Act, it shall immediately pay after confirming with the relevant divisions.
  - 12. Policies and preparations for the severance of relationships with anti-social forces
    - i. The Company and its subsidiaries does not have any relationships with anti-social forces. In a case where anti-social forces contact the Company or its subsidiaries, the Group will immediately notify and inform the police department and other relevant organizations, and will manage it with lawyers and other relevant organizations as necessary.
    - ii. The Company and its subsidiaries mandate the severance of relationships with anti-social forces as a part of the "Accretech Group Code of Conduct," and collects related information from sources such as the relevant police departments and the shareholder registry, in order to understand the most recent changes in preparation for unforeseen events. Responses to anti-social forces are determined by each responsible department, and are carried out in cooperation with external organizations as necessary.

## II. Status of the risk management system

The Company has “Risk Management Regulations,” and a “Risk Management Committee” chaired by the President and CEO, which is intended to identify and manage risks associated with our business practices. Based on the Risk Management Regulations, the Risk Management Committee helps prevent potential risks, while developing a system for emergency preparedness. In addition, during risks situations, this committee immediately establishes a “Risk Response Team” that is managed by the President and CEO, and carries out activities aimed at responding to the risk and quickly bringing it under control.

1. Composition of the Risk Management Committee
  - i. The committee chairman is the President and CEO.
  - ii. The Vice Chairman and committee members are appointed from the executive officers at each internal company, the directors of subsidiaries, or equivalent persons.
  - iii. The secretariat is the director in charge of Administration Company.
2. Activities of the Risk Management Committee
  - i. The Risk Management Committee initially formulates the risk management action plan in the beginning of any Fiscal Year, then follows that action plan and convenes regular meetings of the committee at least once every 2 months, and requests reports from primary risk divisions concerning activities to prevent potential risks.
  - ii. The Risk Management Committee reports the minutes of the regular meetings as necessary to the Board of Directors.
3. Communication system for manifested risks

If a risk becomes manifested, the Risk Management Committee and primary risk divisions immediately report the details of the manifested risk and the plan for correction to the Board of Directors and Board of Auditors via the Risk Management Committee members and the responsible officials. If necessary, the “Risk Response Team” is also immediately established.
4. Composition of the Risk Response Team
  - i. The team is managed by the President and CEO.
  - ii. The secretariat is the director in charge of Administration Company.
  - iii. The team members are the related directors and auditors, as well as persons assigned by the President and CEO.
5. Duties of the Risk Response Team
  - i. Collect information concerning the manifested risk
  - ii. Review, decide on, and carry out response plan
  - iii. Communicate with and respond to related government agencies
  - iv. Create a plan for and respond to media institutions
  - v. Review, decide on, and carry out plans to prevent recurrence
  - vi. All other duties related to the manifested risk
6. Notification of the manifest risk
  - i. When notification to the government agencies concerning the manifested risk is necessary, the notification shall be made to the responsible government agencies quickly and accurately.
  - ii. Notification to government agencies is the duty of the Risk Response Team chief secretariat.
  - iii. The chief secretariat must obtain the advance approval of the Board of Directors for the contents of the notification to the government agencies.
7. Important points concerning the Risk Response Team
  - i. When reviewing and deciding on response plans and recurrence prevention plans, the Risk Response Team shall pay sufficient attention to the effects on the company trust and reputation, and to the effects on business performance.
  - ii. In order to resolve the manifested risk, the Risk Response Team is permitted to request the advice of third parties as necessary.
8. Disbanding of the Risk Response Team

The Risk Response Team is disbanded by a decision of the team secretariat when the manifested risk has been eliminated.



III. Outline of the contract between the Company and Directors (excluding those who have executive authority over operations) and Auditors as stipulated in Article 427, No. 1 of the Company Law of Japan

As stipulated in Article 427, No. 1 of the Company Law of Japan, the Company concludes a contract with Hirokazu Matsumoto and Shozo Saito of external corporate directors, and with Yoshiharu Kikuchi, Naomi Inoue and Yoshiro Hayashi of external corporate auditors. The Outline of the contract is as follows.

1. Limited indemnity

Where external Corporate Director and/or Auditors violates in Article 423, No. 1 of the Company Law of Japan, forgetting duty of external corporate director/auditors, and made loss to the Company, if it was a benevolent act and without obvious negligence is confirmed, then the upper limit of indemnity shall be set as the limit of indemnity as stipulated in Article 425, No. 1 of the Company Law of Japan.

2. Ratification of compliance with limited responsibility

The Company will ratify if the act of related external corporate director/auditors comply with the limited responsibility described above.

3. Approval from shareholder's meeting

If the Company's external Corporate Director and/or auditors acts cause loss to the Company over range as described by the limited liability, and if the contracts limited these Director/Auditor's liability, these Director/Auditors shall not receive any financial benefits including, but not limited to retirement benefits from the Company without approval from a shareholders meeting.

4. Expiration of limited liability contract

If the external Corporate Director/auditors are appointed to director, executive officer, and/or employees of the Company and/or subsidiaries, the contract shall be expired thereafter.

(2) Internal audits and independent auditor audits

I. Organization, personnel, and procedures for internal audits and independent auditor audits

1. The Board of Auditors, as a parallel organization to the Board of Directors, is composed of 1 internal auditor and 3 external corporate auditors. Through means such as attending meetings of the Board of Directors and other important meetings, holding hearings concerning the status of business practices, and examining important financial documents, the members carry out audits related to the business practices, accounting processes, financial management, and other activities of the Company, checking for any actions which violate laws, regulations, or the duty of good faith.

2. The Audit dept. is a different internal auditing organization. This organization is overseen directly by the President and CEO, and is composed of 1 member. It is primarily tasked with checking compliance against laws and regulations, conforming to the articles of incorporation, and validating management actions through internal audit. If the Audit dept. finds any violation against laws, article of incorporation and /or regulations, the Audit dept. must immediately report to the Company's President and CEO and issue instructions for corrections.

II. Cooperation among internal audits, independent auditor audits, and accounting audits

When reviewing to determine whether or not the annual financial reports reflect the true status of the Company, the Board of Auditors receives reports and explanations from the accounting auditors. The Board of Auditors and the accounting auditors hold meetings for reporting and reviews related to matters such as accounting audit systems, plans, and operating conditions once every 3 months, working to maintain close cooperation. The Board of Auditors and the Audit dept. hold meetings for reporting and review once a month. The Auditors also comprise the members of the Advisory Committee, which assists the Chairperson of the Board of Directors. This committee advises on various topics of management. Upon request such as from the Board of Directors or Executive Officers Meeting, this committee may also provide advices for necessary actions within the Audit dept.

III. Auditors financial expertise

The auditors, especially external corporate auditors have significant knowledge of finance and accounting matters through their abundant corporate experience including working at the financial institutions.

(3) External Corporate Directors and Auditors

I. Personal relationships, capital relationships, and commercial or other business relationships between the Company and the outside Directors/Auditors

1. Number of external corporate directors: 2, Number of external corporate auditors: 3
2. The relationships between the external corporate auditors and the Company are as follows.

	Name	Relationship	Capital relationship (number of shares of the Company owned)	Commercial or other business relationship
External corporate directors	Hirokazu Matsumoto	Not applicable	0 shares	None
	Shozo Saito	Not applicable	0 shares	None
External corporate auditors	Yoshiharu Kikuchi	Not applicable	0 shares	None
	Naomi Inoue	Not applicable	0 shares	None
	Yoshiro Hayashi	Not applicable	0 shares	None

- Hirokazu Matsumoto, an external corporate director, is a researcher at the University of Tokyo. There is no business relationship and/or interest to be stated in this report between the Company and the University.
- Shozo Saito, an external corporate director, had joined Toshiba Corporation. There is a business relationship that the Company sells some equipment to Toshiba Corporation.
- Yoshiharu Kikuchi, an external corporate auditor, had joined Tsugami Corporation and is currently assigned as Principal Adviser. The Company and Tsugami Corporation have a mutual relationship in shareholding and corporate auditor assignment. There is a business relationship that the Company sells some equipment to Tsugami Corporation.
- Naomi Inoue, an external corporate auditor, has joined the Mizuho Bank., Ltd. The Company has loans payable from Mizuho Banking Group. He is also a President of Joban Kosan, Ltd. There is no business relationship between the Company and Joban Kosan, Ltd.
- Yoshiro Hayashi, an external corporate auditor, has joined Toyota Motor Corporation. There is a business relationship that the Company sells some equipment to Toyota Motor Corporation. He is also an external director of Toyo Kohan Co., Ltd., but there is no business relationship and/or interest to be stated in this report between the Company and Toyo Kohan Co., Ltd.

II. The roles and functions of external corporate director and auditors in order to maintain Corporate Governance

1. The external Corporate Director shall participate in important meetings such as Board of Directors, and supervise business decisions, and business dealings in areas relating to his/her special knowledge and operations of his/her organizations experiences.
2. The external Corporate Auditors shall participate in important meetings such as Board of Directors, and audit functionality and effectiveness of internal control systems in keeping with each special knowledge and operations of his/her organizations experiences.
3. The external Corporate Director and Auditors shall carry out their functions as independent positions which shall not cause conflict of interest against general shareholders.

III. Status of appointing external corporate director and auditors

1. The Company has regulation defining independence between external Corporate Director and Auditors and the Company. Based on the regulation, the Company appoints persons to these roles who are independent of the general shareholders, and are available to scrutinize Company management from a neutral position.
2. The external corporate director has been appointed with the expectation that his special knowledge in engineering and experience leading his organization at the university and administrative agencies, and various experiences in foreign countries, may positively affect the Company's business operations.
3. The external corporate auditors have been appointed with expectation that their special knowledge of finance, service, and manufacturing and their abundant experiences may positively affect the Company's audit.

IV. Coordination among audits by external corporate director/auditors, internal audits, audits by auditors and accounting audits, and relationships to internal control division

1. The external Corporate Director shall participate in important meetings such as Board

of Directors, and supervise director's business dealings, and/or freely provide advice differing from the views of other executive directors.

2. The external corporate auditors shall cooperate with the Board of Auditors and have mutual relationship among Board of Directors, Audit dept. and related agency and/or division.

(4) Compensation paid to directors and auditors

I. Total amounts and types of compensation to the Directors/Auditors of the Company

FY2016/3 (from April 1<sup>st</sup>, 2015 - March 31<sup>st</sup>, 2016)

Type	Total numbers of compensation (Millions yen)	Type of compensation (Millions yen)				Applicable directors and auditors (person)
		Basic compensation	Stock Option	Bonus	Retirement Benefits	
Directors (except external Corporate Director)	336	258	77	-	-	10
Auditors (except external Corporate Auditors)	18	18	-	-	-	1
External Corporate Director and Auditors	32	32	-	-	-	6

Notes

1: Compensation to directors shall be less than ¥360 million per year based on the ratification at the 83<sup>rd</sup> annual shareholders meeting held in June, 2006. In addition to this ratification, the 83<sup>rd</sup> annual shareholders meeting also ratified that the compensation by the share subscription rights as stock options shall be less than ¥200 million per year.

2: Compensation to the auditors shall be less than ¥60 million per year based on the ratification at the 83<sup>rd</sup> annual shareholders meeting held in June, 2006. In addition to this ratification, the 83<sup>rd</sup> annual shareholders meeting also ratified that the compensation by the share subscription rights as stock options shall be less than ¥15 million per year.

II. Consolidated Compensation paid to each Directors/Auditors by the Company

Consolidated compensation paid to each Directors/Auditors omitted because there are no Directors/Auditors who are paid over ¥100 million per year by the Company.

III. Important notification of salary to the director-employees

Not applicable.

IV. Policy of determining compensation for the Directors/Auditors

The Company has a procedure for determining compensation for Directors/Auditors, as follows.

1. Compensation for the Directors

The compensation committee, organized by a part of representative directors and other directors are entrusted by Board of Directors to determine compensation to each director based on the representative director compensation multiplied by a certain ratio for each position. This committee consults the Audit committee in relation to such matters and the Audit committee reports to representative directors.

2. Compensation for the Auditors

Compensation to the Auditors is determined by the Board of Auditors.

(5) Shares held by the Company

- I. Description of shares held by the Company without a purpose of net investment and accounted on balance sheet

Number of Brands: 38 brands

Total amounts Accounted on Balance Sheet: ¥3,702 million

- II. Types, Brands, Number of holdings, Amount recorded on Balance Sheet, and Purpose of shareholdings by the Company without the purpose of net investment

FY2015/3 (from April 1<sup>st</sup>, 2014 - March 31<sup>st</sup>, 2015)

Specific Shares for investment

Brand	Number of share holdings by the Company (shares)	Accounted on Balance Sheet (Millions yen)	Purpose of share holdings
Chipmos Technologies (Bermuda) Ltd	380,506	1,119	Sales activity(such as smooth dealing)
Toyota Motor Corporation	100,000	838	Same as at above
Asahi Diamond Industrial Co., Ltd.	400,000	550	Same as at above
NSK Ltd.	296,900	521	Same as at above
TPR Co., Ltd.	100,000	322	Same as at above
KYOCERA Corporation	31,000	204	Same as at above
Tokyo Electron Limited	23,300	195	Same as at above
THK CO., LTD.	60,000	183	Same as at above
Yamazaki Co., Ltd.	160,000	157	Same as at above
Tomita Co., Ltd.	124,561	78	Same as at above
Toa Corporation	380,000	76	Same as at above
Formfactor, Inc.	66,667	70	Same as at above
Tokyo TY Financial Group, Inc.	18,500	59	Same as at above
Mitsubishi UFJ Financial Group, Inc.	80,000	59	Same as at above
Micron Machinery Co., Ltd.	10,000	40	Same as at above
Asahi Glass Co., Ltd.	49,407	38	Same as at above
Joyo Bank, LTD.	48,510	29	Same as at above
Taiho Kogyo Co., Ltd.	20,000	28	Same as at above
Eiwa Corporation	29,040	20	Same as at above
Sato Shoji Corporation	14,834	12	Same as at above
Tsukuba Bank, Ltd.	28,000	10	Same as at above
JX Holdings, Inc.	21,400	9	Same as at above
Resona Holdings Inc.	16,275	8	Same as at above
Daiichi Sankyo Company, Limited	4,636	8	Same as at above

Shares subject to deemed holding

Brand	Number of share holdings by the company (shares)	Accounted on Balance Sheet (Millions yen)	Purpose of share holdings
Tsugami Corporation	4,592,000	3,531	The Company holds voting rights.
Hulic Co., Ltd.	399,300	539	Same as at above
Advantest Corporation	40,400	61	Same as at above
Sumitomo Mitsui Financial Group, Inc.	10,800	49	Same as at above
Nikon Corporation	19,000	30	Same as at above
Oki Electric Industry Co., Ltd.	51,000	12	Same as at above

Note: Upon listing higher-ranked brands accounted on Balance Sheet, totaling of Specific shares for investment and Shares subject to deemed holding is not performed.

FY2016/3 (from April 1<sup>st</sup>, 2015 - March 31<sup>st</sup>, 2016)

Specific Shares for investment

Brand	Number of share holdings by the Company (shares)	Accounted on Balance Sheet (Millions yen)	Purpose of share holdings
Chipmos Technologies (Bermuda) Ltd	380,506	738	Sales activity(such as smooth dealing)
Toyota Motor Corporation	100,000	595	Same as at above
Asahi Diamond Industrial Co., Ltd.	400,000	403	Same as at above
NSK Ltd.	296,900	305	Same as at above
TPR Co., Ltd.	100,000	295	Same as at above
Tokyo Electron Limited	23,300	170	Same as at above
KYOCERA Corporation	31,000	153	Same as at above
Yamazaki Co., Ltd.	160,000	136	Same as at above
THK CO., LTD.	60,000	124	Same as at above
Toa Corporation	380,000	101	Same as at above
Tomita Co., Ltd.	125,538	87	Same as at above
Formfactor, Inc.	66,667	54	Same as at above
Tokyo TY Financial Group, Inc.	18,500	48	Same as at above
Mitsubishi UFJ Financial Group, Inc.	80,000	41	Same as at above
Asahi Glass Co., Ltd.	51,000	31	Same as at above
Micron Machinery Co., Ltd.	10,000	29	Same as at above
Taiho Kogyo Co., Ltd.	20,000	23	Same as at above
Eiwa Corporation	29,040	19	Same as at above
Joyo Bank, LTD.	48,510	18	Same as at above
Daiichi Sankyo Company, Limited	4,636	11	Same as at above
Sato Shoji Corporation	14,834	9	Same as at above
JX Holdings, Inc.	21,400	9	Same as at above
Tsukuba Bank, Ltd.	28,000	8	Same as at above
Nippon Telegraph and Telephone Corporation	1,428	6	Same as at above
Resona Holdings Inc.	16,275	6	Same as at above

### Shares subject to deemed holding

Brand	Number of share holdings by the company (shares)	Accounted on Balance Sheet (Millions yen)	Purpose of share holdings
Tsugami Corporation	2,592,000	1,060	The Company holds voting rights.
Advantest Corporation	40,400	42	Same as at above
Sumitomo Mitsui Financial Group, Inc.	10,800	36	Same as at above
Nikon Corporation	19,000	32	Same as at above
Oki Electric Industry Co., Ltd.	51,000	8	Same as at above

Note: Upon listing higher-ranked brands accounted on Balance Sheet, totaling of Specific shares for investment and Shares subject to deemed holding is not performed.

### III. Purposes of share holdings by the Company with the purpose of net investment

Not applicable.

#### (6) Financial Auditing

##### I. Names, affiliated independent auditors, and years of continuous auditing service for the Certified Public Accountants who have carried out auditing work

Name of Certified Public Accountant		Affiliated independent auditor	Years of continuous auditing service
Designated employee and partner	Yuji Mukaide	Ernst & Young ShinNihon LLC	-
	Kanako Kitamoto		-

##### II. Assistants to the audits

Certified Public Accountants: 13, Others: 21

#### (7) Authority for the Board of Directors to decide resolutions of the General Meeting of Shareholders

I. In order for the Company to be able to carry out its capital strategy in a flexible manner that is appropriate for changes in the business environment, the articles of incorporation state that "under the provisions of Article 165, Paragraph 2 of the Company Law of Japan, the Company may, by resolution of the Board of Directors, acquire its own shares through market trading and other means that are identified in Paragraph 1 of the same article."

II. In order to return profits to the shareholders in a flexible manner, the articles of incorporation state that "the Company may, by resolution of the Board of Directors, pay an interim dividend to shareholders or registered pledgees listed or recorded in the latest shareholder registry on September 30<sup>th</sup> of each year."

#### (8) The maximum number of directors as determined by the articles of incorporation

The Company determined maximum number of directors as 15 by the articles of incorporation.

#### (9) Resolutions to appoint directors as determined by the articles of incorporation

The articles of incorporation of the Company require that "resolutions which appoint directors must be made at meetings where shareholders with a minimum of 1/3 of the exercisable shareholder voting rights are present, and must be approved by a majority of the present voting rights," and also that such resolutions "shall not be decided by cumulative voting."

#### (10) Requirements for special resolutions of the General Meeting of Shareholders

In order to ensure smooth operation of the General Meeting of Shareholders by reducing the quorum required for a special resolution, the articles of incorporation state that "the resolutions which are identified in Article 309, Paragraph 2 of the Company Law of Japan require the attendance of 1/3 or more of shareholders with voting rights, and shall be decided by a minimum 2/3 majority of the voting rights present."

(2) Status of remuneration to auditors, and others

(1) Remuneration for public accountants

	FY2015/3		FY2016/3	
	Remuneration related to Audit & assurance (Millions yen)	Remuneration not related to Audit & assurance (Millions yen)	Remuneration related to Audit & assurance (Millions yen)	Remuneration not related to Audit & assurance (Millions yen)
The Company	39	-	40	-
Consolidated Subsidiaries	12	-	13	-
Total	51	-	53	-

(2) Other important remunerations

FY2015/3 (April 1<sup>st</sup>, 2014 - March 31<sup>st</sup>, 2015)

The Company and its consolidated subsidiaries, Accretech America Inc., Accretech (Europe) GmbH, Accretech (China) Co., Ltd., Tosei Engineering (Pinghu) Co., Ltd., Accretech Taiwan Co., Ltd., and Accretech (Malaysia) Sdn. Bhd. paid total ¥14 million to Ernst & Young, which belongs to the same network as the Company's Public Accountant as remuneration for audit & assurance for the Fiscal Year. In addition, there has been remuneration of ¥8 million other than for the purpose of audit & assurance.

FY2016/3 (April 1<sup>st</sup>, 2015 - March 31<sup>st</sup>, 2016)

The Company and its consolidated subsidiaries, Accretech America Inc., Accretech (Europe) GmbH, Accretech (China) Co., Ltd., Accretech Taiwan Co., Ltd., Accretech (Malaysia) Sdn. Bhd., Tosei Engineering (Pinghu) Co., Ltd., and Tosei (Thailand) Co., Ltd., paid total ¥12 million to Ernst & Young, which belongs to the same network as the Company's Public Accountant as remuneration for audit & assurance for the Fiscal Year. In addition, there has been remuneration of ¥5 million other than for the purpose of audit & assurance.

(3) Business from Certified Public Accountants to the Company without a purpose of audit and assurance

FY2015/3 (April 1<sup>st</sup>, 2014 - March 31<sup>st</sup>, 2015)

Not applicable.

FY2016/3 (April 1<sup>st</sup>, 2015 - March 31<sup>st</sup>, 2016)

Not applicable.

(4) Policy of determining remuneration to independent auditors

Although there is no specific policy of determining remuneration from the Company to the Certified public accountants, both mutually discusses and determines it based on the days spent for the audit, estimated workforce and turnover volume of the Company.

## Section 5 [Financial Information]

### 1. Basis of preparation of the consolidated financial statements and the non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with “Regulations Concerning the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Ordinance No. 28, 1976).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with “Regulations Concerning the Terminology, Forms, and Preparation Methods of Non-Consolidated Financial Statements” (Ministry of Finance Ordinance No. 59, 1963).

Also, the Company fulfills the conditions of filing financial statements prepared in accordance with special provisions (特例財務諸表提出会社), therefore the non-consolidated financial statements of the Company are prepared in accordance with Article 127 of the Regulation of Financial Statements.

### 2. Audit reports

Pursuant to Article 193-2-1 of the Financial Instruments and Exchange Act, the Company has had its consolidated financial statements of FY2016/3 (April 1<sup>st</sup>, 2015 - May 31<sup>st</sup>, 2016), and non-consolidated financial statements of FY2016/3 (April 1<sup>st</sup>, 2015 - May 31<sup>st</sup>, 2016) audited by Ernst & Young ShinNihon LLC.

### 3. System to secure appropriate Consolidated Financial Statements

In order to secure appropriate Consolidated Financial Statements, the Company collects necessary information to ensure the details and changes in accounting standards in a timely manner, receives updated training from organizations such as the Financial Accounting Standards Foundation, participates in seminars sponsored by public accountants and industry forums, and subscribes accounting specialized magazines.



# 1. [Consolidated Financial Statements]

(1) Consolidated financial statements

[1] Consolidated balance sheets

Millions yen

	<b>FY2015/3</b> (March 31 <sup>st</sup> , 2015)	<b>FY2016/3</b> (March 31 <sup>st</sup> , 2016)
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	26,864	27,389
Notes and accounts receivable	22,399	23,484
Electronically recorded monetary claims	914	2,522
Merchandise and finished goods	2,464	2,163
Work in progress	9,532	10,117
Raw materials and supplies	3,177	3,802
Deferred tax assets	782	984
Others	1,852	2,325
Allowance for doubtful accounts	- 114	- 78
<b>Total current assets</b>	<b>67,873</b>	<b>72,710</b>
Fixed Assets		
Tangible fixed assets		
Building and structures	19,760	20,202
Accumulated depreciation	- 9,638	- 10,335
<b>Building and structures(net)</b>	<b>10,121</b>	<b>9,866</b>
Machinery, equipment and vehicles	8,103	8,610
Accumulated depreciation	- 6,209	- 6,602
<b>Machinery, equipment and vehicles (net)</b>	<b>1,894</b>	<b>2,008</b>
Equipment	4,534	5,193
Accumulated depreciation	- 3,409	- 3,602
<b>Equipment(net)</b>	<b>1,124</b>	<b>1,591</b>
Land	5,610	5,604
Lease assets	18	35
Accumulated depreciation	- 9	- 14
<b>Lease assets (net)</b>	<b>9</b>	<b>20</b>
Construction in process account	1,598	2,913
<b>Total Tangible Fixed Assets</b>	<b>20,359</b>	<b>22,005</b>
Intangible fixed assets		
Goodwill	577	315
Others	548	568
<b>Total Intangible Fixed Assets</b>	<b>1,125</b>	<b>884</b>
Investments and other assets		
Investment securities	*1 5,544	*1 4,079
Long-term loans	56	4
Net defined benefit assets	2,886	1,727
Differed tax assets	155	29
Others	*1 460	*1 498
Allowance for doubtful accounts	- 4	- 5
<b>Total Investments and other assets</b>	<b>9,098</b>	<b>6,334</b>
<b>Total Fixed Assets</b>	<b>30,584</b>	<b>29,223</b>
<b>Total Assets</b>	<b>98,457</b>	<b>101,933</b>

	<b>FY2015/3</b> (March 31 <sup>st</sup> , 2015)	<b>FY2016/3</b> (March 31 <sup>st</sup> , 2016)
<b>LIABILITIES</b>		
Current Liabilities		
Notes and accounts payable	6,131	6,094
Electronically recorded obligations-operating	5,789	5,724
Short-term debt	1,300	1,200
Current portion of long-term debt	400	400
Lease liabilities	3	5
Income taxes payable	2,312	1,898
Bonus reserve	990	1,002
Reserve for director's bonuses	8	11
Others	4,784	5,079
Total current liabilities	21,718	21,416
Long-term Liabilities		
Long-term debt	400	-
Lease liabilities	6	16
Deferred tax liabilities	996	289
Allowance for director retirement benefits	117	133
Net defined benefit liabilities	816	646
Long-term accounts payable	29	13
Total long-term liabilities	2,367	1,099
Total Liabilities	24,085	22,515
<b>NET ASSETS</b>		
Shareholder's Equity		
Common stock	10,295	10,374
Capital surplus	21,312	21,392
Retained earnings	38,325	45,630
Treasury stock	- 113	- 115
Total Shareholder's Equity	69,820	77,282
Accumulated other comprehensive income		
Holding gain or loss in investment	1,574	759
Foreign currency translation adjustment	1,347	650
Remeasurements of defined benefit plans	1,073	80
Total accumulated other comprehensive income	3,995	1,491
Share subscription rights	385	436
Minority interests	169	208
Total Net Assets	74,371	79,418
Total Liabilities and Net Assets	98,457	101,933

[2] Consolidated statements of income and comprehensive income

[Consolidated statements of income]

Millions yen

	<b>FY2015/3</b>	<b>FY2016/3</b>
	(April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	(April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Net Sales	66,445	70,274
Cost of Sales	*1,*3 40,275	*1,*3 42,185
Gross Profit on Sales	26,169	28,089
Selling, general and administrative expenses	*1,*3 14,044	*1,*3 14,867
Operating income	12,124	13,222
Non-operating income		
Interest income	20	39
Dividend income	71	94
Foreign exchange income	534	-
Others	99	109
Total Non-operating income	726	243
Non-operating expenses		
Interest expenses	33	31
Foreign exchange loss	-	176
Others	25	25
Total Non-operating expenses	59	232
Ordinary income	12,791	13,232
Extraordinary gains		
Gain on sales of subsidiary's shares	-	6
Gain on reversal of share subscription rights	9	1
Total Extraordinary gains	9	8
Extraordinary losses		
Loss on valuation of golf club membership	4	0
Total extraordinary losses	4	0
Income before income taxes and minority interests	12,796	13,240
Income tax and other taxes	3,190	3,358
Adjustment on income tax	576	126
Total Income tax and others	3,767	3,484
Income before minority interests	9,028	9,756
Net income attributable to non-controlling interests	35	52
Net Income attributable to Owners of the Parent	8,993	9,704

[Consolidated statements of comprehensive income]

Millions yen

	<b>FY2015/3</b>	<b>FY2016/3</b>
	(April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	(April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Income before minority interests	9,028	9,756
Accumulated other comprehensive income		
Holding gain or loss in investment	859	- 814
Foreign currency translation adjustment	691	- 749
Remeasurements of defined benefit plans	389	- 993
Total accumulated other comprehensive income	*1 1,940	*1 - 2,557
<b>Comprehensive Income</b>	<b>10,969</b>	<b>7,199</b>
(breakdown)		
Comprehensive income attributable to owners of the parent	10,917	7,160
Comprehensive income attributable to minority interests	51	38

[3] Consolidated statements of changes in net assets

FY 2015/3 (April 1<sup>st</sup>, 2014 – March 31<sup>st</sup>, 2015)

Millions yen

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity
Balance as of beginning of fiscal year	10,238	21,255	30,776	- 111	62,158
Changes during the fiscal year					
Issue of new shares	57	57			114
Cash dividends paid			- 1,443		-1,443
Net income			8,993		8,993
Purchases of treasury stock				- 2	- 2
Changes of items other than Shareholders' equity(net)					
Total changes during the fiscal year	57	57	7,549	- 2	7,661
Balance as of end of the fiscal year	10,295	21,312	38,325	- 113	69,820

	Accumulated other comprehensive income				Share Subscription Rights	Minority Interests	Total Net Assets
	Holding gain or loss in investment	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of beginning of fiscal year	714	672	683	2,071	320	118	64,668
Changes during the fiscal year							
Issue of new shares							114
Cash dividends paid							- 1,443
Net income							8,993
Purchases of treasury stock							- 2
Changes of items other than Shareholders' equity(net)	859	674	389	1,924	64	51	2,041
Total changes during the fiscal year	859	674	389	1,924	64	51	9,702
Balance as of end of the fiscal year	1,574	1,347	1,073	3,995	385	169	74,371

	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholder's equity
Balance as of beginning of fiscal year	10,295	21,312	38,325	- 113	69,820
Changes during the fiscal year					
Issue of new shares	79	79			158
Cash dividends paid			- 2,438		- 2,438
Net income			9,704		9,704
Purchases of treasury stock				- 2	- 2
Change in scope of Consolidation			40		40
Changes of items other than Shareholders' equity(net)					
Total changes during the fiscal year	79	79	7,305	- 2	7,462
Balance as of end of the fiscal year	10,374	21,392	45,630	- 115	77,282

	Accumulated other comprehensive income				Share Subscription Rights	Minority Interests	Total Net Assets
	Holding gain or loss in investment	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of beginning of fiscal year	1,574	1,347	1,073	3,995	385	169	74,371
Changes during the fiscal year							
Issue of new shares							158
Cash dividends paid							- 2,438
Net income							9,704
Purchases of treasury stock							- 2
Change in scope of Consolidation							40
Changes of items other than Shareholders' equity(net)	- 814	- 696	- 993	- 2,504	51	38	- 2,415
Total changes during the fiscal year	- 814	- 696	- 993	- 2,504	51	38	5,046
Balance as of end of the fiscal year	759	650	80	1,491	436	208	79,418

## [4] Consolidated statements of cash flows

Millions yen

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015 - March 31 <sup>st</sup> 2016)
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	12,796	13,240
Depreciation	1,837	2,012
Amortization of goodwill	427	261
Stock related expense	102	116
Change in net defined benefit liabilities (-:decrease)	- 237	- 244
Change in allowance for director retirement benefits (-:decrease)	- 3	16
Change in allowance for doubtful accounts (-:decrease)	21	- 30
Interest and dividend income	- 91	- 133
Interest expense	33	31
Loss/income on sales of subsidiary's shares (-:income)	-	- 6
Change in trade notes and accounts receivable (-: increase)	- 1,616	- 3,214
Change in inventories (-: increase)	- 2,763	- 1,203
Change in trade notes and accounts payable(-:decrease)	2,349	268
Others	- 30	- 178
Subtotal	12,824	10,935
Proceeds from interest and dividend income	89	126
Payment of interest	- 34	- 32
Payment/Refund of income taxes (-: payment)	- 2,059	- 3,820
Net cash provided by operating activities	10,820	7,210
<b>Cash flows from investing activities:</b>		
Payment for time deposits	- 98	- 139
Proceeds from time deposits	38	141
Payment for purchase of tangible fixed assets	- 1,525	- 3,162
Proceeds from sales of tangible fixed assets	17	6
Payment for purchase of intangible fixed assets	- 138	- 92
Payment for purchase of investment securities	- 3	- 3
Payment for purchase of shares of subsidiary company	- 458	- 24
Proceeds from sales of shares of subsidiary company	-	173
Payment for purchase of investments in capital of subsidiaries	- 43	- 47
Payment for loans receivable	- 759	- 727
Proceeds from collection of loans receivable	13	53
Net cash provided by investing activities	- 2,958	- 3,823
<b>Cash flows from financing activities:</b>		
Change in short-term loans payable (-: decrease)	-	- 100
Repayment of long-term debt	- 400	- 400
Repayment of lease liability	- 3	- 5
Proceeds from exercise of stock options	86	94
Dividend payments	- 1,443	- 2,438
Others	- 2	- 2
Net cash provided by financing activities	- 1,762	- 2,851
Effect of exchange rate changes on cash and cash equivalents	265	- 273
Net increase/decrease in cash and cash equivalents (-: decrease)	6,363	261
Cash and cash equivalents at beginning of year	20,411	26,775
Net increase/decrease in cash and cash equivalents by change in consolidated subsidiaries (-: decrease)	-	271
Cash and cash equivalents at end of year	*1 26,775	*1 27,308

[Significant accounting policies]

(Basis of Presenting Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries (14 companies)

Tosei Engineering Corp.  
Tosei Systems Co., Ltd.  
Accretech Create Corp.  
Tosei Box Corp.  
Accretech Finance Co., Ltd.  
Accretech America Inc.  
Accretech (Europe) GmbH  
Accretech Korea Co., Ltd.  
Accretech (China) Co., Ltd.  
Accretech Taiwan Co., Ltd.  
Accretech (Malaysia) Sdn Bhd.  
Tosei Engineering (Pinghu) Co., Ltd.  
Tosei (Thailand) Co., Ltd.  
Tosei America Inc.

(2) Non- Consolidated subsidiaries

Accretech (Singapore) Pte, Ltd.  
Accretech (Thailand) Co., Ltd.  
Accretech Adamas (Thailand) Co., Ltd.  
Accretech Vietnam Co., Ltd.  
PT Accretech Indonesia  
Accretech Do Brasil Ltda  
Tosei Korea Co., Ltd.  
Tosei Taiwan Co., Ltd.  
PT Tosei Indonesia  
Tosei Engineering Malaysia Sdn. Bhd.  
Tosei Philippines Corporation  
Tosei Engineering Private Limited  
Tosei Canada Measuring Inc.  
Tosei Mexico S.A.DE.C.V  
Tosei Brasil Comércio de Instrumentos de Medição Ltda  
Accretech-Tosei Hungary Kft  
Accretech (Pinghu) Co., Ltd.

All of the above 17 companies which were excluded from the consolidation range are all small companies, in terms of their total assets, total sales, total net income(depending on their equity), total retained earnings(depending on their equity), and others, and do not have a significant effect on our financial statements.



## 2. Equity Method

The equity method is not applied to any non-consolidated subsidiary

Non-consolidated subsidiaries where the equity method is not used all have an extremely small effect on the consolidated net income (depending on their equity), consolidated retained earnings (depending on their equity), and other financial amounts, and overall are of low importance. For these reasons, the equity method is not used for these companies, and a cost evaluation method is used for evaluation.

## 3. Accounting period of consolidated subsidiaries

The end-date of Fiscal term for Accretech (China) Co., Ltd., Tosei Engineering (Pinghu) Co., Ltd., Tosei (Thailand) Co., Ltd. and Tosei America Inc. are at December 31<sup>st</sup>. In order to prepare this Consolidated Financial Statement, the Company applied statements of these subsidiaries as of December 31<sup>st</sup>. Any significant business transactions which were completed between their Fiscal end and the Company's Fiscal end were properly adjusted in the consolidated review. The end of the fiscal year for remaining consolidated subsidiaries matches the end of the consolidated fiscal year of the Company.

## 4. Significant accounting policies

### (1) Valuation standards and methods for important assets

#### (A) Securities

##### Other securities

Marketable securities : Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in shareholders' equity. Costs of securities sold are calculated by the moving average method.

Non-marketable securities : Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

#### (B) Inventories

Goods, finished products, materials, and supplies of the Company and its consolidated subsidiaries are stated at cost determined by the first-in, first-out method. Work in progress is stated at specific identification costs (using the method of devaluing the book price to reflect declines in profitability); however, external consolidated subsidiaries use the lower of cost determined by the first-in, first-out method.

### (2) Depreciation of significant assets

#### (A) Tangible fixed assets (except leasing assets)

The Company and its domestic consolidated subsidiaries use the declining balance method. However, the straight-line method is used for buildings (excluding equipment attached to buildings) which were acquired on or after April 1<sup>st</sup>, 1998.

Overseas consolidated subsidiaries use the straight-line method.

The significant useful lives are as follows.

Buildings and structures            3 - 50 years

Machinery and equipment           2 - 11 years

#### (B) Intangible fixed assets (except lease assets)

Goodwill is amortized using a straight-line method. Software for use by the Company is depreciated using a straight-line method based on the estimated life at the Company.

Other intangible fixed assets are depreciated using the straight-line method.

#### (C) Lease assets

Lease assets (Financial leases other than those deemed to transfer ownership of properties to lessees) is depreciated using the straight-line method under leasing term to be considered as useful lives.

- (3) Basis for significant reserves
- (A) Allowance for doubtful accounts  
For covering probable losses on collection of receivables, the allowance for doubtful accounts is calculated based on past experience for ordinary receivables. For companies in financial difficulties, it is based on individual estimates of the collectability of receivables, and consists of the amount estimated to be uncollectible.
- (B) Allowance for bonuses  
The Company and its domestic consolidated subsidiaries calculate the allowance for bonuses to employees based on the expected amount of payment.
- (C) Accrued director's bonuses  
The Company's domestic consolidated subsidiaries calculate the allowance for bonuses to directors based on the expected amount of payment during that consolidated fiscal year.
- (D) Accrued director's retirement benefits  
Domestic consolidated subsidiaries calculate the allowance for payment of director retirement benefits that are forecasted to occur upon director retirement based on internal regulations.
- (4) Accounting Method for retirement obligations
- (A) Method of periodic attribution of the estimated amount of retirement benefits  
The attribution of estimated amounts for the current Fiscal year is based on the fixed amount method.
- (B) Actuarial gain or loss, and Prior service cost  
For actuarial gains and losses, proportional amounts are amortized beginning from the consolidated fiscal year following the next fiscal year in which it occurs, using a fixed number of years (10) that is within the average estimated remaining service time of the employees for each consolidated fiscal year. For Prior service cost, proportional amounts are amortized beginning from the consolidated fiscal year in which it occurs, using a fixed number of years (10) that is within the average estimated remaining service time of the employees for each consolidated fiscal year.
- (5) Standard of Foreign currency translation of significant foreign currency based assets/liabilities  
Receivables and payables denominated in foreign currencies are translated into yen at the rate of exchange in effect on the balance sheet date, and differences arising from the translation are processed as gains or losses. Assets, liabilities, gains and losses of overseas consolidated subsidiaries denominated in foreign currencies are translated into yen at the rate of exchange in effect on the balance sheet date, and differences arising from the translation are processed as Foreign currency translation adjustment or Minority interests in the net assets.
- (6) Amortization of goodwill  
Amortization of goodwill is evaluated for each acquisition, and is carried out over a reasonable number of years (7 or 10 years).
- (7) Cash and cash equivalents in the consolidated statements of cash flows  
Cash and cash equivalents in the consolidated statements consist of cash on hand, available funds on deposit, and short-term, highly liquid investments that are readily convertible to cash, with original maturities of three months or less, and that are substantially free of price fluctuation risk.
- (8) Other significant accounting policies
- (A) Accounting for consumption tax  
Transactions subject to national and local consumption taxes are recorded as amounts exclusive of consumption tax.
- (B) Consolidated tax-reporting  
The Company Group applies consolidated tax-reporting system.

[Changes in accounting principles]

The Company applies “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13<sup>th</sup>, 2013, hereinafter referred to as “Accounting Standard for Business Combinations”), “Revised

Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13<sup>th</sup>, 2013, hereinafter referred to as “Consolidated Accounting Standard”), and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, released on September 13<sup>th</sup>, 2013, hereinafter referred to as “Accounting Standard for Business Divestitures”) and other related standards from 1<sup>st</sup> quarter of FY2016/3. As a result, any differences arising from changes in the Company’s interests in its subsidiaries (if the Company maintains control of these subsidiaries) are to be accounted for as Capital surplus. In addition, acquisition costs are expensed in the Fiscal Year in which the costs are incurred. For any business combinations on or after the beginning of 1<sup>st</sup> quarter of FY2016/3, subsequent measurement of the provisional amount recognized based on the purchase price allocation attributable on completion of accounting for the business combination are reflected in the Quarterly Consolidated Financial Statements for the period to which the date of that business combination occurs. To apply these changes in the Consolidated Financial Statement, adjustments have been made to the Consolidated Financial Statements for the previous fiscal year.

In regards to the Statement of Cash flows for the Fiscal Year 2016/3, cash flows from the payment for shares of subsidiary companies which do not change the scope of consolidation is now accounted for under the item “Cash flows from financing activities”, while cash flows related to the purchase and/or sales of shares of subsidiary companies which do effect changes in the scope of consolidation are now accounted for under the item “Cash flows from operating activities”.

As a result, there is no impact to Consolidated Financial Statement and Per Share Information for the FY2016/3.

[Accounting Standards to be applied]

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Statement No. 28, March 28<sup>th</sup>, 2016)

(1) Outline

Aforementioned Statements were revised from the viewpoints of the framework how to estimate deferred tax assets per each type of the entity based on the “Auditing Treatment for Judgment of Recoverability of Deferred Assets” (JICPA, Auditing Guidance No.66).

(2) Target applied date

The Company plans to apply these changes at the beginning of FY2017/3 ending March, 2017.

(3) Effects from the application of the Accounting Standards

Impact from application of these standards and guidelines is under review as at the date of publishing these Financial Statements.

[Changes in presentation]

(Consolidated statements of income)

In FY2015/3, “Loss on disposal of fixed assets” was separately listed in “Non-operating expenses” However, because in FY2016/3 this amount did not exceed 10% of the total amount of "Non-operating expenses", it was included in “Non-operating expenses” - "Others". Accordingly, applicable accounts in the Consolidated Financial Statements for FY2015/3 have been denotatively reclassified. Therefore, amounts show in the FY2015/3 Statements of Income; ¥12 million of “Loss on disposal of fixed assets” and ¥13 million of “Others” are now shown as ¥25 million of “Non-operating expenses” - "Others".

[Notes]

(Consolidated balance sheet)

\*1 Investment in non-consolidated subsidiaries

	FY2015/3 (March 31 <sup>st</sup> , 2014)	FY2016/3 (March 31 <sup>st</sup> , 2016)
Investment securities	¥612 million	¥376 million
Other investment or other assets(Capital stock)	¥209 million	¥256 million

(Consolidated statements of income)

\*1 Devaluing the book price of inventories (primarily for sales) to reflect declines in profitability

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Cost of sales	¥ -289 million	¥ -70 million

\*2 Primary items of selling, general, and administrative expenses

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Research and development costs	¥3,503 million	¥4,280 million
Salaries for employees	¥3,228 million	¥3,426 million
Provision for employees' bonuses	¥171 million	¥154 million
Provision for retirement benefits for directors and corporate auditors	¥13 million	¥16 million
Provision for directors' and corporate auditors' bonuses	¥8 million	¥11 million
Provision for retirement benefits for employees	¥2 million	¥3 million

\*3 Research and development costs included in general and administrative expenses and manufacturing costs

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Research and development costs	¥5,744 million	¥6,292 million

(Consolidated statements of comprehensive income)

\*1 Adjustments and Tax effects related to Comprehensive income

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Unrealized Holding gain or loss on investment		
Arising during the Fiscal Year	¥1,216 million	¥ -1,232 million
Reclassification Adjustments	¥0 million	¥0 million
Before Tax effect adjustment	¥1,216 million	¥ -1,232 million
Tax effect	¥ - 356 million	¥417 million
Unrealized Holding gain or loss on investment	¥859 million	¥ -814 million
Foreign currency translation adjustment		
Arising during the Fiscal Year	¥691 million	¥ -749 million
Reclassification Adjustments	-	-
Before Tax effect adjustment	¥691 million	¥ -749 million
Tax effect	-	-
Foreign currency translation adjustment	¥691 million	¥-749 million
Remeasurements of defined benefit plans		
Arising during the Fiscal Year	¥789 million	¥ -1,196 million
Reclassification Adjustments	¥ - 261 million	¥ -277 million
Before Tax effect adjustment	¥527 million	¥ -1,474 million
Tax effect	¥ - 137 million	¥481 million
Remeasurements of defined benefit plans	¥389 million	¥ -993 million
Total other comprehensive income	¥1,940 million	¥ -2,557 million

## (Consolidated statements of changes in net assets)

FY2015/3 (April 1<sup>st</sup>, 2014 - March 31<sup>st</sup>, 2015)

## 1. Issued stock

Stock class	At beginning of Fiscal Year	Increase	Decrease	At end of Fiscal Year
Common stock (shares)	41,278,381	62,300	-	41,340,681

Note: Reason for the increase of 62,300 shares is exercise of share subscription rights from stock options.

## 2. Treasury stock

Stock class	At beginning of Fiscal Year	Increase	Decrease	At end of Fiscal Year
Common stock (shares)	33,542	1,067	-	34,609

Note: The increase of 1,067 shares was due to purchases of shares less than 1 unit.

## 3. Share subscription rights

Company name	Breakdown	Class of stock issued upon exercise of the right	Number of shares issued upon exercise of the right (shares)				Balance at end of FY2015/3 (millions yen)
			At beginning of Fiscal Year	Increase	Decrease	At end of Fiscal Year	
The Company	The 7 <sup>th</sup> share subscription rights (stock options) (Issued 2008)	-		-		6	
	The 8 <sup>th</sup> share subscription rights (stock options) (Issued 2011)	-		-		21	
	The 9 <sup>th</sup> share subscription rights (stock options) (Issued 2012)	-		-		15	
	The 10 <sup>th</sup> share subscription rights (stock options) (Issued 2013)	-		-		37	
	The 11 <sup>th</sup> share subscription rights (stock options) (Issued 2014)	-		-		12	
	Share subscription rights issued July 2006 (stock-based compensation options)	-		-		43	
	Share subscription rights issued July 2007 (stock-based compensation options)	-		-		43	
	Share subscription rights issued July 2011 (stock-based compensation options)	-		-		47	
	Share subscription rights issued July 2012 (stock-based compensation options)	-		-		34	
	Share subscription rights issued July 2013 (stock-based compensation options)	-		-		63	
Share subscription rights issued July 2014 (stock-based compensation options)	-		-		59		
Total	-		-		385		

#### 4. Dividends

##### (1) Amounts of dividends paid

Resolution	Class of stock	Total amount of dividends (millions yen)	Dividend per share (yen)	Cut-off date	Effective date
June 24 <sup>th</sup> , 2014 Regular General Meeting of Shareholders	Common stock	536	13.00	March 31 <sup>st</sup> , 2014	June 25 <sup>th</sup> , 2014
November 11 <sup>th</sup> , 2014 Board of Directors	Common stock	907	22.00	September 30 <sup>th</sup> , 2014	December 2 <sup>nd</sup> , 2014

##### (2) Dividends with a shareholders' cut-off date in FY2015/3 and an effective date in FY2016/3

Resolution	Class of stock	Resource for dividends	Total amount of dividends (millions yen)	Dividend per share (yen)	Cut-off date	Effective date
June 23 <sup>rd</sup> , 2015 Regular General Meeting of Shareholders	Common stock	Retained earnings	1,363	33.00	March 31 <sup>st</sup> , 2015	June 24 <sup>th</sup> , 2015

FY2016/3 (April 1<sup>st</sup>, 2015 - March 31<sup>st</sup>, 2016)

1. Issued stock

Stock class	At beginning of Fiscal Year	Increase	Decrease	At end of Fiscal Year
Common stock (shares)	41,340,681	82,700	-	41,423,381

Note: Reason for the increase of 82,700 shares is exercise of share subscription rights from stock options.

2. Treasury stock

Stock class	At beginning of Fiscal Year	Increase	Decrease	At end of Fiscal Year
Common stock (shares)	34,609	784	-	35,393

Note: The increase of 784 shares was due to purchases of shares less than 1 unit.

3. Share subscription rights

Company name	Breakdown	Class of stock issued upon exercise of the right	Number of shares issued upon exercise of the right (shares)				Balance at end of FY2016/3 (millions yen)
			At beginning of Fiscal Year	Increase	Decrease	At end of Fiscal Year	
The Company	The 8 <sup>th</sup> share subscription rights (stock options) (Issued 2011)	-		-		12	
	The 9 <sup>th</sup> share subscription rights (stock options) (Issued 2012)	-		-		10	
	The 10 <sup>th</sup> share subscription rights (stock options) (Issued 2013)	-		-		40	
	The 11 <sup>th</sup> share subscription rights (stock options) (Issued 2014)	-		-		31	
	The 12 <sup>th</sup> share subscription rights (stock options) (Issued 2014)	-		-		14	
	Share subscription rights issued July 2006 (stock-based compensation options)	-		-		32	
	Share subscription rights issued July 2007 (stock-based compensation options)	-		-		33	
	Share subscription rights issued July 2011 (stock-based compensation options)	-		-		39	
	Share subscription rights issued July 2012 (stock-based compensation options)	-		-		28	
	Share subscription rights issued July 2013 (stock-based compensation options)	-		-		59	
	Share subscription rights issued July 2014 (stock-based compensation options)	-		-		56	
	Share subscription rights issued July 2015 (stock-based compensation options)	-		-		76	
	<b>Total</b>	-		-		<b>436</b>	



#### 4. Dividends

##### (1) Amounts of dividends paid

Resolution	Class of stock	Total amount of dividends (millions yen)	Dividend per share (yen)	Cut-off date	Effective date
June 23 <sup>th</sup> , 2015 Regular General Meeting of Shareholders	Common stock	1,363	33.00	March 31 <sup>st</sup> , 2015	June 24 <sup>th</sup> , 2015
November 9 <sup>th</sup> , 2015 Board of Directors	Common stock	1,075	26.00	September 30 <sup>th</sup> , 2015	December 4 <sup>th</sup> , 2015

##### (2) Dividends with a shareholders' cut-off date in FY2016/3 and an effective date in FY2017/3

Resolution	Class of stock	Resource for dividends	Total amount of dividends (millions yen)	Dividend per share (yen)	Cut-off date	Effective date
June 21 <sup>st</sup> , 2016, Regular General Meeting of Shareholders	Common stock	Retained earnings	1,365	33.00	March 31 <sup>st</sup> , 2016	June 22 <sup>nd</sup> , 2016

(Consolidated statements of cash flows)

\*1 Relationship between cash and cash equivalents at year end and the amounts for items listed in the consolidated balance sheet

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Cash and cash equivalents (Balance sheets)	¥26,864 million	¥27,389 million
Time deposits with original maturities over three months	¥ -88 million	¥ -80 million
Cash and cash equivalents(Statement of cash flows)	¥26,775 million	¥27,308 million

(Lease transactions)

1. Finance lease transactions

(Lessee)

Financial lease transactions other than those deemed to transfer ownership of properties to lessees

(1) Description of lease assets

Mainly consisted of Vehicles and Machinery and equipment for SPE business.

(2) Formulas for calculating estimated depreciation expense of lease assets

Calculated by the straight-line method using the lease term as the effective life and with zero residual value.

2 Operation Lease Transaction

(Lessee)

Estimative balance of lease premiums included in undissolvable operating lease transactions

	FY2015/3 (March 31 <sup>st</sup> , 2015)	FY2016/3 (March 31 <sup>st</sup> , 2016/3)
Current portion	¥22 million	¥20 million
Non-current portion	¥63 million	¥39 million
Total	¥85 million	¥59 million

(Investment securities)

## 1. Status of Financial Instruments

### (1) System for managing financial instruments in the Company Group

The Group accommodates long-term finances based on the forecast of Group investments for SPE and Metrology business mainly by loans from banks. Short term finance is derived mainly by loans from banks, and temporarily unused funds are managed with low-risk financial assets.

Derivatives are only to be applied for the purpose of risk management, and not applied for speculative purposes.

### (2) Detail and risk of Financial Instruments

Trade notes and accounts receivable face reliability risks of these customers and foreign-currency based bonds though the Group's global business also face foreign currency risk. Investment securities, mainly stocks related to correspondent companies or capital and business alliances therefore face market price fluctuation risk.

The due date of most of the operating receivables such as trade notes, accounts payable and electronically recorded obligations occur within one year. Some interest bearing debts such as loans payable and/or lease liabilities are set to variable rates and therefore face interest rate fluctuation risk.

### (3) Risk management for Financial Instruments

#### (A) Credit risk management (risk of client's breach of contract)

The Company controls trade notes and balances and due dates per each client working with both Accounting dept. and Sales dept. in order to assess the financial status of each client and avoid contract breach risk. The consolidated subsidiaries apply same method for credit risk management.

#### (B) Market risk management (risk of fluctuation in exchange rates or interest rates)

The Company periodically checks market prices of investment securities and the financial status of those who issued these securities. In parallel, the amount of holding investment securities is also reviewed and revised as necessary based on the conditions of trade between the Company and those who issued these securities.

#### (C) Liquidity risk management in financing operations

The company actively manages liquidity risk. The Accounting dept. of the Company generates and revises financial plans as necessary to keep short-term liquidity to appropriate levels based on business activity forecasts such as orders, production and sales. The consolidated subsidiaries apply the same method for liquidity risk management.

### (4) Additional information for the current value of Financial Instruments

Current value of Financial Instruments includes not only the value based on a current market price (or the reasonably calculated value if market price does not exist), but is also formulated using an allowance for price fluctuations that may affect expected market value.

## 2. Current Value of Financial Instruments

Accounted value on Balance Sheet, Current Value and balance are as follows.

The items for which current value cannot accurately be estimated are omitted (refer to Notes 2.)

FY2015/3 (March 31<sup>st</sup>, 2015)

Millions Yen

	Accounted value on consolidated balance sheet	Current Value	Difference
(1) Cash and cash equivalents	26,864	26,864	-
(2) Notes and accounts receivable	22,399	22,399	-
(3) Electronically recorded monetary claims	914	914	-
(4) Investment securities (Others)	4,687	4,687	-
Assets Total	54,866	54,866	-
(1) Notes and accounts payable	6,131	6,131	-
(2) Electronically recorded obligations-operating	5,789	5,789	-
(3) Short-term debt	1,300	1,300	-
(4) Long-term debt (includes current portion)	800	802	2
Liability Total	14,020	14,022	2

FY2016/3 (March 31<sup>st</sup>, 2016)

Millions Yen

	Accounted value on consolidated balance sheet	Current Value	Difference
(1) Cash and cash equivalents	27,389	27,389	-
(2) Notes and accounts receivable	23,484	23,484	-
(3) Electronically recorded monetary claims	2,522	2,522	-
(4) Investment securities (Others)	3,458	3,458	-
Assets Total	56,855	56,855	-
(1) Notes and accounts payable	6,094	6,094	-
(2) Electronically recorded obligations-operating	5,724	5,724	-
(3) Short-term debt	1,200	1,200	-
(4) Long-term debt (current portion)	400	401	1
Liability Total	13,419	13,420	1

Notes 1. Evaluation method of financial instrument and information for investment securities and derivatives

Assets

(1) Cash and cash equivalents

Based on book value because all cash equivalents are current amounts, current value is mostly equivalent to book value.

(2) Notes and Account receivables, (3) Electronically recorded monetary claims

Based on book value because all settlements are planned in short-term, current value is mostly equivalent to book value.

(4) Investment Securities

These are based on market price because all of securities are the stocks. Additional notes are described in "Securities".

Liabilities

(1) Notes and account payables, (2) Electronically recorded obligations-operating, and (3) short term debts

Based on book value because all settlements are planned in short-term, current value is mostly equivalent to book value.

(2) Long term debts

Current value of long-term debt is calculated based on original value and discounted by an estimated interest rate and credit risk discount factor.

Notes 2. Accounted value on consolidated balance sheet of Financial Instruments where current value is omitted (Millions yen)

Type	March 31 <sup>st</sup> , 2015	March 31 <sup>st</sup> , 2016
Investment Securities (unlisted stock)	856	620

These securities are excluded from (3) Investment Securities - other because these securities do not have a listed Market value, the cost/benefit of further estimating their value is negligible.

Notes 3. Notes due for redemption

FY2015/3 (March 31<sup>st</sup>, 2015)

Millions yen

Category	Less than 1 year	1-5 years	5 - 10 years	Over 10 years
Bank deposits	26,855	-	-	-
Notes and accounts receivable	22,399	-	-	-
Electronically recorded monetary claims	914			
Total	50,169	-	-	-

FY2016/3 (March 31<sup>st</sup>, 2016)

Millions yen

Category	Less than 1 year	1-5 years	5 - 10 years	Over 10 years
Bank deposits	27,384	-	-	-
Notes and accounts receivable	23,484	-	-	-
Electronically recorded monetary claims	2,522			
Total	53,391	-	-	-

Notes 4. Repayment schedule after Fiscal year end for short-term and long-term loans

FY2015/3 (March 31<sup>st</sup>, 2015)

Millions yen

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years
Short-term	1,300	-	-	-	-
Long-term	400	400	-	-	-
Total	1,700	400	-	-	-

FY2016/3 (March 31<sup>st</sup>, 2016)

Millions yen

	Less than 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years
Short-term	1,200	-	-	-	-
Long-term	400	-	-	-	-
Total	1,600	-	-	-	-

(Securities)

1. Other Securities

FY2015/3 (March 31<sup>st</sup>, 2015)

Millions yen

Type	Accounted value on consolidated balance sheet	Carrying value	Difference
Securities with a carrying value higher than the acquisition cost Stocks	4,630	2,292	2,337
Subtotal	4,630	2,292	2,337
Securities with a carrying value no higher than the acquisition cost Stocks	57	68	-10
Subtotal	57	68	-10
Total	4,687	2,360	2,327

FY2016/3 (March 31<sup>st</sup>, 2016)

Millions yen

Type	Accounted value on consolidated balance sheet	Carrying value	Difference
Securities with a carrying value higher than the acquisition cost Stocks	3,220	2,080	1,140
Subtotal	3,220	2,080	1,140
Securities with a carrying value no higher than the acquisition cost Stocks	238	283	-45
Subtotal	238	283	-45
Total	3,458	2,364	1,094

2. Securities sold during the Fiscal term

FY2015/3 (April 1<sup>st</sup>, 2014 – March 31<sup>st</sup>, 2015)

Millions yen

Type	Sale price	Proceeds from sales	Loss on sales
Stocks	0	-	0
Total	0	-	0

FY2016/3 (April 1<sup>st</sup>, 2015 – March 31<sup>st</sup>, 2016)

Millions yen

Type	Sale price	Proceeds from sales	Loss on sales
Stocks	0	-	0
Total	0	-	0

(Retirement benefits)

1. Description of retirement benefit plans

The Company has a Lump-sum Retirement Allowance Plan (Savings-type), a Defined Benefit Pension Plan (Savings-type) and a Defined Contribution Pension Plan.

Our domestic consolidated subsidiaries utilize the Lump-sum Retirement Allowance Plan (except savings-type), and some of our domestic consolidated subsidiaries also apply a Defined Benefit Pension Plan (Savings-type) or a Defined Contribution Pension Plan.

Both Net defined liabilities and Retirement benefit costs on domestic consolidated subsidiaries accounted through their Defined Benefit Pension Plan or a Defined Contribution Pension Plan are calculated by the simplified method.

2. Defined Benefit Pension Plan (except the plan which applies simplified method)

(1) Adjustment of Opening balance and Closing Balance of projected benefit obligations

	Millions Yen	
	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Opening Balance	3,252	3,319
Service Cost	225	236
Interest Cost	26	26
Recognized Actuarial Differences	35	-10
Benefit Paid	- 220	-262
Closing Balance	3,319	3,309

(2) Adjustment of Opening balance and Closing Balance of Plan assets (Pension)

	Millions Yen	
	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Opening Balance	4,906	5,938
Expected return on plan assets	24	31
Recognized Actuarial Differences	824	-1,207
Contribution from Entrepreneurs	280	290
Benefit Paid	- 96	-120
Closing Balance	5,938	4,932

(3) Adjustment between the closing balances of projected benefit obligations and Plan assets (Pension), and Net defined liabilities/assets accounted on Balance sheet

	Millions Yen	
	FY2015/3 (March 31 <sup>st</sup> , 2015)	FY2016/3 (March 31 <sup>st</sup> , 2016)
Projected retirement obligation (savings-type)	3,319	3,309
Plan assets(pension)	- 5,938	-4,932
	- 2,619	-1,622
Projected retirement obligation (except savings-type)	-	-
Net defined liabilities/assets on Balance sheet (net)	- 2,619	-1,622
Net defined liabilities	266	105
Net defined assets	- 2,886	-1,727
Net defined liabilities/assets on Balance sheet (net)	- 2,619	-1,622



(4) Components of net periodic pension and severance costs	Millions Yen	
	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Service Cost	225	236
Interest Cost	26	26
Expected return on plan assets	- 24	-31
Expense for actuarial difference	- 205	-221
Expense for prior service cost	- 55	-55
net periodic pension and severance costs	- 34	-45

(5) Adjustments for retirement obligations

Detail of adjustments accounted for as Adjustment for retirement obligation (before tax effect) is as shown below.

	Millions Yen	
	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Unrecognized prior service cost	- 55	-55
Unrecognized actuarial gain or loss	583	-1,418
Total	527	-1,474

(6) Accumulated adjustments for retirement obligations

Detail of adjustments accounted for as Accumulated adjustment for retirement obligation (before tax effect) is as shown below.

	Millions Yen	
	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Unrecognized prior service cost	363	307
Unrecognized actuarial gain or loss	1,227	-191
Total	1,590	116

(7) Detail of Plan Assets

7-1. Detail of Plan Assets

The ratio of each type of assets consisted with plan assets (pension) is as shown below.

	Millions Yen	
	FY2015/3 (March 31 <sup>st</sup> , 2015)	FY2016/3 (March 31 <sup>st</sup> , 2016)
Deposits	0%	48%
Shares	78%	33%
General Account	10%	14%
Bonds	4%	4%
Others	8%	1%
Total	100%	100%

7-2. Method of defining long-term expected returns

Expected returns on Plan assets takes into account the portfolio of assets and current and future accumulating long term earning rates.

(8) Major basis of calculating actuarial gains or losses

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Discount Rate	0.8%	0.8%
Expected Rate of return on plan assets	2.5%	2.5%
Expected salary increase rate	0.1% - 4.7%	0.1% - 4.7%

3. Defined benefit plan applying the simplified method

(1) Adjustment of Opening balance and Closing Balance of Net defined liabilities which applied the simplified method for calculation

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Opening Balance of net defined liabilities	577	550
Cost for retirement allowance	72	53
Retirement allowance paid	- 64	-24
Allowances allocated to plan assets	- 35	-38
Closing Balance of net defined liabilities	550	541

(2) Adjustment between the closing balances of projected benefit obligations and Plan assets, and Net defined liabilities/assets accounted on Balance sheet

	FY2015/3 (March 31 <sup>st</sup> , 2015)	FY2016/3 (March 31 <sup>st</sup> , 2016)
Projected retirement obligation (savings-type)	254	250
Plan assets (pension)	-237	-82
	17	-32
Projected retirement obligation (except savings-type)	533	573
Net defined liabilities/assets on Balance sheet (net)	550	541
Net defined liabilities	550	541
Net defined liabilities/assets on Balance sheet (net)	550	541

(3) Cost for retirement allowances

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Cost for retirement allowances (calculated by simplified method)	72	53

4. Defined Contribution plan

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Contribution payable by the Company and consolidated subsidiaries	293	266
(transferred amount from the lump-sum retirement allowance plan to the defined contribution plan)	(168)	(136)

(Stock options and others)

1. Account and amount charged as expenses

FY2015/3 (April 1<sup>st</sup>, 2014 to March 31<sup>st</sup>, 2015)

Millions yen

Breakdown	Account name: "Stock-based compensation expense"			
	Cost of sales	Selling expense	General and administrative expenses	Total
The 9 <sup>th</sup> share subscription rights	1	0	1	3
The 10 <sup>th</sup> share subscription rights	8	4	8	22
The 11 <sup>th</sup> share subscription rights	5	2	5	12
Share subscription rights issued July 2014 (stock-based compensation type)	-	-	63	63
Total	15	7	78	102

FY2016/3 (April 1<sup>st</sup>, 2015 to March 31<sup>st</sup>, 2016)

Millions yen

Breakdown	Account name: "Stock-based compensation expense"			
	Cost of sales	Selling expense	General and administrative expenses	Total
The 10 <sup>th</sup> share subscription rights	2	1	2	6
The 11 <sup>th</sup> share subscription rights	7	3	7	18
The 12 <sup>th</sup> share subscription rights	6	2	5	14
Share subscription rights issued July 2015 (stock-based compensation type)	-	-	76	76
Total	16	7	92	116

2. Gains and accounts from the expiration of exercising rights

Millions yen

	FY2015/3 (April 1 <sup>st</sup> , 2014- March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015- March 31 <sup>st</sup> , 2016)
Reversal of Share Subscription Rights (Extraordinary Gains)	9	1

### 3. Description, scale, and movement of stock options

#### The Company

##### (1) Description of stock options

##### The 7<sup>th</sup> share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company: 301 Directors of subsidiaries: 8 Employees of subsidiaries: 15
Number and class of shares to be provided (shares)	Common stock: 75,500
Date of issue	September 25 <sup>th</sup> , 2008
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	September 25 <sup>th</sup> , 2008 - September 25 <sup>th</sup> , 2010
Exercise period	September 26 <sup>th</sup> , 2010 - June 30 <sup>th</sup> , 2015

##### The 8<sup>th</sup> share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company: 191 Directors of subsidiaries: 10 Employees of subsidiaries: 72
Number and class of shares to be provided (shares)	Common stock: 62,400
Date of issue	July 12 <sup>th</sup> , 2011
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 12 <sup>th</sup> , 2011 - July 12 <sup>th</sup> , 2013
Exercise period	July 13 <sup>th</sup> , 2013 - June 30 <sup>th</sup> , 2018

##### The 9<sup>th</sup> share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 8 Employees of the Company: 235 Directors of subsidiaries: 9 Employees of subsidiaries: 74
Number and class of shares to be provided (shares)	Common stock: 66,900
Date of issue	July 23 <sup>rd</sup> , 2012
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 23 <sup>rd</sup> , 2012 - July 23 <sup>rd</sup> , 2014
Exercise period	July 24 <sup>th</sup> , 2014 - June 30 <sup>th</sup> , 2019

#### The 10<sup>th</sup> share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 8 Employees of the Company: 235 Directors of subsidiaries: 9 Employees of subsidiaries: 71
Number and class of shares to be provided (shares)	Common stock: 68,500
Date of issue	July 22 <sup>nd</sup> , 2013
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 22 <sup>nd</sup> , 2013 - July 22 <sup>nd</sup> , 2015
Exercise period	July 23 <sup>rd</sup> , 2015 - June 30 <sup>th</sup> , 2020

#### The 11<sup>th</sup> share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 9 Employees of the Company: 250 Directors of subsidiaries: 11 Employees of subsidiaries: 80
Number and class of shares to be provided (shares)	Common stock: 71,300
Date of issue	July 22 <sup>nd</sup> , 2014
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 22 <sup>nd</sup> , 2014 - July 22 <sup>nd</sup> , 2016
Exercise period	July 23 <sup>rd</sup> , 2016 - June 30 <sup>th</sup> , 2021

#### The 12<sup>th</sup> share subscription rights

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 9 Employees of the Company: 256 Directors of subsidiaries: 13 Employees of subsidiaries: 89
Number and class of shares to be provided (shares)	Common stock: 74,800
Date of issue	July 22 <sup>nd</sup> , 2015
Conditions of settlement of rights	Persons who have received allotment of stock acquisition rights must hold the position of director, corporate auditor, or employee of the Company, its subsidiary, or an affiliate at the time of exercise. However, this limitation shall not apply in the case of directors and corporate auditors who have retired due to the expiration of their terms of office or upon reaching retirement age, or employees who have forfeited their position on account of company expediency or due to other similar reasons.
Period grantees provide service in return for stock options	July 22 <sup>nd</sup> , 2015 - July 22 <sup>nd</sup> , 2017
Exercise period	July 23 <sup>rd</sup> , 2017 - June 30 <sup>th</sup> , 2022

Share subscription rights issued June 2005 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company (executive officers): 11
Number and class of shares to be provided (shares)	Common stock: 47,000
Date of issue	June 29 <sup>th</sup> , 2005
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	June 30 <sup>th</sup> , 2005 - June 30 <sup>th</sup> , 2025

Share subscription rights issued July 2006 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Company (executive officers): 12
Number and class of shares to be provided (shares)	Common stock: 29,600
Date of issue	July 14 <sup>th</sup> , 2006
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 15 <sup>th</sup> , 2006 - July 14 <sup>th</sup> , 2026

Share subscription rights issued July 2007 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Company (executive officers): 12
Number and class of shares to be provided (shares)	Common stock: 32,000
Date of issue	July 19 <sup>th</sup> , 2007
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 20 <sup>th</sup> , 2007 - July 19 <sup>th</sup> , 2027

Share subscription rights issued July 2011 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 6 Employees of the Company (executive officers): 2
Number and class of shares to be provided (shares)	Common stock: 33,100
Date of issue	July 12 <sup>th</sup> , 2011
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 13 <sup>th</sup> , 2011 - July 12 <sup>th</sup> , 2031

Share subscription rights issued July 2012 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company (executive officers): 2
Number and class of shares to be provided (shares)	Common stock: 35,600
Date of issue	July 23 <sup>rd</sup> , 2012
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 24 <sup>th</sup> , 2012 - July 23 <sup>rd</sup> , 2032

Share subscription rights issued July 2013 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 7 Employees of the Company (executive officers): 2
Number and class of shares to be provided (shares)	Common stock: 35,100
Date of issue	July 22 <sup>nd</sup> , 2013
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 23 <sup>rd</sup> , 2013 - July 22 <sup>nd</sup> , 2033

Share subscription rights issued July 2014 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 8 Employees of the Company (executive officers): 2
Number and class of shares to be provided (shares)	Common stock: 38,100
Date of issue	July 22 <sup>nd</sup> , 2014
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 23 <sup>rd</sup> , 2014 - July 22 <sup>nd</sup> , 2034

Share subscription rights issued July 2015 (stock-based compensation type)

Categories and numbers of persons to whom rights are granted (persons)	Directors of the Company: 8 Employees of the Company (executive officers): 1
Number and class of shares to be provided (shares)	Common stock: 36,100
Date of issue	July 22 <sup>nd</sup> , 2015
Conditions of settlement of rights	In principle, directors and executive officers of the Company may exercise their stock acquisition rights after losing their positions.
Period grantees provide service in return for stock options	Because it is difficult to reasonably predict the date of rights allotment, the length of service shall not be considered.
Exercise period	July 23 <sup>rd</sup> , 2015 - July 22 <sup>nd</sup> , 2035

## (2) Scale and movement of stock options

## [1] Numbers of stock options

	The 7 <sup>th</sup> share subscription rights	The 8 <sup>th</sup> share subscription rights	The 9 <sup>th</sup> share subscription rights	The 10 <sup>th</sup> share subscription rights	The 11 <sup>th</sup> share subscription rights	The 12 <sup>th</sup> share subscription rights
Non-exercisable stock options						
Stock options outstanding at end of previous Fiscal Year (shares)	-	-	-	68,500	71,300	-
Stock options granted (shares)	-	-	-	-	-	74,800
Forfeitures (shares)	-	-	-	-	400	300
Conversion to exercisable stock options (shares)	-	-	-	68,500	-	-
Stock options outstanding (shares)	-	-	-	-	70,900	74,500
Exercisable stock options						
Stock options outstanding at end of previous Fiscal Year (shares)	30,100	39,900	46,800	-	-	-
Conversion from non-exercisable stock options (shares)	-	-	-	68,500	-	-
Stock options exercised (shares)	21,400	17,000	16,200	5,100	-	-
Forfeitures (shares)	8,700	-	-	100	-	-
Stock options outstanding (shares)	-	22,900	30,600	63,300	-	-

	Share subscription rights issued June 2005 (stock-based compensation type)	Share subscription rights issued July 2006 (stock-based compensation type)	Share subscription rights issued July 2007 (stock-based compensation type)	Share subscription rights issued July 2011 (stock-based compensation type)	Share subscription rights issued July 2012 (stock-based compensation type)	Share subscription rights issued July 2013 (stock-based compensation type)
Non-exercisable stock options						
Stock options outstanding at end of previous Fiscal Year (shares)	12,800	8,800	10,800	33,100	33,100	32,600
Stock options granted (shares)	-	-	-	-	-	-
Forfeitures (shares)	-	-	-	-	-	-
Conversion to exercisable stock options (shares)	3,200	2,200	2,400	5,600	5,600	2,000
Stock options outstanding (shares)	9,600	6,600	8,400	27,500	27,500	30,600
Exercisable stock options						
Stock options outstanding at end of previous Fiscal Year (shares)	-	-	-	-	-	-
Conversion from non-exercisable stock options (shares)	3,200	2,200	2,400	5,600	5,600	2,000
Stock options exercised (shares)	3,200	2,200	2,400	5,600	5,600	2,000
Forfeitures (shares)	-	-	-	-	-	-
Stock options outstanding (shares)	-	-	-	-	-	-



	Share subscription rights issued July 2014 (stock-based compensation type)	Share subscription rights issued July 2015 (stock-based compensation type)
Non-exercisable stock options		
Stock options outstanding at end of previous Fiscal Year (shares)	35,600	-
Stock options granted (shares)	-	36,100
Forfeitures (shares)	-	-
Conversion to exercisable stock options (shares)	2,000	-
Stock options outstanding (shares)	33,600	36,100
Exercisable stock options		
Stock options outstanding at end of previous Fiscal Year (shares)	-	-
Conversion from non-exercisable stock options (shares)	2,000	-
Stock options exercised (shares)	2,000	-
Forfeitures (shares)	-	-
Stock options outstanding (shares)	-	-

[2] Price information

	The 7 <sup>th</sup> share subscription rights	The 8 <sup>th</sup> share subscription rights	The 9 <sup>th</sup> share subscription rights	The 10 <sup>th</sup> share subscription rights	The 11 <sup>th</sup> share subscription rights	The 12 <sup>th</sup> share subscription rights
Paid-in value (yen)	1,525	1,642	1,428	2,162	1,876	2,825
Average market price of the stock at the time of exercise (yen)	2,757	2,676	2,682	2,629	-	-
Fair value at the date of grant (yen)	209	541	334	646	521	572

	Share subscription rights issued June 2005 (stock-based compensation type)	Share subscription rights issued July 2006 (stock-based compensation type)	Share subscription rights issued July 2007 (stock-based compensation type)	Share subscription rights issued July 2011 (stock-based compensation type)	Share subscription rights issued July 2012 (stock-based compensation type)	Share subscription rights issued July 2013 (stock-based compensation type)
Paid-in value (yen)	1	1	1	1	1	1
Average market price of the stock at the time of exercise (yen)	2,774	2,774	2,774	2,774	2,774	2,774
Fair value at the date of grant (yen)	-	4,944	4,046	1,431	1,036	1,957

	Share subscription rights issued July 2014 (stock-based compensation type)	Share subscription rights issued July 2015 (stock-based compensation type)
Paid-in value (yen)	1	1
Average market price of the stock at the time of exercise (yen)	2,774	-
Fair value at the date of grant (yen)	1,672	2,129

#### 4. Valuation of fair value of stock options granted during Fiscal Year

(1) Calculation method used : Black Scholes option pricing model

(2) Basic assumption and valuation method used

	The 12th share subscription rights	Share subscription rights issued July 2015 (stock-based compensation type)
Stock Price Volatility	35.716% *Note 1	41.842% * Note 2
Expected life	4.5 years *Note 3	10 years *Note 3
Expected dividend per share	¥55 *Note 4	¥55 *Note 4
Risk-free interest rate	0.075% *Note 5	0.407% *Note 5

Notes:

1. Calculated based on the list stock price records from the past 4.5 years (Closing price of each business day from January 22<sup>nd</sup>, 2011 - July 22<sup>nd</sup>, 2015).
2. Calculated based on the list stock price records from the past 10 years (Closing price of each business day from July 22<sup>nd</sup>, 2005 - July 22<sup>nd</sup>, 2015).
3. Assumed to be the mid-point between the vesting date and the end of the contractual term.
4. Based on the dividend records from the 12 months preceding the vesting date (¥22 interim dividend and ¥33 year-end dividend for FY2015/3).
5. Based on the yield of Japanese government bonds over the expected life.

#### 5. Estimation of the number of stock options vested

Because it is fundamentally difficult to reasonably estimate the future number of forfeitures, we have adopted a method which utilizes only historical data for the number of forfeitures.

(Tax effect accounting)

1. Significant components of deferred tax assets and liabilities	Millions yen	
	FY2015/3 (March 31 <sup>st</sup> , 2015)	FY2016/3 (March 31 <sup>st</sup> , 2016)
Deferred tax assets		
Net defined benefit liabilities	276	565
Securities contribution to employees' retirement benefits trust	146	388
Provision for employees' bonuses	328	311
Inventories	325	300
Accrued enterprise tax	181	183
Share subscription rights	124	133
Investment Securities	93	126
Accrued expense	99	104
Others	413	274
Gross deferred tax asset subtotal	1,988	2,389
Less valuation allowance	-318	-353
Total Deferred tax assets	1,670	2,036
Deferred tax liabilities		
Undistributed earnings of foreign subsidiaries	-485	-575
Gain on securities contribution to employees' retirement benefits trust	-459	-365
Holding gain or loss in investment	-752	-335
Others	-29	-36
Total deferred tax liabilities	-1,728	-1,312
Net deferred tax assets	-58	723

Note: Net deferred tax assets for FY2015/3 and FY2016/3 are included in following accounts on the Consolidated Balance sheet.

	Millions yen	
	FY2015/3 (March 31 <sup>st</sup> , 2015)	FY2016/3 (March 31 <sup>st</sup> , 2016)
Current Assets - Deferred tax assets	782	984
Fixed Assets - Deferred tax assets	155	29
Fixed Liabilities - Deferred tax liabilities	-996	-289

2. Reconciliations between the effective corporate tax rates reflected in the consolidated financial statements and the statutory tax rate

	FY2015/3 (March 31 <sup>st</sup> , 2015)	FY2016/3 (March 31 <sup>st</sup> , 2016)
	Statutory tax rate of the Company	35.64%
(Reconciliation)		
Effect by special tax credits	- 8.68%	- 8.29%
Effect by differences of corporate tax rate between the Company and consolidated subsidiaries	- 1.45%	- 0.80%
Undistributed earnings of foreign subsidiaries	0.90%	0.69%
Effect by change in corporate tax rate	0.88%	0.47%
Amortization of goodwill	0.93%	0.42%
Others	1.22%	0.76%
Effective corporate tax rate	29.44%	26.31%

3. Adjustment of amount of Deferred tax assets and Deferred tax liabilities due to a change of Corporate tax rate

Through the promulgations of “The Law to Revise the Corporate Tax” and “The Law to Revise Local Tax” on March 29<sup>th</sup>, 2016, Corporate tax rates for the calculation of deferred tax assets and deferred tax liabilities (limited to the ones where differences settled after April 1<sup>st</sup>, 2015) have changed from 32.26% to 30.86% (for the ones collected or paid from April 1<sup>st</sup>, 2016 to March 31<sup>st</sup>, 2018), and to 30.62% (for the ones collected or paid after April 1<sup>st</sup>, 2018).

As a result of this change, amounts in the following accounts have increased or decreased.

- Deferred tax assets (net value after deducting deferred tax liabilities): ¥42 million decrease
- Holding gain or loss in investment: ¥17 million increase
- Accumulated adjustment for retirement obligation: ¥2 million increase
- Adjustment on corporate tax and others: ¥62 million increase.

(Segment information)

1. Overview of reportable segments

(1) Method of defining reportable segments

The reportable segments of the Company are the business segments for which separate financial information can be obtained and are at the level where the Company's board of directors conducts periodic reviews leading to the allocation of resources and evaluation of business performance.

The Company consists of internal companies known as the Semiconductor Company and the Metrology Company, and each company's products and services are managed under comprehensive strategies inside and outside of Japan.

Therefore, the Company defines "SPE" and "Metrology instrument" as reportable segments based on the intercompany system and their outputs.

The "SPE" consists of manufacturing and sales of process and inspection equipment to be applied to Semiconductor Manufacturing Processes and the "Metrology Equipment" consists of manufacturing and sales of precision measurement equipment such as 3D coordinate measuring machines and surface texture and contour measuring instruments.

(2) Primary products of each reportable segment

SPE segment: Wafer probing machines, wafer dicing machines, polish grinders,  
Wafer manufacturing machines, CMPs, precision dicing blades

Metrology segment: 3D coordinate measuring machines, roundness and cylindrical profile  
Measuring instruments, surface texture and contour measuring  
instruments, machine control gauges, various automated measuring,  
sorting, and assembling machines

2. Method of calculation of sales, profit/loss, assets/liabilities and/or others in reportable segments

The method of calculating segment results is mostly the same as applied to the consolidated financial statements. Therefore, segment profit is based on consolidated operating income.

### 3. Net sales, profit/loss, assets/liabilities and/or others in reportable segments

FY2015/3 (April 1<sup>st</sup>, 2014 - March 31<sup>st</sup>, 2015)

Millions yen

	Reportable Segments			Adjustment *1	Consolidated Total *2
	SPE	Metrology Instrument	Total		
I. Sales					
Sales to third party:	40,179	26,266	66,445	-	66,445
Intersegment sales to transfer	-	-	-	-	-
Total	40,179	26,266	66,445	-	66,445
Segment Profit	6,963	5,160	12,124	-	12,124
Segment Assets	57,835	40,028	97,863	593	98,457
Others					
- Depreciation and amortization	1,238	599	1,837	-	1,837
- Amortization of Goodwill	133	294	427	-	427
- Increase in Tangible / Intangible Fixed assets	2,459	789	3,249	-	3,249

#### Notes

\*1: adjustment for corporate assets which are not allotted to the segments such as long-term investments (other investment securities)

\*2: Segment profit is same amount as operating income stated in the consolidated financial statements.

FY2016/3 (April 1<sup>st</sup>, 2015 - March 31<sup>st</sup>, 2016)

Millions yen

	Reportable Segments			Adjustment *1	Consolidated Total *2
	SPE	Metrology Instrument	Total		
I. Sales					
Sales to third party:	41,773	28,500	70,274	-	70,274
Intersegment sales to transfer	-	-	-	-	-
Total	41,773	28,500	70,274	-	70,274
Segment Profit	7,339	5,883	13,222	-	13,222
Segment Assets	61,195	40,162	101,358	575	101,933
Others					
- Depreciation and amortization	1,340	671	2,012	-	2,012
- Amortization of Goodwill	119	141	261	-	261
- Increase in Tangible / Intangible Fixed assets	2,940	855	3,795	-	3,795

#### Notes

\*1: adjustment for corporate assets which are not allotted to the segments such as long-term investments (other investment securities)

\*2: Segment profit is same amount as operating income stated in the consolidated financial statements.

(Related Information)

FY2015/3 (April 1<sup>st</sup>, 2014 - March 31<sup>st</sup>, 2015)

1. Information per each product and service

Data for this period is intentionally omitted because the same information is disclosed in “segment information”.

2. Information per geographical segment

(1) Sales

Millions yen

Japan	East Asia				South East Asia	Other Areas	Total
	Taiwan	China	Others	Total			
26,421	10,599	9,314	3,811	23,725	6,864	9,434	66,445

Note) Country segments are determined based on the country where the customer is located.

(2) Tangible fixed assets

Data for this period is intentionally omitted because over 90% of tangible fixed assets accounted on Consolidated Balance Sheets are located in Japan.

3. Transaction with Significant Customers

There is no third party which exceeds over 10% of total sales accounted on Consolidated Statements of Income.

FY2016/3 (April 1<sup>st</sup>, 2015 - March 31<sup>st</sup>, 2016)

1. Information per each product and service

Data for this period is intentionally omitted because the same information is disclosed in “segment information”.

2. Information per geographical segment

(1) Sales

Millions yen

Japan	East Asia				South East Asia	Other Areas	Total
	Taiwan	China	Others	Total			
31,534	9,819	7,865	4,363	22,049	6,600	10,089	70,274

Note) Country segments are determined based on the country where the customer is located.

(2) Tangible fixed assets

Data for this period is intentionally omitted because over 90% of tangible fixed assets accounted on Consolidated Balance Sheets are located in Japan.

3. Transaction with Significant Customers

There is no third party which exceeds over 10% of total sales accounted on Consolidated Statements of Income.



(Impairment losses on fixed assets per each reportable segment)

Not applicable.

(Amortization of goodwill and balance per each reportable segment)

FY2015/3 (April 1<sup>st</sup>, 2014 - March 31<sup>st</sup>, 2015)

Millions yen

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Balance as at FY2015/3 end	430	146	577	-	577

Note) The amortization of goodwill is intentionally omitted because the same information is disclosed in “segment information”.

FY2016/3 (April 1<sup>st</sup>, 2015 - March 31<sup>st</sup>, 2016)

Millions yen

	Reportable Segments			Consolidation and elimination	Total
	SPE	Metrology Equipment	Total		
Balance as at FY2016/3 end	315	-	315	-	315

Note) The amortization of goodwill is intentionally omitted because the same information is disclosed in “segment information”.

(Gain on negative goodwill per each reportable segment)

Not applicable.

(Related parties' information)

Not applicable.

(Per share information)

FY2015/3 (April 1 <sup>st</sup> , 2014 - March 31 <sup>st</sup> , 2015)		FY2016/3 (April 1 <sup>st</sup> , 2015 - March 31 <sup>st</sup> , 2016)	
Net assets per share	1,787.05 yen	Net assets per share	1,903.29 yen
Basic net income per share	217.97 yen	Basic net income per share	234.58 yen
Diluted net income per share	216.93 yen	Diluted net income per share	233.29 yen

Note: Basis for calculations

1 Basic net income per share and diluted net income in per share

Item	FY2015/3 (April 1 <sup>st</sup> , 2014 – March 31 <sup>st</sup> , 2015)	FY2016/3 (April 1 <sup>st</sup> , 2015 – March 31 <sup>st</sup> , 2016)
Basic net income per share		
Net income (Millions yen)	8,993	9,704
Amount not attributed to common shareholders (Millions yen)	-	-
Net income attributable to common shares (Millions yen)	8,993	9,704
Average number of shares of common stock during the fiscal year (shares)	41,258,845	41,368,276
Diluted net income per share		
Details of adjusted net income (Millions yen)	-	-
Details of increase in common stock (shares)	197,615	227,674
(Share Subscription rights(shares))	(197,615)	(227,674)
Securities excluded the calculation of diluted net income per share due to lack of dilutive effects	Share Subscription rights (Stock Option Type)(shares) The 10 <sup>th</sup> 68,500 The 11 <sup>th</sup> 71,300	Share Subscription rights (Stock Option Type)(shares) The 12 <sup>th</sup> 74,800

2. Net assets per share

Item	FY2015/3 (March 31 <sup>st</sup> , 2015)	FY2016/3 (March 31 <sup>st</sup> , 2016)
Total in the Net assets column of the consolidated balance sheet (Millions yen)	74,371	79,418
Amounts to be excluded from Net assets (Millions yen)	555	645
(Share subscription rights (Millions yen))	(385)	(436)
(Minority interest (Millions yen))	(169)	(208)
Net assets as at end of Fiscal Year available to common shareholders (Millions yen)	73,816	78,773
Number of common stock shares used to calculate net assets per share (shares)	41,306,072	41,387,988

(Significant subsequent events)

Not applicable.

[5] Consolidated supplemental statement  
 (Statement of bonds payable)  
 Not applicable.

(Schedule of borrowings)

Category	Balance at beginning of Fiscal Year (Millions yen)	Balance at end of Fiscal Year (Millions yen)	Average interest rate (%)	Repayment term
Short-term loans payable	1,300	1,200	0.57	-
Long-term loans payable scheduled to be paid within 1 year	400	400	0.74	-
Lease obligation scheduled to be paid within 1 year	3	5	6.88	-
Long term loans payable (excepting loans scheduled to be paid within 1 year)	400	-	-	
Lease obligation (expecting obligations scheduled to be paid within 1 year)	6	16	8.32	April 30 <sup>th</sup> , 2017 - October 31 <sup>st</sup> , 2020
Total	2,109	1,621	-	-

Notes

1. The "Average interest rate" represents the weighted-average rate applicable to the year-end balance.
2. The amounts of the long term loans payable (excepting loans scheduled to be paid within 1 year) that are scheduled to be paid within the 5 years following consolidated settlement date are as follows:

Category	1-2 years (Millions yen)	2-3 years (Millions yen)	3-4 years (Millions yen)	4-5years (Millions yen)
Lease obligation	4	5	4	1
Total	4	5	4	1

(Detail of Asset Retirement Obligations)

Not applicable.

(2) Others

[1] Status following the end of the consolidated fiscal year  
Not Applicable.

[2] Quarterly business result of the consolidated fiscal year

(Accumulated period)	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Quarterly Net Sales (Millions yen)	18,367	37,970	52,392	70,274
Quarterly income before income taxes and minority interests (Millions yen)	3,952	7,685	10,006	13,240
Quarterly net income attributable to Owners of the parent (Millions yen)	2,752	5,465	7,204	9,704
Quarterly net income per share (yen)	66.60	132.18	174.19	234.58

(Non-accumulated period)	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter
Quarterly net income per share (yen)	66.60	65.58	42.01	60.39

[3] Important lawsuits or similar issues  
Not applicable.

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